SUPERANNUATION FUND COMMITTEE

Friday, 6th November, 2015

10.00 am

Medway Room, Sessions House, County Hall, Maidstone

Kent County Council
kent.gov.uk

AGENDA

SUPERANNUATION FUND COMMITTEE

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

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

By entering into this room you are consenting to being filmed. If you do not wish to have your image captured please let the Clerk know immediately.

UNRESTRICTED ITEMS

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

A. COMMITTEE BUSINESS

A1 Substitutes

A2 Membership

To note that Mr Crowther is no longer a Member of the Committee and that there is currently one vacant unallocated seat on this Committee.

A3 Declarations of Interests by Members in items on the Agenda for this meeting.

A4 Minutes (Pages 5 - 8)

A5 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)

B. MATTERS FOR REPORT/DECISION BY THE COMMITTEE

B1 Sarasin (Pages 9 - 10)

B2 M & G (Pages 11 - 16)

UNRESTRICTED ITEMS

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

C. MATTERS FOR REPORT/DECISION BY THE COMMITTEE

C1 Committee Membership (Pages 17 - 18)

C2 Fund Position Statement (Pages 19 - 28)

C3 LGPS Pooling Proposals (Pages 29 - 44)

C4 Fund Employer Matters (Pages 45 - 54)

C5 Dates of meetings in 2016/17

To note the timetable of meetings for this Committee in 2016 and up until May 2017 as follows:

- 5 February 2016
- 18 March 2016
- 24 June 2016
- 26 August 2016
- 4 November 2016
- 10 February 2017
- 24 March 2017

All will start at 10.00am in the Medway Room, Sessions House, County Hall, Maidstone

Peter Sass
Head of Democratic Services
03000 416647

Thursday, 29 October 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 Item(s) 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, 28 August 2015.

PRESENT: Mr J E Scholes (Chairman), Mr D S Daley (Vice-Chairman), Cllr P Clokie, Mr A D Crowther, Mr D Coupland, Mr J A Davies, Cllr N Eden-Green, Mr T A Maddison, Mr R A Marsh, Mr R J Parry, Mr S Richards, Mr C Simkins, Mrs Z Wiltshire, Mrs M Wiggins and Cllr L Wicks.

ALSO PRESENT: Miss S J Carey

IN ATTENDANCE: Mr N Vickers (Head of Financial Services), Ms B Cheatle (Pensions Manager), Ms A Mings (Treasury & Investments Manager), Ms S Surana (Senior Accountant - Investments), Mr S Tagg (Senior Accountant Pension Fund) and Mr J Cook (Scrutiny Research Officer).

UNRESTRICTED ITEMS

128. Minutes of the meeting held on 26 June 2015
(Item A3)

RESOLVED that the minutes of the meeting held on 26 June 2015 are correctly recorded and that they be signed by the Chairman.

129. Motion to exclude the Press and Public
(Item A4)

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 ITEM

130. Baillie Gifford
(Item B1)

(*Mrs L Dewar and Mr G Roberts from Baillie Gifford were present for this item*)

(1) The chairman welcomed Mrs Dewar and Mr Roberts from Baillie Gifford to the meeting and invited them to present their report on the investments portfolio which they manage on behalf of the Kent Fund. The Baillie Gifford representatives gave an overview of their investment activities, including details of market response to global factors.

(2) The Chairman thanked Mrs Dewar and Mr Roberts for the continued portfolio performance.

(3) RESOVLED that the presentation and the responses to the questions from the Committee be noted.

(*Mrs Dewar and Mr Roberts left the meeting*)

UNRESTRICTED ITEMS

131. Fund Structure
(Item C1)

(1) Mr Vickers presented the report detailing various issues relating to the structure and management of the Fund including updates relating to Woodford Investment, Impax Asset Management, DTZ Investors, M&G Residential Property Fund, Fixed Income Mandates, cash delegation, YFM Private Equity, Henderson Secondary PFI Funds and the future of LGPS investment management.

(2) RESOLVED that;

a) the reports on Woodford, Impax, M&G, the Fixed Income Funds, DTZ and Henderson be noted.

b) authority be delegated to the Corporate Director of Finance and Procurement, following email consultation with all Members of the Committee, to approve the drawing down of additional funds by DTZ up to a limit of £30m for the purposes of urgent investment opportunities.

c) authority be delegated to the Corporate Director of Finance and Procurement to meet cash calls by reducing other assets at his discretion in consultation with the all members of the Committee.

d) an additional £20m be allocated to the M&G Residential Property Fund in two tranches of £10m in 2016 and £10m in 2017.

e) the Corporate Director of Finance and Procurement be given authority to engage with Goldman Sachs Asset Management to consider varying their investment mandate.

f) the Committee agree to the requested lock-in period with Henderson.

g) the investment mandate with YFM be not varied.

h) the position on the future of LGPS investment management be noted.

132. Fund Position Statement
(Item C2)

(1) Mr Vickers presented a summary of the Fund asset allocation and performance. The Committee were advised that despite the financially challenging period, the Kent Fund was still performing well compared to other LGPS Funds.

(2) RESOLVED that the report be noted and that no changes be made to asset allocation.

133. Committee membership
(Item C3)

(1) Mr Vickers introduced the paper, explaining the options presented to the Committee on how to meet current requirements to achieve political balance, emphasising the report was no in any way a comment on the contribution made by the current members of the Committee.

(2) Mr Vickers explained that the need for a review of membership was due to the necessity for the ruling group on the County Council to have a majority of voting members on all Council committees and that this did not include District representatives.

(3) Members discussed the issue, all agreeing that the Committee had historically acted apolitically, with all members working together to achieve the best outcomes for the Fund. It was also noted that the current members had an excellent level of knowledge and expertise.

(4) RESOLVED that the decision on Membership changes be deferred to enable the Head of Financial Services to seek definitive advice on viable options from the Head of Democratic Services and to report back to the next meeting of the Committee.

134. Employer Issues
(Item C4)

(1) Officers introduced a report which updated the Committee on Fund Employers and a number of admissions matters.

(2) Members commented on the high workload involved in managing the numerous employers participating in the Kent Fund. They noted the issues relating to academies and that new academies and existing academy trusts are being encouraged to join multi academy trusts.

(3) RESOLVED that the employer report be noted and:

a) an amended agreement be entered into with Capita IT Managed Solutions Ltd (re St George's CE Foundation School, Broadstairs) and;

b) a termination agreement be entered into with Victory Care Home Ltd and;

c) once legal agreements have been prepared for a) and b) above, the Kent County Council seal be affixed to the legal document.

135. Annual Report and Accounts
(Item C5)

(1) Officers presented the Report and Accounts for 2014/15 and the External Audit Findings Report

(2) RESOLVED that the

a) content of the Annual Report be approved including
- The Funding Strategy Statement
- The Statement of Investment Principles
- Governance Compliance Statement

- Communications Policy

b) content of the Accounts for 2014/15 be noted

c) Report and Accounts for 2014/15 be published

d) external auditor's Audit Findings Report be noted,

e) position with regard to the Governance and Audit Committee be noted

136. Custody Update
(Item C6)

(1) Officers introduced the report detailing the outcome of the custody services review and contract tender.

(2) Officers explained that The Northern Trust Company had been awarded the contract to deliver the back office function given their competitive pricing and capacity to deliver the service as required. The award would result in a 50% saving.

(3) Members asked questions relating to the procurement process, receiving assurances of the adherence to KCC Policy under delegated Officer decisions.

(4) RESOLVED that the outcome of the review and contract award be noted.

137. Pensions Administration Half Year Update
(Item C7)

(1) Officers presented the report detailing the current status of the administration of the Kent Pension Scheme. It was explained that workloads had increased significantly as a result of changes to the pension scheme, increased correspondence and Freedom of Information requests, as well as staff shortages and IT system issues. Members expressed their concern over the current accommodation issues for the administration team.

(2) Members praised the work of the team in continuing to deliver the service in the face of the many challenges.

(3) RESOLVED that the report be noted.

138. Date of next meeting
(Item C8)

Noted that the next meeting date was 6 November 2015 at 10.00am.

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

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By: Chairman Superannuation Fund Committee
Corporate Director of Finance & Procurement
Director of Law & Governance

To: Superannuation Fund Committee – 6 November 2015

Subject: **COMMITTEE MEMBERSHIP**

Classification: Unrestricted

Summary: To determine the Committee's membership.

FOR DECISION

INTRODUCTION

1. The Committee has received a number of reports on its membership this year and at the last meeting the Committee asked for definitive advice for this meeting on viable options.

PROPOSAL

2. This issue originally came up because of the need to:

   (1) Address the issue of the Medway Council representative not having voting rights when the District Council representatives do.

   (2) Make appropriate arrangements for the nomination of District Council representatives.

   (3) Reflect the overall political balance of the Council on the Committee.

3. Awarding voting rights to the Medway Council representative whilst retaining three District Council voting representatives does impact on the political balance issue. It would require adding significant numbers of new Conservative County Councillors in order to comply with the rules on proportionality, which entitles the majority group to have a majority on all Committees taking into account all other voting Members including co-opted Members. Such a significant change to the Committee's membership is not felt to be appropriate at this relatively late stage in this administration. In addition, Members will be aware that it is extremely rare for this Committee to have formal votes and, therefore, the Chairman is of the view that whilst the Conservative Group would be entitled to increase its membership, there is no need to do so and there is also concern that having such a large Committee will become unwieldy.

4. The Chairman is also keen to reiterate that all members of the Committee, voting or non-voting, are able to play a full role in the Committee's work and to contribute to the decision making process.

RECOMMENDATION

5. It is therefore proposed that:

   (1) The Committee membership remains unchanged.

   (2) Voting rights for the Medway Council representative will be reviewed after the May 2017 County Council election.

   (3) The current District Council representatives will remain unchanged and if one of the existing representatives is no longer eligible to be a representative or steps down the Kent Leaders Group will be asked to nominate a replacement.

6. The Head of Democratic Services has been consulted in the preparation of this report and his comments have been taken on board.

Nick Vickers
Head of Financial Services
Tel: 03000 416797
E-mail: nick.vickers@kent.gov.uk

By:	Chairman Superannuation Fund Committee Corporate Director of Finance & Procurement
To:	Superannuation Fund Committee – 6 November 2015
Subject:	**FUND POSITION STATEMENT**
Classification:	Unrestricted

Summary: To provide a summary of the Fund asset allocation and performance, and raise associated investment issues.

FOR DECISION

INTRODUCTION

1. The Fund Position Statement is attached in the Appendix.

QUARTER'S PERFORMANCE

2. The Fund declined in value by -3.6% in the Quarter but this was more than the benchmark return of -3.1% (-2.5% at strategic benchmark). This meant that the Fund lost £154m in value over the quarter. The WM Local Authority Average figures are not yet available.

3. At asset class level the main features were:

   (1) A fall in all major equity markets, with the largest falls in Emerging Markets. North American and European markets fell less than the UK.

   (2) Fixed income markets produced small positive returns.

   (3) UK Property continued to perform strongly.

4. At investment manager level the main features were:

   (1) All the equity managers except Woodford posted negative returns, Woodford was the stand out performer with a return of +0.6% against a benchmark of -5.7%. Of the other equity managers only Baillie Gifford were ahead of benchmark and Sarasin fell in line with benchmark. M&G had a particularly poor quarter.

   (2) Both Fixed Income managers underperformed. Pyrford also underperformed and the Head of Financial Services is meeting them in November to discuss the underperformance in the last 12 months.

(3) The one year return is a modest 2.2% at Fund level which is in line with the benchmark. The three year return is 8.8%, 0.5% ahead of benchmark and well ahead of the return required by the actuary.

5. It now seems that after a run of strong returns from equities markets are weak and global economic shocks such as the slowdown in China do seem to be capable of moving markets significantly downwards. The next major challenge is likely to be the impact of rising interest rates in the US and UK, although the timing of such moves does seem to be moving further out, in part due to Central banks concerns about the impact on fairly weak markets. The Fund's principal diversifier from equities is UK Property and that looks to be having another strong year with an anticipated return of around 15%.

ASSET ALLOCATION

6. Two quarters of negative equity returns have meant that the Fund now has a small underweight position in equities (63.7% against 64%).

7. It is not proposed that any changes should be made.

FOSSIL FUEL INVESTMENTS

8. In late September there was a coordinated campaign launched involving a range of lobbying organisations against fossil fuel investment by LGPS funds. The headline was a total investment of £14bn, the figure given for the Kent Fund was £324m although direct holdings are £204m. The campaign has also been picked up by local environmental groups.

9. Responses provided by members and officers have emphasized:

(1) The overriding fiduciary responsibility to current and future pensioners to be able to pay the pensions due and the responsibility to the local Council tax payer.

(2) The Fund does have a clear Environmental, Social and Governance policy in which we expect our external investment managers to act as responsible investors. The Fund will not take up positions on ethical grounds.

(3) The Fund does have investments in an environmentally based global equity mandate with Impax to emphasize environmental themes.

10. The exposure to fossil fuels has come down and we would hope that investment managers with the huge research resources available to them will seek out new areas of investment in companies that look to new technologies and reduce their reliance on diminishing resource based industries.

CUSTODY TRANSITION

11. Northern Trust formally took over as the Fund custodian on 2 November. The role initially covers the core custody service previously undertaken by J P Morgan and a whole fund accounting service. After a period of parallel running we will end the use of the Europlan Shareholder system. Real time information will put us in a much better position to respond quickly and accurately to Freedom of Information requests and requests on issues like fossil fuels.

12. When these services are established we will look to use Northern Trust for the performance reporting to Committee, both at the quarterly meetings and the monthly reports. The latter currently do not show the whole position of the Fund compared with benchmarks and we need to address this. At that time we will also look at the services which we currently buy from WM/StateStreet.

JOHN LAING SHARES

13. With the winding up of the Henderson Secondary PFI Funds the Fund received John Laing shares valued at £4.9m. In the end there was no lock up period and we can now sell the shares but there is no authority from the Committee to do so. As this will be a decision based upon the best price that can be achieved it is proposed that a delegation is given to the Corporate Director of Finance & Procurement in consultation with the Chairman. The results of the sale will be reported back to the Committee.

RECOMMENDATIONS

14. The Committee is asked to:

    (1) Note the Fund Position.

    (2) Determine whether it wishes to make any asset allocation changes.

    (3) Determine whether it wishes to make any investment manager changes.

    (4) Note the position on fossil fuels.

(5) Note the position on custody.

(6) Agree to delegate to the Corporate Director of Finance and Procurement in consultation with the Chairman the timing of the decision to sell the John Laing shares.

Nick Vickers
Head of Financial Services
Tel: 03000 416797
Email: nick.vickers@kent.gov.uk

FUND POSITION STATEMENT

Summary of Fund Asset Allocation and Performance

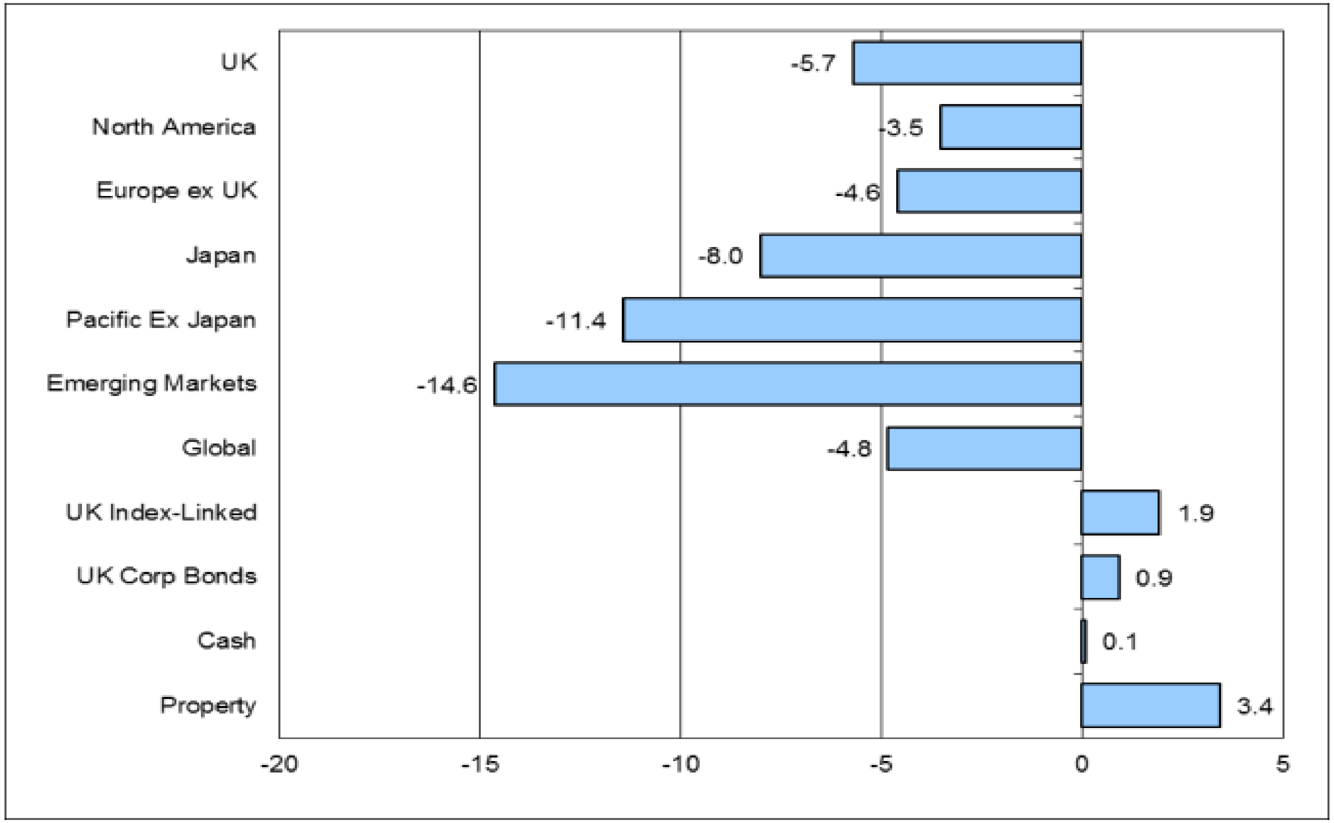
Superannuation Fund Committee

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

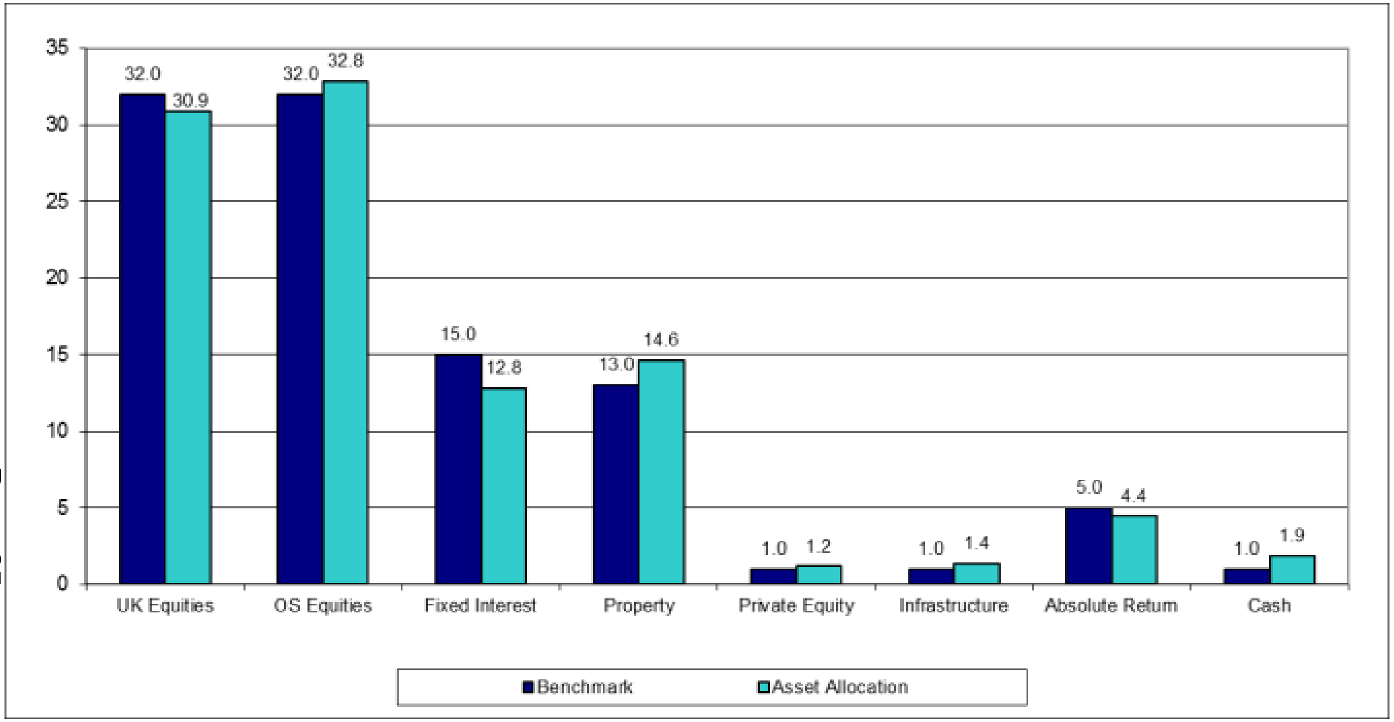
Kent County Council
Superannuation Fund Q3 2015

Nick Vickers—Head of Financial Services

Market Returns - 3 Months to 30 September 2015



Asset Allocation vs Fund Benchmark - 30 September 2015



	Kent Fund		Benchmark
Asset Class	£m	%	%
UK Equities	1,326	30.9	32.0
Overseas Equities	1,409	32.8	32.0
Fixed Interest	549	12.8	15.0
Property	627	14.6	13.0
Private Equity	50	1.2	1.0
Infrastructure	58	1.4	1.0
Absolute Return	191	4.4	5.0
Cash	79	1.9	1.0
Total Value	4,289	100	100.0

Asset Distribution Fund Manager - 30 September 2015

Values (GBP)'000	Mandate	Value at 30/06/2015	Transactions	Capital Gain / loss	Income	Value at 30/09/2015	% *Fund*	Benchmark
Schroders	UK Equity	765,810	9,688	-68,158	9,350	707,341	16	Customised
State Street	UK Equity	347,274	-	-19,806	-39	327,468	8	FTSE All Share
Woodford	UK Equity	215,886	28	1,245	-	217,159	5	FTSE All Share
State Street	Global Equity	196,529	-	-10,434	-51	186,095	4	FTSE All World ex UK
Baillie Gifford	Global Equity	838,389	3,292	-40,552	2,519	801,130	19	Customised
M&G	Global Equity	207,777	-	-24,974	-	182,803	4	MSCI AC World GDR
Sarasin	Global Equity	165,193	548	-10,272	358	155,469	4	MSCI AC World NDR
Schroders	Global Quantitative	201,549	-	-14,558	-212	186,991	4	MSCI World NDR
Goldman Sachs	Fixed Interest	321,846	-	-2,008	-316	319,838	7	+3.5% Absolute
Schroders	Fixed Interest	233,174	0	-3,773	-126	229,401	5	Customised
Impax	Environmental	30,457	-	-1,865	-	28,591	1	MSCI World NDR
DTZ	Property	485,622	-8,635	9,207	4,499	486,194	11	IPD All Properties Index
Fidelity	Property	71,468	29,783	1,963	-	103,214	2	IPD All Properties Index
Kames	Property	39,856	-	700	-	40,555	1	IPD All Properties Index
Harbourvest	Private Equity	40,657	624	3,444	-	44,726	1	GBP 7 Day LIBID
YFM	Private Equity	5,594	-	31	-	5,625	0	GBP 7 Day LIBID
Partners	Infrastructure	47,899	-5,105	4,562	-	47,355	1	GBP 7 Day LIBID
Henderson	Infrastructure	5,543	-315	221	-	5,449	0	GBP 7 Day LIBID
Pyrford	Absolute Return	191,609	-	-949	-	190,661	4	RPI + 5%
Internally Managed	Cash	31,366	-8,383	- 0	21	22,983	1	GBP 7 Day LIBID
Total Fund		4,443,498	21,525	-175,977	16,002	4,289,046	100	Kent Combined Fund

Performance Returns - 30 September 2015

	Quarter		1 year		3 years (p.a.)	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
	%	%	%	%	%	%
Total Fund	-3.6	-3.1	2.2	2.2	8.8	8.3
		-2.5*		2.8*		8.3*
UK Equity						
Schroders UK	-7.7	-5.6	-3.4	-2.2	9.7	7.1
State Street	-5.7	-5.7	-2.3	-2.3	7.3	7.2
Woodford	0.6	-5.7	n/a	n/a	n/a	n/a
Overseas Equity						
Baillie Gifford	-4.5	-6.2	5.2	-0.3	10.7	9.3
Sarasin	-6.0	-6.0	-1.3	-0.1	n/a	n/a
Schroders GAV	-7.3	-4.9	-3.9	1.6	9.1	10.9
State Street	-5.3	-5.3	1.1	1.2	10.6	10.6
Impax Environmental Fund	-6.1	-4.9	-0.9	1.6	9.3	10.9
M&G	-12.0	-5.9	-11.9	0.4	n/a	n/a
Fixed Interest						
Goldman Sachs Fixed Interest	-0.7	0.9	0.4	3.5	3.1	3.9
Schroders Fixed Interest	-1.7	1.1	-0.9	3.6	2.5	2.3
Property						
DTZ Property	2.9	3.4	16.0	15.3	14.6	13.6
Fidelity	1.9	3.4	18.3	15.3	n/a	n/a
Kames	1.8	3.4	10.6	15.3	n/a	n/a
Private Equity						
Harbourvest	8.3	0.1	27.4	0.3	16.5	0.4
YFM	0.6	0.1	-6.7	0.3	-3.0	0.4
Infrastructure						
Partners	10.4	0.1	19.7	0.3	6.9	0.4
Henderson	4.1	0.1	-18.8	0.3	-4.3	0.4
Absolute Return						
Pyrford	-0.5	1.5	1.8	5.8	2.8	7.0

Data Source: SSGS - Performance Services
- returns subject to rounding differences
* Strategic Benchmark
ALL portfolio returns are calculated on a NET of Investment Manager fees basis from 1/4/2014, prior to that

Fund Structure - 30 September 2015

UK Equities	Global Equities	Fixed Interest	Property	Cash/Alternatives
Schroders +1.5% £707m	Baillie Gifford +1.5% £801m	Goldman Sachs +6.0% Abs. £320m	DTZ Property £486m	Kent Cash £23m
State Street +0.0% £327m	M&G +3.0% £183m	Schroders +2.0% £229m	Fidelity Property £103m	Henderson Secondary PFI £5m
Woodford £217m	Schroders +3.0 - +4.0% £187m		Kames Property £41m	Partners Infrastructure £47m
	State Street +0.0% £186m			YFM Private Equity £6m
	Impax +2.0% £29m			HarbourVest Private Equity £45m
	Sarasin +2.5% £155m			Pyrford RPI +5.0% £191m

Market Value £4.3bn
as at 30 September 2015

By:	Chairman Superannuation Fund Committee Corporate Director of Finance & Procurement
To:	Superannuation Fund Committee – 6 November 2015
Subject:	**LGPS POOLING PROPOSALS**
Classification:	Unrestricted

Summary: To give an update on the recent Government announcements and local authority work streams.

FOR DECISION

INTRODUCTION

1. In his June budget the Chancellor of the Exchequer said:

   "Local Government Pension Scheme pooled investments – The government will work with Local Government Pension Scheme administering authorities to ensure that they pool investments to significantly reduce costs, while maintaining overall investment performance. The government will invite local authorities to come forward with their own proposals to meet common criteria for delivering savings. A consultation to be published later this year will set out those detailed criteria as well as backstop legislation which will ensure that those administering authorities that do not come forward with sufficiently ambitious proposals are required to pool investments".

   The report will set out the current understanding of what this means and decisions needed at this point.

CURRENT POSITION

2. Over the last couple of years of the Coalition Government there were a variety of attempts by the Department for Communities and Local Government (DCLG) to instigate significant change in how the LGPS operated. These were:

   - 2013 Call for Evidence.
   - The amalgamation of all the existing funds into 5.
   - Compulsory investment in infrastructure.
   - Compulsory use of passive management

   It is probably fair to say that none of these enjoyed very much support from administering authorities.

3. It does seem that the Government seem to think there are fundamental problems in how the LGPS as a whole operates. But they have done little to set out what they think these are and there appears to be a tension between DCLG generally proposing more devolution to local authorities and the Treasury seeing cost savings as the major issue.

4. DCLG and Treasury have sought to work through the Local Government Association Head of Pensions who is the former Head of Pensions Administration at the London Pension Fund Authority (LPFA). This then led to a number of officer meetings for a small number of selected funds with CLG and Treasury officials. CLG indicated that they were looking for proposals from administering authorities aimed at creating 5 large pools of assets. Individual funds would remain and decide what assets to invest in and continue their other functions but they would no longer select and appoint investment managers.

5. The argument that authorities should be working together to reduce costs is a powerful one but it is also massively simplistic. We know that there is no one investment manager or investment style which works in all circumstances and therefore funds need to spread assets between managers. Whilst collaborative approaches could work, compulsion and the complete removal of any powers for authorities to appoint any fund managers themselves are overly restrictive. There are three prime examples of this for Kent:

   - Investment manager fees- the average investment manager fee for the Fund is 0.3% which we believe is substantially below average. This in part reflects some very long standing arrangements with investment managers who have very large mandates. Potentially we could end up paying higher fees in a pool.

   - Property investment- attached in Appendix 1 is a response to DCLG on why Property should not be included in these arrangements.

   - Woodford UK equities- Kent is the only local authority pension fund invested with Woodford and the Fund has hugely benefitted from appointing Woodford, as it did from his time at Invesco. Given the style of investing it is unlikely that Woodford would be selected to manage a UK equity pool and so we could potentially be forced to end the mandate.

6. The Kent Fund has been run by a highly experienced set of members and officers which has provided a stable basis for decision making. It is clear that this is not the case across the board in the LGPS and there are a core of funds who never add any value. Overall action by DCLG to address these funds would be more productive than a blanket compulsion which will throw aside arrangements in many large funds which work very well. A briefing paper for the Leader in his role as Chairman of the County Councils Network is attached in Appendix 2.

7. At the current time there are no defined timelines but from the information available an expected timeline is:

Government to commission and receive advice from to help set the “common criteria”	Aug – Oct 2015
Consultation (and the backstop enforcement regulation)	Early Nov 2015
Consultation response from all stakeholders (expectation is for 12-week response period)	Early Feb 2016
Draft Regulations published	March 2016
Effective date	April 2016
Creation of asset pools (phased in over three years)	April 2019
Transition of assets for those funds not meeting the ‘common criteria’	Unknown

8. A number of different work streams and initiatives have been launched in the wake of the DCLG meetings and the main ones are:

- Hymans Robertson- Hymans not surprisingly as a leading player in the LGPS actuarial and investment consultancy business have formed a group of around 25 authorities who they will work with to develop options. There was no authority to join this group but Kent is providing data to Hymans that they have requested on investment mandates and fees.

- Meeting with administering authorities in the SE7 Group- the Head of Financial Services met with officers from Hampshire, Surrey, East Sussex and West Sussex at which Hymans presented. Even amongst these five Councils there are very large variations in how they manage the funds and very different views on how to respond to the pooling issue.

- LPFA/Lancashire- these two funds have joined forces to share resources to manage the funds and to co-invest. They are looking to manage equities internally and to do more infrastructure investment. Investments will be focused on London and pensions administration in Lancashire. I would expect them to look to sell services including investment management to other authorities.

- London Collective Investment Vehicle- this has been underway for a couple of years and covers the 31 London Boroughs but not the LPFA. The initial fund managers are those which were most common amongst the London Boroughs so Baillie Gifford will be the first manager to receive funds. It’s believed that through commonality along this will capture £5-10bn of assets. The CIV arrangement excludes the LPFA. It may be possible for other authorities to join.

- Passive Equity Framework- Norfolk Pension Fund has taken the lead over the last couple of years in setting up the National LGPS Frameworks which other authorities can access. Kent appointed Northern Trust as fund custodian through a Global Custody Services Framework contract. The National LGPS Frameworks team at Norfolk have launched an initiative to set up a national framework for passive equity managers and members are asked to support this proposal. A group of funds appointing a passive equity manager or managers on a collaborative basis would achieve exactly the sort of outcome that the Government is looking for but without new regulations or compulsion.

- Chancellor's announcement- The Chancellor of the Exchequer at the beginning of October made announcements which seemed to suggest that a small number of funds would be created and once again raised the issue of Infrastructure investment. The DCLG response to this is in Appendix 3.

KENT RESPONSE

9. From earlier discussions the Committee has not felt that there is a need for radical change in how the Kent Fund is managed. An awareness and an interest in working with others is healthy but the element of compulsion would be totally contrary to how the Fund has operated. It is also contradictory to the quasi trustee role which members of the Committee hold. There are a range of possible responses:

   - Lobby DCLG against the proposals and stay outside any of the initiatives- we could seek to influence outcomes through the lobbying and not support initiatives which we don't think will work.

   - Participation in collaborative procurements arrangements - these can achieve substantially the objective the Government is looking for of reducing fees. The passive equity framework would be an example of this. We could look in future to jointly procure any investment mandates. But this would be on a wholly voluntary basis. Such virtual pools could meet DCLG requirements.

   - Participate actively in setting up pooled vehicles or Collective Investment Vehicles- these could be new vehicles or the London CIV. New vehicles will be quite costly to set up and the governance arrangements would need to be satisfactory. They will mean much more remote influence over manager selection and monitoring and potentially not being able to disinvest when we lose confidence in a manager.

- Work with other funds to create a joint investment management vehicle - with this option the investments would be combined with other funds and managed by an in house team. This would be a major undertaking as we would need expertise on compliance issues (it would need Financial Conduct Authority authorisation), risk management and IT systems. This does look awfully close to setting up our own investment management organisation. The new entity would appoint and monitor investment managers and we would have a role on a managing board. Given that one of the issues for the LGPS is that there are already far too many investment managers to choose from the idea that the answer is for administering authorities to set up their own investment vehicles does seem counter intuitive.

10. There is also a difficult line to determine between participating in the development of solutions which the Committee does not feel are optimal and standing outside of the discussions and therefore having little or no influence on the outcome.

RECOMMENDATIONS

11. The Committee is asked to agree to the following:

    (1) Allow officers to participate in ongoing discussions with other Funds which will be fully reported to the Committee.

    (2) Endorse participation in the National LGPS passive equity framework tender process.

    (3) Delegate responsibility to the Corporate Director of Finance and Procurement the preparation of a response to any formal consultation document from DCLG in consultation with members.

Nick Vickers
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APPENDIX 1

Local Authority Pension Fund Property Investment

Introduction

This note sets out the basis for the current approach local authority pension funds have to investing in direct property and the main reasons for maintaining these arrangement.

Investment Rationale

Local authority pension funds have a significant exposure to property. According to the independent StateStreet performance measurement service 8% of assets were allocated as at 31 March 2015. The main reasons for investing in the asset class were:

- Diversification away from equities.
- As long term investors local authority pension funds can manage the illiquidity of the asset class and be paid a premium for this.
- Scope for growth in capital value.
- Long term income streams which match the long term liabilities funds have.
- Ability to select asset managers who can add value though skill.

Case Study-Kent County Council Superannuation Fund
In 1995 KCC appointed what is now DTZ Investors to manage a £60m property mandate. 20 years later the direct DTZ portfolio is worth £450m and the Fund has other property investments in secondary pooled funds bringing the total allocation to around £600m. During the period 1995-2015 the Fund has added additional capital of £215m and has seen capital growth of £145m. Additionally there is an income yield of around 6% per annum. Over the 20 year period there has been an average return of 10.8% per annum. The Kent Fund has regularly won property industry investment awards where its performance has been compared predominantly with private sector funds. The Fund has a portfolio of around 30 strongly performing assets which if sold into the market would have a hefty premium attached to them. The Fund does not wish to sell but to derive returns to pay current and future pensions from the income stream of rents and benefit from long term capital growth.

Why maintain the current approach to direct property?

The main investment reasons for maintaining the current approach are:

- Funds have built up their direct property portfolios over a long period. Scarcity of supply for high quality assets and the huge amount of due diligence needed to support a purchase means that direct property portfolios take considerable time and cost to build up. If a Fund has invested in the due diligence and incurred the substantial purchase costs (e.g. stamp duty and legal fees) it needs to hold the assets and receive the financial benefits over long periods. A Fund passing its assets into a pooled fund would have these financial benefits seriously diluted to its detriment financially.

- By running its own portfolio the Fund also has control over liquidity i.e. it is not in a position where it could be forced to sell good assets to balance the needs of other investors. By the same token, it is not under pressure from other investors to buy into the market at times when high quality stock is not available at sensible prices. As an independent scheme, the Kent Fund has been able to avoid sales and purchases at injudicious prices during market cycles and instead taken a measured approach which has resulted in better investment decisions.

- Each asset is unique and has been purchased for specific investment reasons. So unlike equities where a stock in a particular company is the same for all the investors no two properties are the same from an investment perspective. A pooling of the assets from different local authority funds means that the benefits of the expertise in selecting those assets will be lost.

Case Study- Battersea Park

The Kent Fund owns two properties in Battersea Park, one used for car servicing and one as a cash and carry. The December 2014 valuation was £23.5m but DTZ have already started working with Wandsworth Council on an ambitious scheme to build approximately 300 flats on the site. The potential value of this opportunity depending upon whether Kent develop the scheme itself or sell to a developer is a multiple of the £23.5m, easily double that value but quite possibly a lot more.

Clearly the Kent Fund would want to benefit in full financially from the development of its asset and not pool this benefit with others. The fiduciary responsibility of the Kent Fund is to its current and future pensioners and the employers who contribute to the scheme.

Again, pooled investors might have different maturity or risk profiles which would make this harder to achieve.

- Investment manager skill is a major determinant of returns. This skill applies in the first place to the identification and bidding for a property but at the right price. Once an asset is acquired then the investment manager will use their expertise to add value. For example the Kent Fund owns a retail outlet centre in Doncaster. DTZ are adding to value by using existing car park provision to add additional retail and food outlets thus giving additional income and adding to the capital value.

- Adding value requires significant resource. DTZ Investors use substantial resource from across what is now Cushman & Wakefield. This takes the form of class-leading market research, advice on market trends, dealing with occupiers and buildings, reporting and financial management.

- Valuation of assets would be a contentious issue. If an investor wants to invest in a high performing pooled investment fund then they will be required to pay a premium to get into the fund. Local authorities would similarly want a premium, which would have to be negotiated, for their assets.

- There would be substantial transaction costs such as stamp duty (stamp duty on purchases of commercial property over £500,000 is 4%) and very substantial legal costs.

- Costs of setting up an investment vehicle.

- Availability of high quality investment managers for such a large mandate.

<u>Conclusion</u>

Whilst the failure of some local authority funds to effectively manage their equity investments is clear and needs to be addressed the larger local authority funds which have been able to build up highly successful direct property portfolios have demonstrated skill both internally and through their selection of external managers to justify these assets continuing to be managed locally.

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APPENDIX 2

BRIEFING NOTE

LGPS INVESTING

Introduction

In his June budget the Chancellor of the Exchequer said:

"Local Government Pension Scheme pooled investments – The government will work with Local Government Pension Scheme administering authorities to ensure that they pool investments to significantly reduce costs, while maintaining overall investment performance. The government will invite local authorities to come forward with their own proposals to meet common criteria for delivering savings. A consultation to be published later this year will set out those detailed criteria as well as backstop legislation which will ensure that those administering authorities that do not come forward with sufficiently ambitious proposals are required to pool investments".

This is the latest in a series of attempts by Government to achieve some change in the LGPS investment world starting with the Call for Evidence in 2013. These include proposals for:

- The amalgamation of the existing funds into 5.
- Complusory investment in infrastructure.
- Compulsory use of passive management

Each of these initiatives fizzled out achieving nothing. Whilst clearly the LGPS has to be transparent and accountable for the actions it takes there are significant downsides to the latest CLG ideas.

Current Position

There are 89 funds in England and Wales managing around £180bn – so an average £2bn each. There is actually a large variation in size:

- Ex Metropolitan counties eg Greater Manchester, West Yorkshire, West Midlands- at around £10bn.
- County funds of which Kent £4bn would be one of the largest. The county funds probably account for 50-60% of total assets.
- 32 London Borough funds typically less than £1bn.

No fund is 100% funded and all face reduced cash flows as local authority budgets and workforce reduce dramatically because of deficit reduction.

It is important to be clear that the funds only exist to pay current and future pensions. The local pension committees of the administering authorities have a pseudo trustee role in relation to the management of monies placed in the fund by employees and employers.

The Investment Regulations set by the Department of Communities and Local Government give very substantial freedoms to funds to invest as they wish and there is no real central monitoring of their activities. Management of the fund takes varying priority within Councils- there are serious issues of capability in some places. This is epitomized by the London Boroughs who collectively manage £30bn but do so through an amazing 90 managers with 300 separate mandates. The creation of a Collective Investment Vehicle to pool investments will address this but it has taken three years to get to where they are and it is still not fully implemented.

Facts

There is much publically available information from independent sources about just how well the LGPS is managed. For instance:

- 20 year return of 8% per annum compared with inflation of 3%.
- 3 year return of 11% against inflation of 2%.
- These funds are in general performing well..
- Average investment fees of 0.41%-less than the comparative cost in the corporate pension world.
- Kent pays an average fee rate of 0.3%.
- On average funds are not overpaying for investment managers fees.

An analysis presented by Hymans Robertson in 2014 showed that net of investment manager fees only one third of funds had added value over the benchmark return. It is also clear that there are a set of consistently under performing funds and something does need to be done about them.

CLG Proposals

Officers have been selectively invited by the LGA pensions lead officer to roundtable discussions with CLG officials. Whilst CLG are reluctant to commit to anything they seem to want to create 5 large pools of assets, individual funds will remain and decide what assets to invest in but they will have no choice of investment managers.

Whilst some pooling of assets makes sense there are important asset classes such as direct property where it makes no investment sense at all. It is a very centralized solution and it would take away the innovation which many County funds bring to this work with exemplars of best practice based on local decision making.

There now seem to be a plethora of Officer working groups looking to see how the CLG objectives can be met but without challenging the underlying sense of what is being proposed. There has to date been limited member engagement.

<u>Issues with the CLG proposals</u>

The proposals seem to reflect little understanding of how LGPS investing works. The main issues are:

- Many funds have well established and highly successful investment management arrangements at a very modest cost. The changes proposed could easily mean investment management costs going up.
- Changing asset allocation and investment managers is a very expensive business and will cost hundreds of millions of pounds to achieve and take years to implement.
- There is no evidence that these larger pools are the best way forward-or better than what happens now.
- With strong market returns in recent years funds are getting ever closer to 100% funding levels. As that happens they will need to change asset allocation to hold more bonds to match liabilities. So if these pools are created at great cost they may well have to change yet again.
- The proposals do nothing to address the underperforming funds. They could be targeted for action such as making them hold more assets passively, or restricting the number of investment managers they can have, or partnership arrangements with other funds.
- They completely cut across the fiduciary responsibilities of local pension committees.
- Funds have been making big cost savings through collaborative procurements led by the Norfolk pension Fund.

<u>Timescales</u>

It is understood that CLG will be looking to brief ministers in late October with a view to some announcements after that and then they will consider detailed proposals in the spring.

<u>What we should do</u>

A more considered approach would be:

- Be absolutely clear what you want administering authorities to achieve and let them get on and deliver it rather than try to impose some ill conceived centralist solution devised by people who don't understand the business.
- If fees are the main issue impose a cost cap on funds- so in total their fees should not exceed a certain level say 0.5%.

- Focus on under performing funds- they could be mentored by better performing funds. Each fund is subject to its own external audit and this could focus more on performance and governance issues.
- Address the London issue- this is already happening through the Collective Investment Vehicle but there are still 32 separate authorities making asset allocation decisions and that’s too many.
- More collaborative procurement of manager through frameworks- funds are looking at a framework contract for the £50bn of passively managed equities.

Department for Communities and Local Government

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7 October 2015

Jeff Houston
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Local Government Association
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Dear Jeff,

On Monday, the Chancellor of the Exchequer unveiled a major four point plan to get Britain building for the future, announcing changes to the way vital infrastructure projects are planned, determined and funded.

The Secretary of State, Greg Clark, wrote to Lord Porter after the July Budget, setting out how we intended to work with local government pension scheme administering authorities to bring forward proposals to invest collectively and deliver savings. The Chancellor's announcement at the Conservative Party Conference builds on the discussions that we have been taking forward with the sector following the Budget, but places infrastructure investment, alongside delivering efficiencies, at the heart of the policy.

The LGPS Funds as currently constituted are too small and fragmented to have the capacity and capability to be a major investor in UK infrastructure. This is why the Chancellor announced that we are going to work with administering authorities to bring together investments into up to six pools spread across the country, creating the conditions to save hundreds of millions in costs and invest billions in infrastructure in the regions.

The Government remains keen to see authorities take the lead in identifying the best way to deliver savings and drive infrastructure investment and, as announced at the Budget, we will shortly be inviting administering authorities to bring forward proposals to deliver pooled investments that meet published criteria. I look forward to continuing to work with you, local authorities and the investment management industry over the next few weeks as we finalise those criteria.

I am copying this letter to each administering authority in England and Wales.

CHRIS MEGAINEY

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By:	Chairman Superannuation Fund Committee Corporate Director of Finance & Procurement
To:	Superannuation Fund Committee – 6 November 2015
Subject:	**FUND EMPLOYER MATTERS**
Classification:	Unrestricted

Summary: To report on Fund employers, applications to join the Superannuation Fund and a number of admission matters.

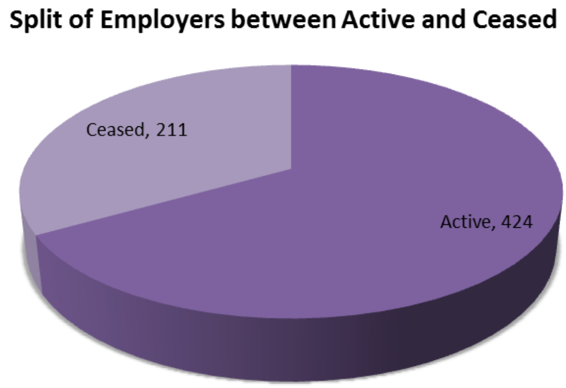
FOR DECISION

INTRODUCTION

1. This report sets out information on Fund employers including an update on academy trusts as employers in the Fund, applications from organisations to become admitted bodies within the Fund and information on a number of admission matters. The Committee's approval is sought to enter into these agreements. The report also advises Committee of a new resolution entity joining the Superannuation Fund.

2. The Committee are advised that the admission minutes relating to the new admission matters and the termination of Rochester Care Home Limited are to be signed at the end of today's meeting to facilitate completion on the desired dates.

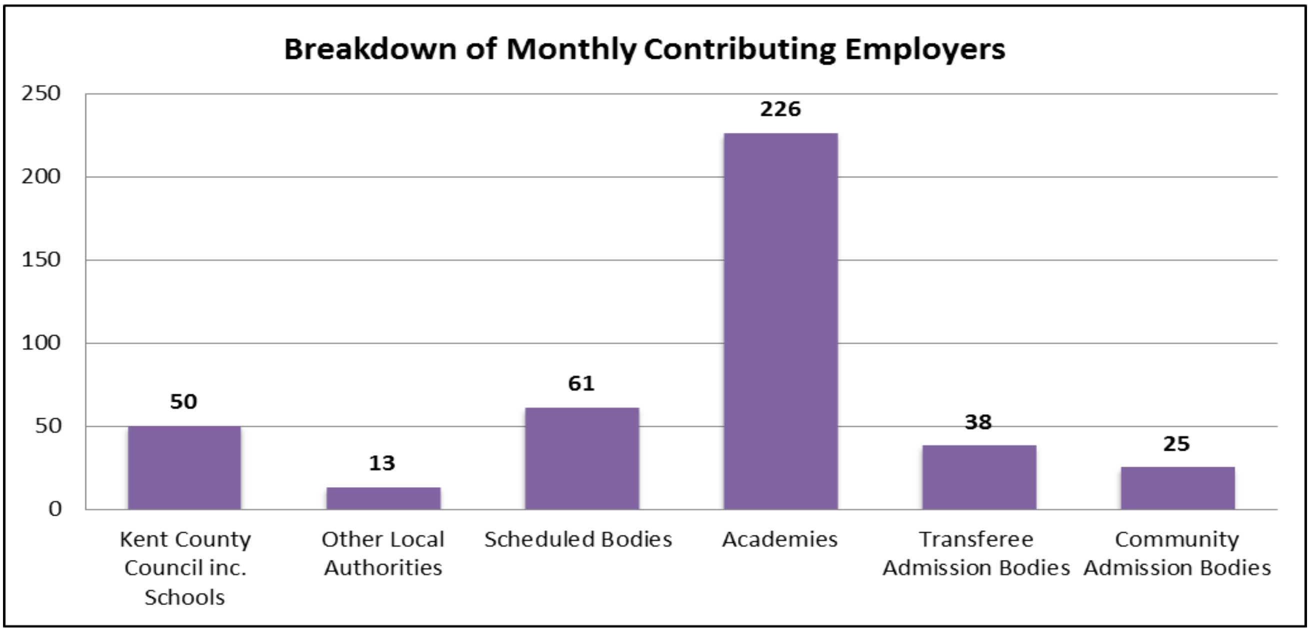
EMPLOYERS IN THE FUND AS AT 30 SEPTEMBER 2015



3. There are currently a total of 635 employers in the Kent Pension Fund. During the 3 months to the end of September the number of Active employers who are regularly paying contributions to the fund increased by 9 to 424 as 10 new employers joined the Fund and 1 Active employer became a Ceased employer.

Of the Active employers 413 pay monthly and 11 pay annual contributions. The 211 Ceased employers no longer have active contributing members in the LGPS but the Fund has an existing or future liability to pay pensions.

4. The following chart shows the Employers from whom the Fund receives monthly contributions, by Employer Group.



5. The following is a list of new employers in the Kent Fund.

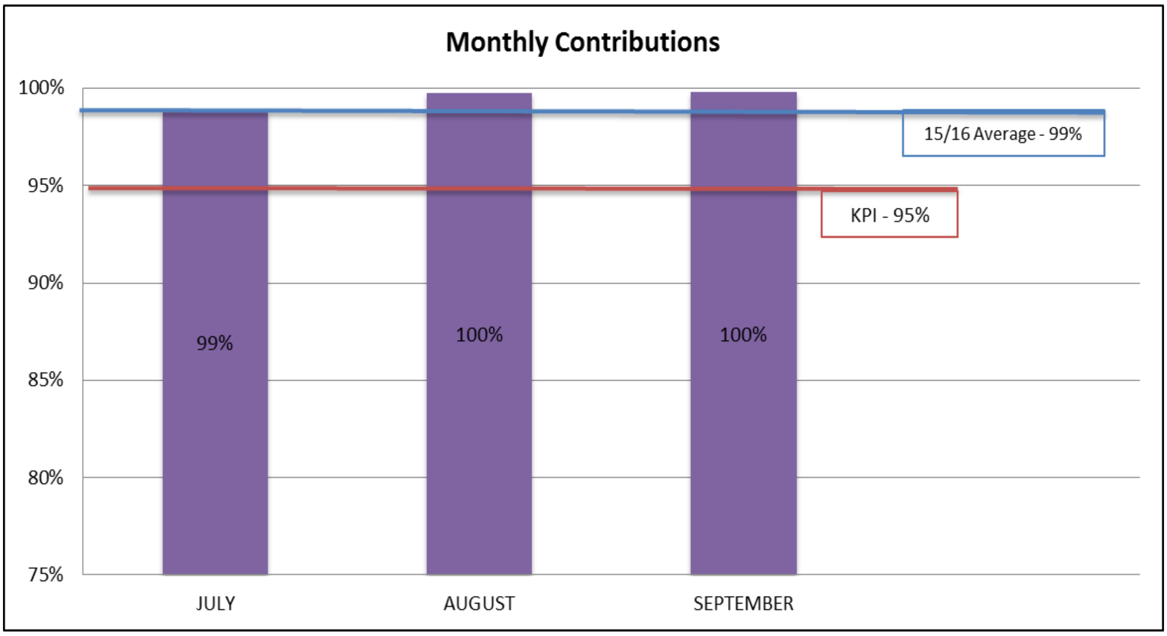
Active employer	Effective date
Reculver CEP School Academy	1 July
St John's Catholic Primary School Academy (Gravesend)	1 July
St Mary of Charity CE VA Primary School Academy	1 July
St Mary's Catholic Primary School Academy (Whitstable)	1 July
Stocks Green Primary School (left KCC payroll)	1 August
Chilton Academy Trust	1 September
Istead Rise Primary Academy	1 September
Pathway Academy Trust	1 September
Medway Anglican Schools Trust	1 September
Danecourt School Academy	1 September
Ceased employer	**Effective date**
Caterlink Limited (re Upton Junior School)	28 August

CONTRIBUTIONS FROM EMPLOYERS QUARTER 2 2015/16

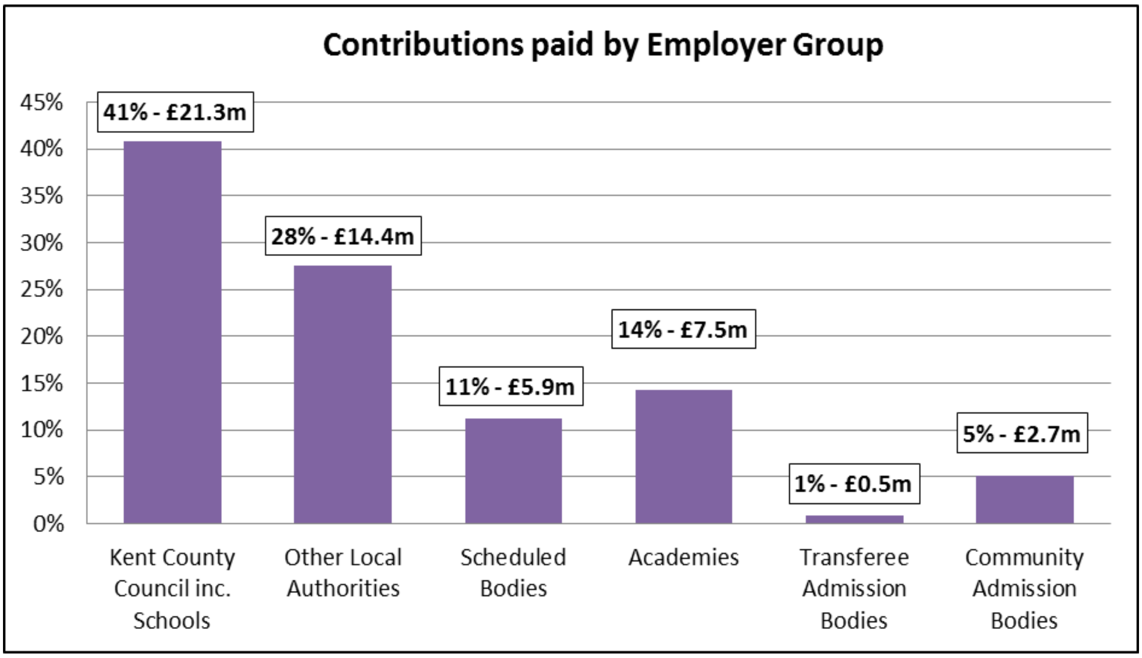
6. In quarter 2 2015/16 the Fund received £52m from Employers in respect their monthly contributions (employer and employee) as follows:

	JULY	AUGUST	SEPTEMBER
	£	£	£
Received Early	10,326,069	8,346,891	9,102,809
Cash on 19th	6,910,900	8,954,609	8,175,940
Received Late	198,222	44,353	36,920
Total	**17,435,191**	**17,345,853**	**17,315,669**

7. KCC monitors the timing of receipt of these contributions compared to a KPI of 95%. To date the KPI has been exceeded each month with an average 99% of all contributions being received on or before the due date.



8. The following table shows that KCC and other local authorities have paid nearly £36m, 69% of all contributions received from employers.



ACADEMY TRUSTS

9. The number of academies set up as employers in the Kent Pension Fund has increased significantly since they were first established back in 2010. There are now 226 academies in the Fund and this number is likely to increase considerably as schools convert and free schools are opened in Kent. The Kent Catholic Schools Partnership is the largest trust in the Kent Fund with 29 academies in their trust.

10. KCC is now making arrangements to recognise the academy trust as the employer in the Fund in order to effectively manage future workloads and costs while reducing Fund risks. This change also recognises the Government's guarantee to LGPS Administering Authorities regarding outstanding LGPS liabilities in the event of the closure of an Academy Trust.

11. The new approach replaces that currently in place whereby the Fund recognises each academy as an employer irrespective of whether it is a single academy trust (SAT) or part of a multi academy trust (MAT). The number of MAT's is increasing as the result of the following:

    1) when schools convert or free schools open they are encouraged to join existing MAT's or set up new MAT's;

    2) existing SAT's are closing with the academies joining MAT's.

    In addition academies are moving between MAT's.

12. When an academy moves from one trust to another KCC agrees with the receiving trust that they are taking over all pension liabilities of the academy together with their Fund assets.

13. We have also agreed with Barnett Waddingham arrangements for employer contribution rates as follows:

    1) Where the MAT includes academies that are currently in both the Kent and Medway academy pools the trust will pay the Kent pool rate as a temporary arrangement until the 2016 valuation is completed. Currently this approach only applies to 3 MAT's;

    2) Where an academy joins a trust it will pay the existing contribution rate of that trust.

14. There is quite a significant amount of work involved for both the Treasury and Investments team and the Pensions Admin staff to change Fund records for existing academies and given available resources it is anticipated that these changes will be complete by 31March 2016.

AGILISYS LTD

15. KCC is awarding a 6 year contract with a possible 4 year extension for Contact Centre and Digital Services effective from 9th December 2015 and this involves the transfer of approximately 148 employees from KCC to Agilisys Ltd.

16. To ensure the continuity of pension arrangements for these employees, Agilisys has made an application to join the Superannuation Fund as an Admitted Body. The admission application has been made under Schedule 2 Part 3 1 (d) (i) of the 2013 LGPS Regulations, as amended, and under this regulation the admitted body is required to provide a form of bond or indemnity.

17. The Fund Actuary has assessed the level of the bond at £339,000 for the first year however KCC has agreed to be responsible for any underfunding risk at the end of the contract and this reduces the value of the bond required for the first year to £241,000. The employer’s contribution rate has been set at 12.4% for a closed agreement.

18. The completed questionnaire and supporting documents provided by Agilisys have been examined by Officers to ensure compliance with the LGPS Regulations, and Legal Services have given a favourable opinion on the application.

INVICTA TELECARE TRADING AS CENTRA PULSE

19. KCC is awarding a 5 year contract for Digital Care and Assistive Technology (including Telecare) Services from 30th November 2015 and this involves the transfer of 6 employees from KCC to Centra Pulse.

20. To ensure the continuity of pension arrangements for these employees, Centra Pulse has made an application to join the Superannuation Fund as an Admitted Body. The admission application has been made under Schedule 2 Part 3 1 (d) (i) of the 2013 LGPS regulations, as amended, and under this regulation the admitted body is required to provide a form of bond or indemnity. The Fund Actuary has assessed the level of bond at £33,000 for the first year and set an employer’s contribution rate of 16.3% for a closed agreement.

21. The completed questionnaire and supporting documents provided by Centra Pulse have been examined by Officers to ensure compliance with the LGPS Regulations, and Legal Services have given a favourable opinion on the application.

CATER LINK LIMITED (re Dover Grammar School for Boys)

22. Dover Grammar School for Boys is awarding a 5 year contract for Catering Services although the effective date is not yet known. This involves the transfer of 5 employees from Dover Grammar School for Boys to Cater Link Limited.

23. To ensure the continuity of pension arrangements for these employees, Cater Link has made an application to join the Superannuation Fund as an Admitted Body. The admission application has been made under Schedule 2 Part 3 1 (d) (i) of the 2013 LGPS Regulations, as amended, and under this regulation the admitted body is required to provide a form of bond or indemnity. The Fund Actuary has assessed the level of bond at £21,000 for the first year and set an employer's contribution rate of 16.5% if open or 17.3% for a closed agreement.

24. The completed questionnaire and supporting documents provided by Cater Link Limited have been examined by Officers to ensure compliance with the LGPS Regulations, and Legal Services have given a favourable opinion on the application.

EBBSFLEET DEVELOPMENT CORPORATION (EDC)

25. Ebbsfleet Development Corporation is a Non Departmental Public Body (NDPB) accountable to the Department for Communities and Local Government (DCLG). The EDC was legally established through Statutory Instrument 2015 No 747 laid in Parliament under the Local Government, Planning and Land Act 1980.

26. The EDC started life on 20 April 2015. Permanent staff are being from June 2015 onwards and the maximum headcount will be 32 FTE.

27. A framework document agreed by DCLG and HMT governs the financial and management processes of the EDC.

28. EDC has made a resolution to join the Superannuation Fund from 20 June 2015. The resolution is made under Schedule 2 PART 2 13 of the LGPS 2013 Regulations and entitles all their current and future staff to be eligible for membership of the LGPS. An admission agreement and bond is not required. Barnett Waddingham has been asked to produce a report to certify the employer contribution payable.

PROJECT SALUS (re Youth Service)

29. Project Salus is a transferee admission body in the Kent Superannuation Fund following the transfer of staff from KCC on 1 August 2014.

30. As this contract has been extended by 3 months to March 2016, it is now necessary to extend the original admission agreement by way of an updated admission agreement.

PROJECT SALUS (re Kent Safe Schools)

31. At their meetings on 16 November 2012 and 21 March 2014 the Committee agreed to extend the admission agreement by Deeds of Modification on the basis that the original commercial contract had been extended. Since these

meetings took place, it has transpired that the original commercial contract was not extended but Project Salus has continued to provide the services. The Fund has received specialist legal advice on such circumstances which confirms we may rely upon a de-facto contract being in place.

32. It is proposed we enter into an updated agreement with Project Salus re Kent Safe Schools.

MYTIME ACTIVE

33. At their meetings on 7 February 2014 and 20 March 2015 Committee agreed to extend the admission agreement by Deeds of Modification on the basis that the original commercial contract had been extended.

34. Since these meetings took place, it has transpired that the original commercial contract was not extended but MyTime Active has continued to provide the services. The Fund has received specialist legal advice on such circumstances which confirms we may rely upon a de-facto contract being in place.

35. It is proposed we enter into an updated agreement with MyTime Active.

FUSION LIFESTYLE LIMITED

36. Fusion Lifestyle Limited is a transferee admission body in the Kent Superannuation Fund following the transfer of staff from Tunbridge Wells Borough Council on 29 September 2006.

37. As this contract has now been extended by 5 years from October 2016, it is necessary to extend the original admission agreement by way of an updated admission agreement.

ROCHESTER CARE HOME LIMITED (re Robert Bean Lodge)

38. Rochester Care Home Limited (re Robert Bean Lodge) are a transferee admission body which joined the Kent Superannuation Fund on 1 September 2013 following a transfer of staff from Medway Council. The last active LGPS member left on 30 June 2015 so they are an exiting employer.

39. We will now obtain an actuarial valuation which will show what, if anything, is payable to the Superannuation Fund and it is proposed that we enter into a termination agreement with Rochester Care Home Limited (re Robert Bean Lodge).

APCOA PARKING UK LIMITED

40. At their meeting on 10 February 2012 the Committee resolved to note the withdrawal of APCOA Parking UK Ltd as a participating employer in the Pension Fund. APCOA has paid the exit liability as required by the Fund.

41. For the avoidance of doubt, Committee are now asked to confirm that they agree to the withdrawal of APCOA Parking UK Ltd as a participating employer in the Kent Pension Fund.

CATERLINK LIMITED (re Upton Junior School)

42. Caterlink Limited is a transferee admission body in the Kent Superannuation Fund following the transfer of staff from Kent County Council on 28 March 2013. The last active LGPS member left on 28 August 2015 resulting in them becoming an exiting employer. We will now obtain an actuarial valuation which will show what, if anything, is payable to the Superannuation Fund.

43. It is proposed that we enter into a termination agreement with Caterlink Limited.

RECOMMENDATION

44. Members are asked to note the information on Fund employers and the update on Academy Trusts.

45. Members are also asked to note that Ebbsfleet Development Corporation is joining the Fund as a Resolution Body.

46. In addition Members are asked to agree;

    1) to the admission to the Kent County Council Superannuation Fund of Agilisys Limited; and

    2) to the admission to the Kent County Council Superannuation Fund of Invicta Telecare trading as Centra Pulse; and

    3) to the admission to the Kent County Council Superannuation Fund of Cater Link Limited (re Dover Grammar School for Boys); and

    4) that an amended agreement can be entered into with Project Salus re Youth Services; and

    5) that an amended agreement can be entered into with Project Salus re Kent Safe Schools; and

    6) that an amended agreement can be entered into with MyTime Active; and

    7) that an amended agreement can be entered into with Fusion Lifestyle Limited; and

    8) that a termination agreement may be entered into with Rochester Care Home Limited (re Robert Bean Lodge); and

9) that a termination agreement can be entered into with APCOA Parking UK Ltd;

10) that a termination agreement may be entered into with Caterlink Limited (re Upton Junior School); and

11) that the Chairman may sign the minute of today's meeting relating to recommendation (1) to (3) and (8) above at the end of today's meeting; and

12) that once legal agreements have been prepared for (1) to (10) above, the Kent County Council seal can be affixed to the legal documents.

Alison Mings and Steven Tagg
Treasury and Investments
03000 416747

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