

SUPERANNUATION FUND COMMITTEE

Friday, 6th February, 2015

10.00 am

**Medway Room, Sessions House, County Hall,
Maidstone**





AGENDA

SUPERANNUATION FUND COMMITTEE

Friday, 6th February, 2015 at 10.00 am Ask for: **Denise Fitch**
Medway Room, Sessions House, County Telephone: **03000 416090**
Hall, Maidstone

Please note: that the unrestricted part of this meeting may be filmed by any member of the public or press present.

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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 of the meetings held on 7 and 14 November 2014 (Pages 5 - 10)
- A4 Motion to exclude the Press and Public

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)

- B1 Pryford (Pages 11 - 12)
- B2 Schroder Investment Management Fixed Income
- B3 Investment Manager Monitoring and Strategy (Pages 13 - 52)

UNRESTRICTED ITEMS

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

C. MATTERS FOR REPORT/DECISION BY THE COMMITTEE

C1 Pension Board (Pages 53 - 64)

C2 Admissions to the Fund (Pages 65 - 68)

C3 Date of next meeting

The next meeting of the Committee will be held on 20 March 2015 at 10.00am

Peter Sass
Head of Democratic Services
03000 416647

Thursday, 29 January 2015

- (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 Items B1 and B2.*

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, 7 November 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, Mr J A Davies, Ms J De Rochefort, 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 Elliott and Mr A McKissack

IN ATTENDANCE: Ms D Fitch (Democratic Services Manager (Council)), Ms S Surana (Senior Accountant - Investments), Mr N Vickers (Head of Financial Services) and Mr A Wood (Corporate Director Finance and Procurement).

UNRESTRICTED ITEMS

84. Minutes - 29 August 2014
(Item A3)

RESOLVED that the minutes of the meeting held on 29 August 2014 are correctly recorded and that they be signed as a correct record.

85. Date of meetings - 2015
(Item A4)

The following dates for meetings of the Committee in 2015 were noted:

Friday 6 February 2015
Friday 20 March 2015
Friday 26 June 2015
Friday 28 August 2015
Friday 6 November 2015

86. Motion to exclude the Press and Public
(Item A5)

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.

EXEMPT ITEMS

87. Investment Strategy
(Item B1)

(1) Mr Vickers introduced a report which provided background information to the presentations from Hymans Robertson on diversified asset and from Woodford

Investments on their UK Equity Fund. The report also included additional background information on the 2013 actuarial valuation results and the Fund's long term relative investment performance.

(2) RESOLVED that the background information provided in the report be noted.

88. Hymans Robertson - Presentation
(Item B2)

(1) Mr Elliot and Mr McKissack from Hymans Robertson gave a presentation which provided an overview of the Fund's current strategy and considered the role of each of the Fund's investments within the Fund's long term objective planning. The presentation also included an assessment of the risk and return structure of the current investment strategy and suggested some alternative strategies for the Committees consideration.

(2) Mr Elliot and Mr McKissack replied to a number of questions asked by Committee members.

(3) Mr Vickers explained that at the meeting of the Committee on 14 November 2014 further consideration would be given to the issues that had been raised during this discussion.

(4) RESOLVED that the presentation be noted.

89. Woodford Investment Management - Presentation
(Item B3)

(Mr N Woodford and Mr W Deer of Woodford Investment Management were present for this item but withdrew from the meeting for the Committee's decision making)

(1) The Committee received a presentation by Mr Woodford on his company and the Woodford UK Equities fund. Committee members asked Mr Woodford detailed questions in relation to the company and the fund as part of their due diligence in considering investing in the fund. If the Committee were to decide to invest in this fund they would require assurances around an agreed exit strategy should it be decided at a later date to terminate this investment.

(2) Mr Woodford and Mr Deer withdrew from the Meeting.

(3) The Committee then considered whether they wished to invest in this fund and if so the level of that investment.

(4) RESOLVED that £200m be invested in the Woodford UK Equities fund subject to the receipt of satisfactory assurances.

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, 14 November 2014.

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

ALSO PRESENT: Miss S J Carey

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) and Mr N Vickers (Head of Financial Services).

UNRESTRICTED ITEMS

90. Motion to exclude the Press and Public *(Item A3)*

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.

EXEMPT ITEMS

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

91. Sarasin *(Item B4)*

(Mr Boucher and Mr Talbot-Rice from Sarasin were present for this item)

(1) The Chairman welcomed Mr Boucher and Mr Talbot-Rice from Sarasin to the meeting and invited them to present their report on the global equity mandate which they had managed on behalf the KCC Superannuation Fund since March 2014. Mr Boucher and Mr Talbot-Rice answered questions from Committee members.

(2) The Chairman acknowledged that Sarasin had only been managing this mandate for 7 months and therefore their somewhat disappointing results were not based upon a full year's operation. However, he made Mr Boucher and Mr Talbot-Rice aware that the Committee expected its fund managers to at least achieve the benchmark for 2 years out of 3 and had withdrawn funds from managers that did not achieve this.

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

(Mr Boucher and Mr Talbot-Rice left the meeting).

92. M & G
(Item B5)

(4) The Chairman welcomed Ms Haughey and Mr Rhodes from M & G to the meeting and invited them to present their global equity mandate which they had managed on behalf the KCC Superannuation Fund since November 2013. Ms Haughey and Mr Rhodes answered questions from Committee members on the somewhat disappointing results from their management of this fund in its first year.

(5) The Chairman made Ms Haughey and Mr Rhodes aware that the Committee expected its fund managers to at least achieve the benchmark for 2 years out of 3 and had withdrawn funds from managers that did not achieve this.

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

(Ms Haughey and Mr Rhodes left the meeting.)

93. Fund Structure
(Item B6)

(1) Mr Vickers introduced reports on a number of issues relating to the structure and management of the Fund, including reports from Fidelity and DTZ, and a number of outstanding issues from the meeting of the Committee on 7 November 2014.

(2) RESOLVED that the

- a) reports on Fidelity and Kames be noted and an additional £20m be invested in each of these funds, with the monies to fund this being taken immediately from the State Street UK equity fund.
- b) Corporate Director of Finance and Procurement, in consultation with the Chairman, be given delegated authority to invest £200m in the Woodford UK Equities fund subject to agreement to the final arrangements including fees and satisfactory assurances around exiting the fund.
- c) the Probation transfer be funded from cash and any shortfall taken from the State Street UK equity fund.
- d) the Treasury and Investments manager to analyse the income flows from investments and report back to Members on the impact on cashflow.

UNRESTRICTED ITEMS

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

94. Fund Position Statement

(Item D1)

- (1) Mr Vickers introduced a report which provided a summary of the Fund's asset allocation and performance in particular in relation to equities.
- (2) RESOLVED that the report be noted and that the allocation to equities should not be reduced at this time.

95. Local Government Pension Scheme (LGPS) Governance Regulations

(Item D2)

- (1) Mr Vickers introduced a report on the Governments latest proposals for changes to the governance of the LGPS which were currently out for consultation. A suggested response was circulated with the report.
- (2) RESOLVED that the draft response on page 91 of the Committee papers be approved as this Committees response to the consultation.

96. Pensions Administration

(Item D3)

- (1) Ms Cheatle introduced a report which provided a comprehensive update on administration issues including changes to the LGPS from 1 April 2014, workload position, achievements against Key Performance Indicators, the pensions administration system and CIPFA Benchmarking Survey Results 2014.
- (2) Ms Cheatle answered questions from Committee members on the administration of the scheme. In relation to the cost of communications, Ms Cheatle stated it was intended to move to online access to annual benefit statements in the next few years which would reduce these costs.
- (3) The Committee thanked the staff in the Pensions section for their hard work and the success in dealing with changes to the pension's scheme and implementing the new pensions administration system.
- (4) RESOLVED that the report be noted.

97. Admissions to the Fund

(Item D4)

- (1) Mr Tagg introduced the report on applications to join the Pension Fund and a termination agreement.
- (2) RESOLVED that the Committee agree

- a) to the admission to the Kent County Council Pension Fund of Cater Link Limited;
- b) to the admission to the Kent County Council Pension Fund of Birkin Cleaning Services Limited;
- c) to the admission to the Kent County Council Pension Fund of Mitie Security Limited;
- d) that a termination agreement may be entered into in respect of Capita IT Managed Solutions Limited (re: Thamesview School, Gravesend);
- e) that the Chairman may sign the minutes of today's meeting relating to recommendation (a) to (c) above at the end of today's meeting; and
- f) that once legal agreements have been prepared for (a) to (d) above, the Kent County Council seal can be affixed to the legal documents.

98. Date of next meeting – 6 February 2015
(Item E1)

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

Agenda Item B1

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

Agenda Item B3

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

To: Superannuation Fund Committee – 6 February 2015

Subject: **PENSION BOARD**

Classification: Unrestricted

Summary To make proposals for the establishment of a Pension Board.

FOR DECISION

INTRODUCTION

1. As part of the reforms of public sector pension schemes following Lord Hutton's 2010 review, major changes were proposed in the Public Services Pension Act 2013. The Act included a requirement for the Department for Communities and Local Government (DCLG) to make regulations establishing a National Scheme Advisory Board and requiring each Local Government Pension Scheme (LGPS) administering authority to establish local pension boards.
2. The committee has responded to a number of consultations from the DCLG in August and November 2014. Its responses have been fairly typical of those of administering authorities who have questioned the purpose and role of the new boards. In fact the consensus view would seem to be that for a locally administered scheme such as the LGPS they are wholly unnecessary and reflect fundamental misunderstandings about how the LGPS is currently governed. Notwithstanding this view we have to comply with the regulatory requirement.
3. This report includes a proposed basis for the establishment of a Pension Board for the Kent Fund which will be consulted on.

SECTION 101 COMMITTEE

4. Each administering authority is responsible for administering and managing the LGPS and is now referred to as the scheme manager. Under the Local Government Act 1972 decisions about pensions are delegated in accordance with Section 101 to "committees or sub committees made up of councillors from all of the political groups and will

be politically balanced". In Kent the Constitution delegates this responsibility to the Superannuation Fund Committee.

5. The number of KCC Elected Members on the committee is determined as part of the overall political balance of the County Council. Additionally the committee has:
 - 1) Three District Council representatives, one for each of the Conservative, Labour and Liberal Democrat parties who have full voting rights. It is understood that this arrangement goes back to the mid-1990s and it is timely to review this in light of the establishment of the Pension Board.
 - 2) One Medway Council – representative since 2002 (non- voting). This was the last time that the membership of the committee was reviewed and it was not felt to be appropriate that the second largest employer in the scheme did not have a seat on the committee.
 - 3) Two Kent Active Retirement Fellowship representatives. Again this goes back to when KARF was established in the mid-1990s and there are no voting rights. Pensioners are a key part of the total community of the scheme but there are no decisions which the committee can take which affects the entitlements of pensioners.
 - 4) One trade union representative. This was reduced from 2 members, for the county and district councils in 2002, non-voting.
 - 5) One staff representative from KCC, non-voting.
6. The creation of a Pension Board does not change the core role of the Administering Authority in any way. But it does give the opportunity to review the current membership of the scheme. In this context the main issues are:
 - 1) Formally confirming the arrangements for the district council representatives. The current arrangement of nomination by political group does not accord with normal practice. For example, the Council's Health Overview and Scrutiny Committee has two voting district council representatives – nominated by councils in east and west Kent
 - 2) Determining whether it is possible to give the Medway Council representative full voting rights.
 - 3) Determining whether the KARF, trade union and staff representation is more appropriate through the Pension Board itself.

Changes to the membership of this committee have to be agreed by the County Council and proposals will be included in the report on the

establishment of the Pension Board to be considered by this committee on 20 March 2015 for recommendation to County Council in May 2015.

7. There are no proposals to change the remit of the committee.

PENSIONS REGULATOR

8. The regulatory powers of the Regulator were extended under the 2013 Act to cover some aspects of public service pension schemes, including the LGPS. The Regulator is an existing body corporate established by the Pensions Act 2004 Act. Prior to 1 April 2015, the Regulator regulated occupational and personal pension schemes provided primarily through private sector employers.

9. The Regulator has a number of statutory objectives including to:

- 1) Protect the benefits of pension scheme members,
- 2) Promote, and improve understanding of, the good administration of work-based pension schemes; and
- 3) Maximise compliance with the duties and safeguards of the Pensions Act 2008.

The 2013 Act introduces a framework for the regulatory oversight of aspects of the governance and administration of public service pension schemes by the Regulator from 1 April 2015, through expanding its current role.

10. The Regulator has oversight in areas such as those listed in below and may issue codes of practice for public service pension schemes in these areas. The Regulator has issued the Code of Practice which covers:

- 1) Knowledge and understanding by pension board members.;
- 2) Conflicts of interest;
- 3) Reporting breaches of the law;
- 4) Information to be published about a scheme;
- 5) Internal controls;
- 6) Scheme record-keeping;
- 7) Maintaining contributions;
- 8) Information to be provided to members; and
- 9) Internal dispute resolution.

However, only the areas of knowledge and understanding, conflicts of interest and reporting breaches of the law have direct application to Local

Pension Boards. The other areas apply to administering authorities, although are areas that a Local Pension Board will need to be aware of in order to assist the administering authority.

11. For the avoidance of doubt the powers of the Regulator were not extended to cover areas such as the funding and investment of Funds.
12. The Regulator will have a range of enforcement powers under the 2013 Act including:
 - 1) The power to appoint a person to assist a Local Pension Board in the discharge of its functions if the Regulator considers it desirable for the purpose of ensuring compliance with relevant “pensions legislation”;
 - 2) The power to issue an ‘improvement notice’ to an Administering Authority or to a member(s) of a Local Pension Board directing them to take, or refrain from taking, such steps as are specified in the notice in order to remedy or prevent a recurrence of a contravention of “pensions legislation”;
 - 3) The power to issue a ‘third party notice’ directing a third party to take, or refrain from taking, such steps as are specified in the notice in order to remedy or prevent a recurrence of a contravention of “pensions legislation”;
 - 4) The power to issue a ‘report notice’ to an Administering Authority or to a member(s) of a Local Pension Board requiring them to provide a report on a specified matter(s) which are relevant to the exercise of any of the Regulator's functions;
 - 5) The power to require Administering Authorities and members of Local Pension Boards to produce documents and information;
 - 6) The power to inspect premises;
 - 7) The power to apply for an injunction;
 - 8) The power to apply for restitution where there has been a misuse or misappropriation of any Fund assets;
 - 9) The power to recover unpaid contributions on behalf of an Administering Authority; and
 - 10) The power to impose civil penalties for breaches of certain pensions legislation including the duty for Administering Authorities and members of Local Pension Boards to report breaches of the law, the duty for Administering Authorities to report the late payment of employer contributions and the failure to comply with an ‘improvement notice’ or a ‘report notice’.

As noted above, certain powers of the Regulator are limited to contravention of “pensions legislation”. For this purpose, “pensions legislation” has a specific meaning and includes certain pieces of core pensions legislation which apply to both public and private sector schemes (the Pension Schemes Act 1993; parts of the Pensions Act 1995; the Pensions Act 2004; and statutory provisions on pension sharing on divorce). In terms of the legislation contained in the 2013 Act, “pension legislations” only includes sections 5(4) (pension board: conflicts of interest and representation), 6 (pension board: information), 14 (information about benefits) and 16 (records).

Of the 2013 Act provisions, only section 5(4) (pension board: conflicts of interest and representation) has direct relevance to a Local Pension Board, as the other sections relate to Scheme Manager responsibilities.

13. The other listed statutory provisions are relevant to the extent that a Local Pension Board is responsible for assisting the administering authority to comply with legislation relating to the governance and administration of the LGPS (which will include certain elements of the listed statutes). In all cases, the term “pensions legislation” covers both the statutory provisions listed and any secondary legislation made under those provisions.
14. If the Regulator has reasonable grounds to suspect or believe that a member of a Local Pension Board:
 - 1) Has misappropriated any assets of the Fund or is likely to do so; or
 - 2) Has a conflict of interest in relation to the investment of assets of the Fund

The Regulator must report the matter to the administering authority. However, given that a member of Local Pension Board should not have access to Fund assets or be involved in the investment of Fund assets then the exercise of this duty should be rare in practice.

CONSTITUTION AND MEMBERSHIP OF A LOCAL PENSION BOARD

15. Final regulations for the Pension Board have still not been received so the proposals here reflect the draft Statutory Instrument reported to the committee in November and the January 2015 document produced by the Pensions Regulator.
16. Regulation 106 (1) states that the Pension Board will be responsible for assisting the administering authority:
 - (a) To secure compliance with:
 - (i) These Regulations,

- (ii) Any other legislation relating to the governance and administration of the Scheme and any connected scheme, and
- (iii) Any requirements imposed by the Pensions Regulator in relation to the Scheme.

(b) To ensure the effective and efficient governance and administration of the Scheme.

17. Local Pension Boards must be established no later than 1 April 2015. Established in this context means that the administering authority must have approved the establishment of the Local Pension Board and the Local Pension Board's composition and also the terms of reference, in accordance with its constitution. It does not necessarily mean that the Local Pension Board has to be fully operational by this date. However it is anticipated that a Local Pension Board should be operational within a reasonably practicable period after 1 April 2015 (being no longer than 4 months).
18. The responsibility for establishing a Local Pension Board rests with the administering authority of each Fund. This is something the administering authority must do, it is not optional.
19. An administering authority is given power under regulation 106(5) of the Regulations to determine the procedures applicable to its Local Pension Board, including voting rights, the establishment of sub-committees and the payment of expenses. When exercising this power (as provided for in the 2013 Act), the administering authority must do so in accordance with usual local government principles, acting reasonably and within the powers set out in the Regulations.
20. A Local Pension Board must include an equal number of employer and member representatives with a minimum requirement of no less than four in total. In addition, the Regulations do not preclude that other members may also be appointed to the Board.
21. No officer or councillor of an administering authority who is responsible for the discharge of any function under the Regulations (apart from any function relating to Local Pension Boards or the Scheme Advisory Board) may be a member of a Local Pension Board. The committee did respond to DCLG in November on this issue stating:

“We welcome the amendment which allows elected members to be members of the board. But the absolute refusal to allow elected members of the administering authority to be on the board is unhelpful. The greatest level of expertise resides with these members and the board would greatly benefit from their involvement. We would ask the Secretary of State to allow elected

members of the administering authority to serve on the board but in a minority”.

22. In accordance with section 248A of the 2004 Act, every individual who is a member of a Local Pension Board must:
- (a) Be conversant with:
 - (i) The rules of the LGPS, in other words the Regulations and other regulations governing the LGPS (such as the Transitional Regulations and the Investment Regulations); and
 - (ii) Any document recording policy about the administration of the Fund which is for the time being adopted in relation to the Fund, and
 - (b) Have knowledge and understanding of:
 - (i) The law relating to pensions; and
 - (ii) Such other matters as may be prescribed.
23. The proposals for the Kent Fund Pension Board are set out in Appendix 1. It is proposed that we consult with all employers and interested parties, including trade unions and KARF, on these proposals. Final recommendations can then be made to the committee on 20 March with formal recommendations submitted to Council on 15 May. This will still allow for the first meeting of the board to take place within 4 months of 1 April 2015 as required.

RECOMMENDATIONS

24. Members are asked to agree the consultation document set out in Appendix 1 and the process set out in paragraph 23 above which will include recommendations to the committee at its meeting on 20 March 2015 on consequential changes to its Membership to address the issues set out in paragraph 6 above.

Nick Vickers
Head of Financial Services
03000 416797

KENT COUNTY COUNCIL SUPERANNUATION FUND COMMITTEE

CONSULTATION ON ESTABLISHING A PENSION BOARD

INTRODUCTION

1. Kent County Council is the administering authority for the Kent Pension Fund. The scheme has 110,000 members, there are 500 employers and assets of £4.3bn.
2. As part of the reform of public service pension schemes by the Government there is a new requirement for Local Government Pension Schemes to have a Pension Board sitting alongside the Superannuation Fund Committee.
3. The Superannuation Fund Committee remains responsible for the management of the Fund.
4. Regulation 106(1) of the draft Statutory Instrument states that the Pension Board will be responsible for assisting the administering authority:
 - 1) To secure compliance with:

These Regulations,

Any other legislation relating to the governance and administration of the Scheme and any connected scheme, and

Any requirements imposed by the Pensions Regulator in relation to the Scheme.
 - 2) To ensure the effective and efficient governance and administration of the Scheme.
5. Local Pension Boards must be established no later than 1 April 2015. Established in this context means that the administering authority must have approved the establishment of the Local Pension Board and the Local Pension Board's composition and also the terms of reference, in accordance with its constitution. It does not necessarily mean that the Local Pension Board has to be fully operational by this date. However it is anticipated that a Local Pension Board should be operational within a reasonably practicable period after 1 April 2015 (being no longer than 4 months).
6. This consultation is on the Superannuation Fund Committee's proposals for the membership of the Pensions Board.

PROPOSED APPROACH

7. Membership

Chairman - KCC elected member NOT currently on the Superannuation Fund Committee.

Vice Chairman - to be agreed by the Board.

Member representation (4):

Staff - 2 representatives: 1 KCC and 1 non KCC.

Kent Active Retirement Fellowship - 1 representative.

Trade unions - 1 representative

Employer (4):

KCC - 2 representatives (including Chair) - not members of the Superannuation Fund Committee

District Councils/Medway Council/Police/Fire - 1 representative

Other employers - 1 representative

8. Selection of members

This will vary by the type of member:

Employee representatives will be asked to nominate themselves and a panel of Finance and HR officers from employers will select.

Pensioner - nominated by KARF.

Trade unions - will be approached direct.

Employer representatives - will be nominated by those employers.

9. Relevant Knowledge and Understanding of Representative Members

The Regulations require that individuals appointed have relevant knowledge and understanding. Much of this will come from serving on the Board and there will be a nucleus of member representatives who have experience from currently attending committee meetings in a non-voting role.

Individuals should not have a conflict of interest but membership of the LGPS or the Fund will not constitute a conflict of interest.

10. Term of Office

Given the substantial investment which will need to be made to bring members skills and knowledge up to an acceptable level it is proposed to have a four year membership period.

11. Termination

A member should cease their office where:

A member has a conflict of interest which cannot be managed in accordance with the Board's conflicts policy;

A member dies or becomes incapable of acting;

A member who is a councillor of the Administering Authority is appointed to a Superannuation Fund Committee;

A member is appointed to the role of an officer of the Administering Authority with responsibility for the discharge of functions under the Regulations;

A member resigns.

A representative member ceases to represent his constituency, for example if an employer representative leaves the employment of his employer and therefore ceases to have the capacity to represent the Fund's employers; and

A member fails to attend meetings or otherwise comply with the requirements of being a Board member, for example fails to attend the necessary knowledge and understanding training.

12. Terms of Reference

The board will assist the Superannuation Fund Committee to secure compliance with the requirements of the LGPS Regulations and of the Pensions Regulator.

The board will receive regular reports on governance and compliance issues.

13. Officer Support

The KCC Corporate Director of Finance and Procurement will be responsible for providing professional advice to the board.

Meeting agendas will be prepared and published by KCC Democratic Services, papers will be available on the KCC website and KCC

Democratic Services will minute meetings and publish the minutes on the KCC website.

14. Number of Meetings

The board will meet twice a year in Sessions House, Maidstone.

15. Quorum

A minimum of 4 members will need to be present for the board to be quorate.

16. Substitutes

Substitutes will not be allowed.

17. Expenses

Member representatives will be paid expenses for attending the meeting.

Any expenditure the board proposes to incur will need to be agreed in advance by KCC's Head of Financial Services.

18. Data Protection

All members of the board will be required to comply with KCC's data protection and information security policies.

Responses to the consultation should be made to:

nick.vickers@kent.gov.uk

By 6 March 2015

Nick Vickers
Head of Financial Services
03000 416797

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By: Chairman Superannuation Fund Committee
Corporate Director Finance and Procurement

To: Superannuation Fund Committee – 6 February 2015

Subject: **APPLICATION FOR ADMISSION TO THE FUND AND
OTHER EMPLOYER RELATED MATTERS**

Classification: Unrestricted

Summary: To report on an application to join the Pension Fund and a name change and to update the Committee on a number of current employer related matters.

FOR DECISION

INTRODUCTION

1. This report sets out information on an application to become an admitted body within the Pension Fund. It also advises of a name change. The Committee's approval is sought to enter into these agreements.
2. The Committee are advised that the admission minutes relating to the admission of Westgate Community Trust (Canterbury) Limited are to be signed at the end of today's meeting to facilitate completion on the desired date.
3. The Committee are also updated on a number of current employer related matters.

WESTGATE COMMUNITY TRUST (CANTERBURY) LIMITED

4. At their meeting on 28 June 2013 the Committee agreed that an admission agreement may be entered into with Westgate Community Trust (Canterbury) Limited, who are taking over the running of a community hall from Canterbury City Council.
5. This involves the transfer of one employee from Canterbury City Council to Westgate Community Trust (Canterbury) Limited.
6. The level of bond has since been calculated as £5,000 for the first year however it has not been possible for Westgate Community Trust (Canterbury) Limited to source a bond for this amount at a price that they can afford.
7. Canterbury City Council have now agreed to provide a guarantee as Scheme Employer as an alternative to a bond.

KENT COMMUNITY HOUSING TRUST (AVANTE PARTNERSHIP)

8. Kent Community Housing Trust is an admitted body which joined the Pension Fund on 4 October 1991.
9. On 16 September 2009 they changed their name to Avante Partnership and on 3 December 2014 Avante Partnership changed their name to Avante Care and Support Limited.
10. As the Local Government Pension Scheme Regulations have been amended since the original admission agreement was made, it is proposed that a new admission agreement be entered into which reflects both the name change and the changes to the Regulations.

EMPLOYER RELATED MATTERS

11. The Committee are advised of a number of employer related matters.

Academies

12. There are now approximately 200 academies in the Kent Pension Fund and this number is expected to increase as more schools convert to academies and more free schools are established. Some academies form part of a trust although most are still identified individually so that should the makeup of a trust alter it is possible to deal with any such change.
13. One of these trusts which currently has three academies in the Kent Pension Fund, has recently approached us asking if their other academies which are located in different parts of the country and currently participate in other Local Government Pension Scheme Funds could transfer to the Kent Fund. This would involve 43 academies moving into the Kent Fund and is subject to a Direction from the Secretary of State as well as our agreement.
14. If this change goes ahead it will relate to all the active, deferred and pensioner members of the trust and a bulk transfer will be agreed between Barnett Waddingham and the other administering authorities' actuaries.

Parish and Town Councils

15. There are now approximately 50 Parish and Town Councils in the Kent Fund each having their own employer contribution rate. Parish and Town Councils may join the Pension Fund by making a written resolution to do so, under Schedule 2 Part 2 (a) of the Local Government Pension Scheme (LGPS) Regulations 2013, although they do not have to offer their staff LGPS membership. Some existing resolutions apply to a

specific named individual or class of individual(s), whereas other resolutions apply to any existing and future staff of that employer.

16. We are working with individual authorities as well as the Association of Local Councils to increase the Councils' understanding of the issues involved in membership of the LGPS and with colleagues from the Pensions Admin team hosted a workshop for the Parish and Town Councils in December 2014.
17. Some Parish and Town Councils joined the Kent Fund many years ago and others more recently although there have not been any new Parish and Town Councils coming into the Fund since 1 April 2013. This may be due to the increasing awareness of the financial cost to the employer of joining the LGPS, both in terms of employer contribution rate and the potential costs of becoming 'Exiting' employers when their last active member leaves the Scheme.
18. The LGPS regulations require us to proactively manage employers who are likely to become exiting employers in the future. A review of those employers with 5 or less active members is currently being undertaken, together with a review of Parish and Town Council resolutions.
19. There are a number of Parish and Town Councils which have left the fund and now under the current legislation should make an exit payment to the Fund. We are working with these employers to agree settlement arrangements in particular payments by instalment.
20. We are also discussing with Barnet Waddingham the option of creating a Parish and Town Council group for those authorities still with active members, similar to the Kent and Medway academy pools. This would involve all the Councils paying a common employer contribution rate and they would be pooled for future accrual.

Accounting disclosures – FRS17 / IAS19 reports

21. Some employers in the Kent Pension Fund are required to disclose their pension liability in their annual accounts on the basis of either Financial Reporting Standard 17 or International Accounting Standard 19 and the Fund's actuary prepares annual reports for these employers accordingly.
22. These standard accounting assumptions allow the pensions liabilities of employers to be measured and compared on a consistent basis. The prescribed assumptions used, over which there is limited flexibility, usually produce a much higher liability than that measured on the on-going basis used to calculate the employer contribution rate.
23. Recently, partly due to the fall in the gilt yields which are used as the basis for discounting future pension liabilities, some employers have seen their pensions liability calculated on the FRS17 / IAS19 basis rise

dramatically. This can have a serious adverse impact on an organisations accounts and ability to pay dividends.

24. Exit payments due to the Fund from those employers leaving as Exiting employers have also risen as the actuary has used the same basis for calculating pension liabilities. We are actively working with these Employers to resolve the payment due including settlement by instalment.

Increasing employer activity

25. The Committee is advised that there continues to be an increase in the dialogue with potential and existing employers.
26. There has been an increase in the number of employers applying to join the Kent Fund, mainly due to the restructure of the provision of services by local authorities, as well as those considering leaving the fund or making changes to their organisation such as a name change or change of legal identity.
27. There are now in excess of 500 employers in the Fund.
28. This increased activity is increasing the workload of the KCC Treasury and Investments team. Recent upgrades of the systems for collecting contributions and other income have significantly streamlined these processes however these changes are not seen as the long term solution and further development is likely to be necessary.

RECOMMENDATION

29. Members are asked to agree:
 - 1) to the admission to the Kent County Council Pension Fund of Westgate Community Trust (Canterbury) Limited; and
 - 2) that an amended legal agreement can be entered into with Avante Care and Support Limited; and
 - 3) to note the update on current employer related matters; and
 - 4) that the Chairman may sign the minutes of today's meeting relating to recommendation (1) above at the end of today's meeting; and
 - 5) that once legal agreements have been prepared for (1) and (2) above, the Kent County Council seal can be affixed to the legal documents.

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