

SUPERANNUATION FUND COMMITTEE

Friday, 18th March, 2016

10.00 am

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





AGENDA

SUPERANNUATION FUND COMMITTEE

Friday, 18th March, 2016 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.

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 Declarations of Interests by Members in items on the Agenda for this meeting.
- A3 Minutes - 5 February 2016 (Pages 5 - 8)
- 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)

B. MATTERS FOR REPORT/DECISION BY THE COMMITTEE

- B1 Woodford Investment (Pages 9 - 10)
- B2 Fund Structure (Pages 11 - 34)

UNRESTRICTED ITEMS

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

C. MATTERS FOR REPORT/DECISION BY THE COMMITTEE

- C1 Fund Position Statement (Pages 35 - 44)
- C2 Local Government Pension Scheme (LGPS) Pooling Proposals (Pages 45 - 70)
- C3 Pensions Administration (Pages 71 - 82)
- C4 Fund Employers Matters (Pages 83 - 90)
- C5 Risk Register (Pages 91 - 96)
- C6 Date of next meeting

The next meeting of the Committee will be held on 24 June 2016 at 10.00am

Peter Sass
Head of Democratic Services
03000 416647

Thursday, 10 March 2016

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.

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, 5 February 2016.

PRESENT: Mr J E Scholes (Chairman), Mr D S Daley (Vice-Chairman), Cllr J Burden, Cllr P Clokie, 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: Mr J D Simmonds, MBE

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

UNRESTRICTED ITEMS

149. Minutes - 6 November 2015
(Item A3)

RESOLVED that the minutes of the meeting held on 6 November 2015 are correctly recorded and that they be signed by the Chairman.

150. 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 and 5 of part 1 of Schedule 12A of the Act.

B. MATTERS FOR REPORT/DECISION BY THE COMMITTEE

151. YFM Equity Partners
(Item B1)

(1) The Chairman welcomed Mr Canning and Mr White to the meeting. He invited them to present their report on the current investments in their Funds by the Kent Pension Fund and also on a proposal for further investment in a new Fund. They answered questions from Committee members on the current Pension Fund investment and the proposed investment.

(2) RESOLVED that the presentation and the responses to the Committee's questions be noted.

(Mr Canning and Mr White left the meeting after this item.)

152. Fund Structure
(Item B2)

- (1) Mr Vickers introduced a report which covered a number of commercially sensitive issues relating to the management of the Fund.
- (2) RESOLVED that:
 - (a) the current market conditions be noted; and
 - (b) the Committee agree to invest a further £20m with YFM subject to the terms set out in the report for the set-up fee and that the Head of Financial Services use his best endeavours to agree a further reduction in the proposed management fee.

153. Urgent business - property issue

- (1) The Chairman agreed to take as an item of urgent business a matter relating to a property owned by the Fund and managed on its behalf by DTZ, due to the need to make the Committee aware of this matter at the earliest opportunity.
- (2) Mr Vickers referred to the letter which had been sent by the tenant directly to members of the Committee and explained the background and current situation.
- (3) RESOLVED that an acknowledgement be sent to the tenant by the Chairman on behalf of the Committee and the current action being taken being taken be noted.

UNRESTRICTED ITEMS
(Meeting open to the press and public)

154. Local Government Pension Scheme Pooling Proposals
(Item C1)

- (1) Mr Vickers introduced a report which updated the Committee on Local Government Pension Scheme (LGPS) pooling developments since their last meeting. He stated that the proposals published by the Government in November 2015 presented the most radical changes to the management of the LGPS since it was first established. It was clear that the Government was absolutely committed to the pooling proposals. Therefore the Committee's task was to influence them as far as possible in order to ensure that they were sensible and protected the interests of the Kent Fund. The DCLG paper had been circulated along with a draft response to the consultation which was due to close on 19 February 2016.
- (2) The Committee discussed the pooling proposals and officers answered questions on these arrangements.
- (3) RESOLVED that
 - (a) the Committee's preferred option for a pooling arrangement is the ACCESS group; and
 - (b) delegated authority be given to the Corporate Director of Finance and Procurement to incur expenditure on professional advisors in consultation with

- the Chairman of the Committee, with a report on this expenditure being submitted to each meeting of this Committee; and
- (c) the response to the DCLG consultation, as set out in Appendix 2, with the paragraph order amended, be approved.

155. Pension Fund Custody Services Review
(Item C2)

(1) Mrs Mings introduced a report which sought the Committee's approval to expand the Fund's Securities Lending Programme. The report set out details of the current programme parameters, a proposal to expand the current lending programme, benefits and risk.

(2) RESOLVED that an expansion of the Fund's securities lending programme to include lending US stocks be approved.

156. Admissions to the Fund
(Item C3)

(1) Mr Tagg introduced a report which set out information on applications from organisations to become admitted bodies within the Superannuation Fund and advised of a termination and a contract extension.

(2) RESOLVED that:

- (a) the admission to the Kent County Council Superannuation Fund of Churchill Contract Services Ltd be approved; and
- (b) the admission to the Kent County Council Superannuation Fund of Serco Environmental Services Ltd (re Canterbury City Council Grounds Maintenance and Associated Works) be approved; and
- (c) the admission to the Kent County Council Superannuation Fund of Serco Environmental Services Ltd (re Canterbury City Council Waste and Street Cleansing) be approved; and
- (d) an amended agreement be entered into with Project Salus re Youth Services; and
- (e) an amended termination agreement be entered into with Rochester Care Home Ltd (re Robert Bean Lodge); and
- (f) once legal agreements have been prepared for (a) to (e) above the Kent County Council seal be affixed to the legal documents.

157. Date of next meeting
(Item C4)

The next meeting of the Committee will be held on Friday 18 March 2016 at 10.00am.

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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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Agenda Item B2

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

To: Superannuation Fund Committee – 18 March 2016

Subject: **FUND POSITION STATEMENT**

Classification: Unrestricted

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

FOR INFORMATION

INTRODUCTION

1. The Fund Position Statement is attached in Appendix 1 and the January investment performance in Appendix 2.

INVESTMENT PERFORMANCE

2. The Fund increased in value in the Quarter by £222m or 5.0%, well in excess of the benchmark of 4.5% (or 4.2% for the strategic benchmark).
3. At asset class level there were positive returns in all equity markets, Overseas Equities performed once again more strongly than UK Equities. Bond returns were very low or negative.
4. At investment manager level the main issues were:
 - (1) Outstanding performance from Woodford Investment Management with a 12 month return of 16.3% against a benchmark of 1%.
 - (2) Baillie Gifford returning 11.0% for 12 months against a benchmark of 4.5%.
 - (3) Schroders UK Equities and Sarasin Global Equities were slightly behind the 12 month benchmark.
 - (4) M&G Global Equities continued to lag over 12 months as did the Schroders Global Active Value mandate. Both these funds have investment styles that will underperform in these market conditions.
 - (5) Both Fixed Income managers underperformed.

5. So once again the Fund's performance is being driven by Woodford, Baillie Gifford and Property.
6. The January 2016 performance figures are also attached and February figures should be available for the meeting. Benchmark returns of -2 to -3% for equity mandates in January are much less severe than looked likely at one stage.

RECOMMENDATION

7. Members are asked to note the report.

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

Background documents - none

FUND POSITION STATEMENT

Summary of Fund Asset Allocation and Performance

Superannuation Fund Committee

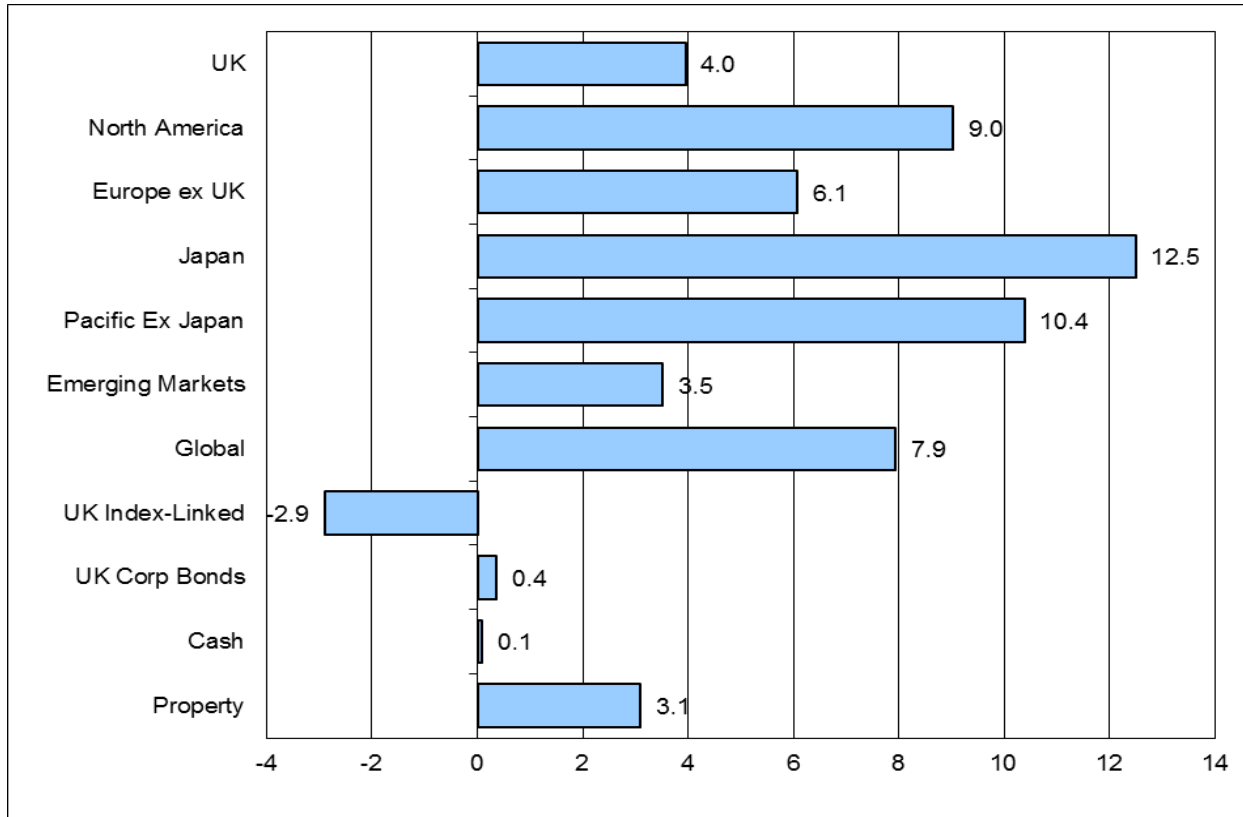
By: Chairman Superannuation Fund Committee
Corporate Director of Finance and Procurement



Kent County Council
Superannuation Fund Q4 2015

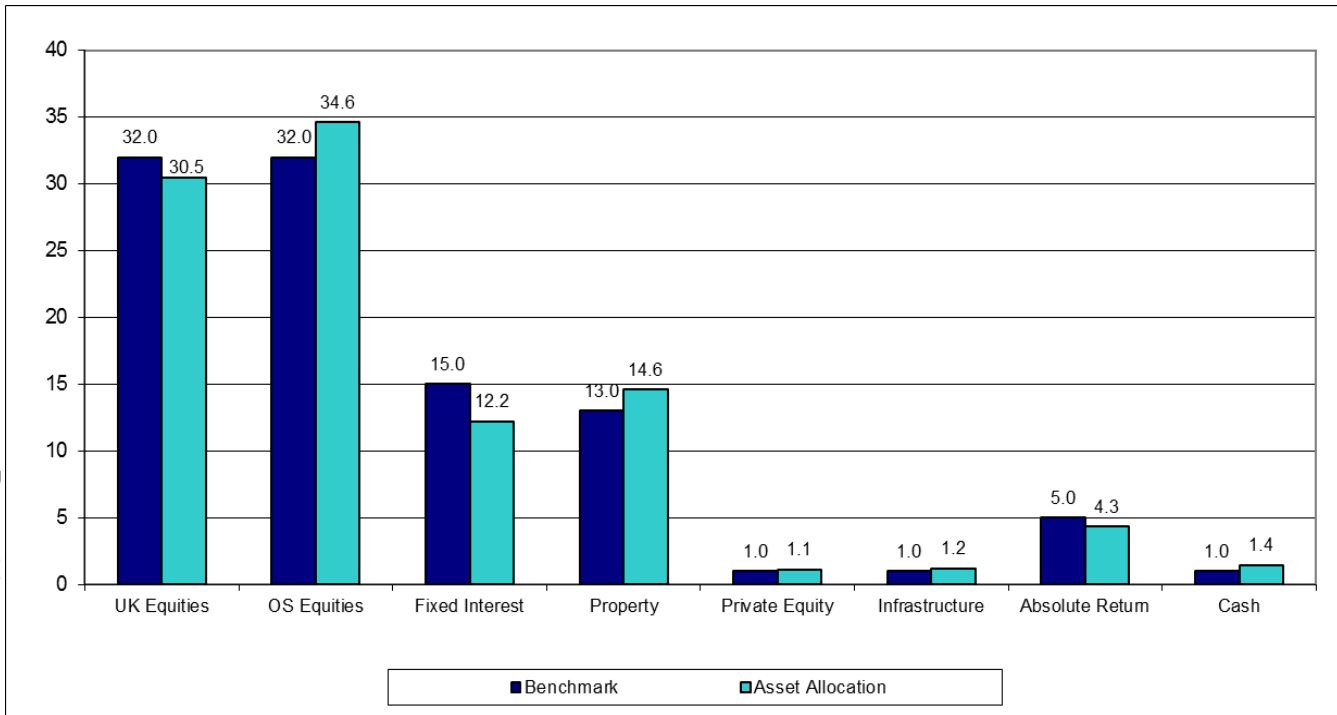
Nick Vickers—Head of Financial Services

Market Returns - 3 Months to 31 December 2015



Asset Allocation vs Fund Benchmark - 31 December 2015

Page 39



| Asset Class | Kent Fund | | Benchmark |
|--------------------|--------------|------------|--------------|
| | £m | % | % |
| UK Equities | 1,375 | 30.5 | 32.0 |
| Overseas Equities | 1,561 | 34.6 | 32.0 |
| Fixed Interest | 552 | 12.2 | 15.0 |
| Property | 658 | 14.6 | 13.0 |
| Private Equity | 51 | 1.1 | 1.0 |
| Infrastructure | 54 | 1.2 | 1.0 |
| Absolute Return | 195 | 4.3 | 5.0 |
| Cash | 65 | 1.4 | 1.0 |
| Total Value | 4,511 | 100 | 100.0 |

Asset Distribution Fund Manager - 31 December 2015

| Values (GBP)'000 | Mandate | Value at 30/09/2015 | Transactions | Capital Gain / loss | Income | Value at 31/12/2015 | % Fund | Benchmark |
|--------------------|---------------------|------------------------|---------------|------------------------|---------------|------------------------|------------|---------------------------|
| Schroders | UK Equity | 707,341 | 3,803 | 18,869 | 3,437 | 730,012 | 16 | Customised |
| State Street | UK Equity | 327,468 | -15,000 | 13,100 | -39 | 325,567 | 7 | FTSE All Share |
| Woodford | UK Equity | 217,159 | 28 | 14,206 | - | 231,392 | 5 | FTSE All Share |
| State Street | Global Equity | 186,095 | - | 15,919 | -53 | 202,014 | 4 | FTSE All World ex UK |
| Baillie Gifford | Global Equity | 801,130 | 2,397 | 76,372 | 1,460 | 879,899 | 20 | Customised |
| M&G | Global Equity | 182,803 | 20,000 | 10,938 | - | 213,741 | 5 | MSCI AC World GDR |
| Sarasin | Global Equity | 155,469 | 386 | 11,998 | 289 | 167,853 | 4 | MSCI AC World NDR |
| Schroders | Global Quantitative | 186,991 | - | 11,937 | -224 | 198,928 | 4 | MSCI AC World NDR |
| Goldman Sachs | Fixed Interest | 319,838 | - | 1,420 | -317 | 321,258 | 7 | +3.5% Absolute |
| Schroders | Fixed Interest | 229,401 | - | 1,264 | -127 | 230,665 | 5 | Customised |
| Impax | Environmental | 28,591 | 14 | 2,301 | - | 30,907 | 1 | MSCI AC World NDR |
| DTZ | Property | 483,286 | -119 | 17,857 | 5,588 | 501,024 | 11 | IPD All Properties Index |
| Fidelity | Property | 103,214 | - | 2,792 | - | 106,005 | 2 | IPD All Properties Index |
| Kames | Property | 40,555 | - | 836 | - | 41,392 | 1 | IPD All Properties Index |
| M&G | Property | - | 12,000 | 247 | - | 12,247 | 0 | IPD All Properties Index |
| Harbourvest | Private Equity | 44,726 | 2,337 | 756 | - | 47,818 | 1 | GBP 7 Day LIBID |
| YFM | Private Equity | 5,625 | 1,270 | 102 | - | 6,998 | 0 | GBP 7 Day LIBID |
| Partners | Infrastructure | 47,355 | 2,701 | 2,118 | - | 52,175 | 1 | GBP 7 Day LIBID |
| Henderson | Infrastructure | 5,449 | - | -451 | - | 4,998 | 0 | GBP 7 Day LIBID |
| Pyrford | Absolute Return | 190,661 | - | 4,489 | - | 195,150 | 4 | RPI + 5% |
| Internally Managed | Cash | 22,983 | -11,603 | 0 | 18 | 11,380 | 0 | GBP 7 Day LIBID |
| Total Fund | | 4,286,138 | 18,214 | 207,070 | 10,033 | 4,511,423 | 100 | Kent Combined Fund |

Performance Returns - 31 December 2015

| | Quarter | | 1 year | | 3 years (p.a.) | |
|-------------------------------|---------|-------------|--------|-------------|----------------|-------------|
| | Fund % | Benchmark % | Fund % | Benchmark % | Fund % | Benchmark % |
| <u>Total Fund</u> | 5.0 | 4.5 | 4.9 | 4.3 | 9.7 | 9.0 |
| | | 4.2* | | 3.8* | | 9.1* |
| <u>UK Equity</u> | | | | | | |
| Schroders UK | 3.2 | 3.9 | -1.1 | 1.0 | 9.0 | 7.1 |
| State Street | 3.9 | 4.0 | 1.0 | 1.0 | 7.3 | 7.3 |
| Woodford | 6.5 | 4.0 | 16.3 | 1.0 | n/a | n/a |
| <u>Overseas Equity</u> | | | | | | |
| Baillie Gifford | 9.7 | 7.7 | 11.0 | 4.5 | 13.0 | 10.6 |
| Sarasin | 7.9 | 7.9 | 3.1 | 3.3 | n/a | n/a |
| Schroders GAV | 6.3 | 7.9 | -0.5 | 3.3 | 10.1 | 12.7 |
| State Street | 8.5 | 8.6 | 4.6 | 4.7 | 12.8 | 12.9 |
| Impax Environmental Fund | 8.0 | 7.9 | 4.0 | 3.3 | 10.6 | 12.7 |
| M&G | 6.2 | 8.1 | -6.6 | 3.8 | n/a | n/a |
| <u>Fixed Interest</u> | | | | | | |
| Goldman Sachs Fixed Interest | 0.3 | 0.9 | 0.8 | 3.5 | 2.3 | 3.4 |
| Schroders Fixed Interest | 0.5 | -0.2 | -1.9 | 0.6 | 2.2 | 2.2 |
| <u>Property</u> | | | | | | |
| D'TZ Property | 4.9 | 3.1 | 14.4 | 13.8 | 15.5 | 14.6 |
| Fidelity | 2.7 | 3.1 | 13.1 | 13.8 | n/a | n/a |
| Kames | 2.1 | 3.1 | 9.8 | 13.8 | n/a | n/a |
| M&G | #2.1 | n/a | n/a | 3.1 | n/a | n/a |
| <u>Private Equity</u> | | | | | | |
| Harbourvest | 1.6 | 0.1 | 20.6 | 0.3 | 17.5 | 0.4 |
| YFM | 1.5 | 0.1 | 4.1 | 0.3 | -3.4 | 0.4 |
| <u>Infrastructure</u> | | | | | | |
| Partners | 4.2 | 0.1 | 21.5 | 0.3 | 8.3 | 0.4 |
| Henderson | -8.3 | 0.1 | -27.2 | 0.3 | -7.1 | 0.4 |
| <u>Absolute Return</u> | | | | | | |
| Pyrford | 2.4 | 1.6 | 2.1 | 6.2 | 3.7 | 6.8 |

Data Source: SSGS - Performance Services

- returns subject to rounding differences

* Strategic Benchmark

part period return

Fund Structure - 31 December 2015

| UK Equities | Global Equities | Fixed Interest | Property | Cash/Alternatives |
|---|---|---|--------------------------------------|--|
| Schroders +1.5% £730m | Baillie Gifford +1.5% £880m | Goldman Sachs +6.0% Abs. £321m | DTZ Property £501m | Kent Cash £11m |
| State Street +0.0% £326m | M&G +3.0% £214m | Schroders +2.0% £231m | Fidelity Property £106m | Henderson Secondary PFI £5m |
| Woodford £231m | Schroders +3.0 - +4.0% £199m | | Kames Property £41m | Partners Infrastructure £52m |
| | State Street +0.0% £202m | | M&G Property £12m | YFM Private Equity £7m |
| | Impax +2.0% £31m | | | HarbourVest Private Equity £48m |
| Market Value £4.5bn as at 31 December 2015 | Sarasin +2.5% £168m | | | Pyrford RPI +5.0% £195m |

KENT COUNTY COUNCIL SUPERANNUATION FUND - JAN 2016 PERFORMANCE

| Fund Manager | Market Value (£m) | Performance | | | |
|------------------------------|-------------------|-------------|-----------|----------|-----------|
| | | 1 Month | | 3 Months | |
| | | Actual | Benchmark | Actual | Benchmark |
| Schroders GAV | 194 | -2.43% | -2.36% | -1.24% | -0.37% |
| Impax Environmental | 30 | -3.90% | -2.40% | -1.20% | -0.40% |
| State Street International | 197 | -2.18% | -2.20% | 0.29% | 0.28% |
| Baillie Gifford* | 844 | -4.10% | -2.90% | -0.30% | -1.00% |
| M&G** | 206 | -3.80% | -2.30% | -5.00% | -0.30% |
| Sarasin | 159 | -5.40% | -2.40% | -3.70% | -0.40% |
| Schroders UK Equity | 711 | -2.60% | -3.04% | -2.86% | -3.71% |
| Woodford Investment | 219 | -5.21% | -3.08% | -3.93% | -3.76% |
| State Street UK Equity | 315 | -3.07% | -3.08% | -3.72% | -3.77% |
| Goldman Sachs Fixed Interest | 321 | -0.12% | 0.29% | -0.97% | 0.87% |
| Schroders Fixed Interest | 228 | -1.18% | 0.05% | -0.91% | 0.13% |
| Pyrford | 197 | 1.13% | -0.28% | 2.11% | 0.96% |

On Benchmark or
Outperformed

Slightly Underperformed

Significantly Underperformed

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

To: Superannuation Fund Committee – 18 March 2016

Subject: **LOCAL GOVERNMENT PENSION SCHEME POOLING**

Classification: Unrestricted

Summary: To update on the LGPS pooling work and seek agreement to proposed project costs.

FOR DECISION

INTRODUCTION

1. At its last meeting the Committee agreed that the Fund should join with the ACCESS Group. This report updates on progress since the last meeting and sets out the approach proposed to get the group to the initial July submission, including proposed project costs.

PROGRESS TO DATE

2. In terms of membership of ACCESS, East Sussex County Council confirmed that it would join and the London Borough of Bromley opted to join the London Collective Investment Vehicle largely on the basis of cost. Hertfordshire County Council is making a final decision at their Council meeting on 22 March. ACCESS now has approaching £30bn of assets and so meets the Government's criteria on size.
3. The KCC submission to DCLG is attached in Appendix 1 and the ACCESS submission in Appendix 2. The issues of working with new partners are not to be underestimated and the fact that the ACCESS submission is a high quality piece of work says much for how good working relationships are being established and about the quality of support from Hymans Robertson.

NEXT STEPS

4. **Governance**
 - (1) Monthly meetings of the Chairman's Group are being set up.
 - (2) The Officer Working Group meets regularly and also has a fortnightly conference call and the workstreams set out below have a weekly call.

5. **DCLG Criteria**

- (1) For 19 July each fund and pool has to submit “ambitious proposals” for pooling investments against the following criteria:
 - Asset pools that achieve the benefits of scale – the pools must be at least £25bn and the proposals should describe the pools, explain how assets will be split between the pools and describe the benefits.
 - Strong governance and decision making – set out proposed governance arrangements at pool and local level.
 - Reduced costs and excellent value for money – this is across the full range of costs incurred. The savings proposed have to be set out in detail.
 - Improved capacity and capability to invest in Infrastructure – how the proportion of investments in Infrastructure are increased. The Project Pool work envisaged a different approach on Infrastructure to other asset classes with a national pool being established.
- (2) The Head of Financial Services is on the officer sub-group for asset pools and the Treasury and Investments Manager for cost reduction.
- (3) The July response will be very challenging to respond to and it is envisaged that the Committee will receive a draft on 24 June. It is already becoming clear that there are a number of key issues where we will need to be robust on our position:
 - Investment vehicle- there are two main options here, either a Collective Investment Vehicle (CIV) where investments are made through an Authorised Contractual Scheme with the ownership of assets transferred to the ACS, or a Collective Asset Pool where ownership of assets remains with the member Funds and investments are pooled. ACCESS in collaboration with several other pools is taking legal advice on this.
 - Governance arrangements- how the member Funds will collectively take decisions.
 - Infrastructure- how Funds meet the Government’s clear desire to see more investment by Local Authority pension Funds in UK Infrastructure.

6. **Project Management**

- (1) The Officer Working Group commissioned Hymans Robertson to provide project and technical support to ACCESS through to the July submission.

After the July submission a procurement will have to be undertaken for this work moving forward. The high level project plan developed by Hymans is included in Appendix 3.

(2) Generally the ACCESS work has proceeded on a consensual basis with good collaboration. The approach to the use of investment consultants has though revealed very different approaches between the funds. Some Funds make no use of investment consultants, some work as Kent does commissioning specific pieces of work from consultants and others rely much more heavily on investment consultants.

(3) The Hymans proposal is:

| | |
|---------------------|------------|
| To date: | |
| ACCESS workshop | £7,000 |
| Consultancy support | £25-30,000 |
| Project support | £27-30,000 |

| | |
|--------------------------|-----------------|
| Proposed to July: | |
| Project Management costs | £80-100,000 |
| Consultancy support | £100-200,000 |
| Legal costs | To be confirmed |

Based upon an equal split of costs this means a figure per fund of £11,500 - £30,500.

(4) Members are asked to agree a budget of up to £50,000 for the work through to the July submission. This investment should set ACCESS on a solid foundation for receiving Government endorsement of the proposal and for moving on from that.

RECOMMENDATIONS

7. Members are asked to:

- (1) Note the progress made on the ACCESS pool and proposed next steps.
- (2) Agree a budget of up to £50,000 for the work for the project management and technical support.

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

Background documents - none

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From: Vickers, Nick - ST FP (Finance and Procurement)
Sent: 12 February 2016 15:35
To: 'LGPSReform@communities.gsi.gov.uk'
Subject: Local Government Pension Scheme: Investment Reform Criteria and Guidance

Kent Superannuation Fund Response

Thank you for the opportunity to respond to your November 2015 consultation paper.

The Committee welcomes the decision to retain at Fund level all current responsibilities except for investment manager appointments and the exception given to Direct Property from being included in the pool. As you set out in paragraph 1.1 the key issue is achieving good investment returns, not just paying lower investment fees. But we agree that the case for active management has to be made.

In your future thinking we would like you to take account of the following issues:

- Criteria 1.1 – the references to “British Wealth Funds” completely ignore that all LGPS funds are in deficit and that the reductions in local government funding reduce active contributions and increase the proportion of deferred members and pensioners. Funding these current and future liabilities is the prime responsibility of the LGPS funds and will remain so.
- Criteria C – all the preliminary work suggests that the costs of these changes will exceed the savings for many years to come. The investment vehicles will require significant costs – investment adviser and legal, and then there will be very large transition costs.
- Criteria D – investment advice is that green field infrastructure investment is not a suitable investment for mature pension funds. We would invest more in infrastructure if there were more low risk investable opportunities in the UK and we hope to be able to work with Government to enhance these opportunities..
- 2.5 & 3.16 – We support the need to let investments with high penalty costs to withdraw from to be left outside the pool. Equities, fixed income and diversified return / absolute return should account for 80-85% of total assets and we should be able to get all of these into the pool and these are areas where the maximum gains from pooling can be made. We agree that new private equity and infrastructure investments should be made via the pool.
- 3.17-3.20 – Kent has consistently had the best performing Property mandate in the LGPS and we have an allocation of 13% of the Fund – way above the figures you refer to. We welcome that we can maintain the existing mandate but we believe we should be able to add to it outside of the pool. Each individual property is unique and we want to continue the award winning relationship we have with DTZ investors. Direct property investment is just not scaleable in the way that equity and fixed income investments are.

- 3.23-3.25 – These funds exist to pay current and future pensions and the local democratic accountability is crucial.
- 3.46 – The Kent Fund has no in-house management and nor do the shire funds we are in discussion with. We are highly sceptical of the claims made by the 8 funds who do in-house management – there is no independent verification of their investment returns and with passive management available at virtually no cost the in-house management issue is really insignificant for LGPS as a whole.

The Kent Fund is working with a group of Central, Eastern and Southern councils (ACCESS) and there are already good signs that the sharing of best practice between like-minded funds could have real benefits for investment returns. A pragmatic approach by DCLG and HMT to the detail of how the pools will operate should deliver the outcomes the Government desires and we will do all that we can to make ACCESS work.

James Scholes
Chairman Superannuation Fund Committee

Nick Vickers
Head of Financial Services
Kent County Council
03000 416797
07920 428575



ACCESS

Effective • Collective • Investment

The submission from
ACCESS
(A Collaboration of Central, Eastern & Southern Shires)
in response to the
LGPS: Investment Reform Criteria and Guidance
On behalf of



Cambridgeshire County Council



East Sussex County Council



Essex County Council ¹



Hampshire County Council



Isle of Wight Council



Kent County Council



Norfolk County Council



Northamptonshire County Council



Suffolk County Council



West Sussex County Council

¹ Essex County Council has been shown as a participating authority. However its formal s101 Committee meeting to formalise its status will be on 22nd February 2016.

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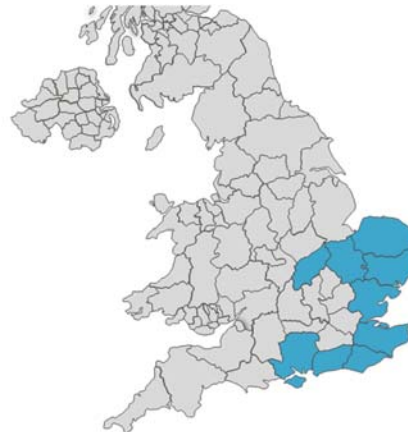
| | |
|------------|---|
| Pages 7-8 | Introduction |
| Page 9 | Progress in meeting the pooling criteria |
| Page 11 | A: Asset pool(s) that achieve benefits of scale |
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| Page 17 | D: An Improved Capacity to Invest in Infrastructure |
| Appendix A | Memorandum of Understanding |
| Appendix B | Project Plan |

Please note: if you have any questions regarding the content of this document please contact either Paul Finbow at paul.finbow@suffolk.gov.uk or Rachel Wood at rachel.wood@westsussex.gov.uk.

Introduction

The ACCESS pool takes this opportunity to present details of its plans and the progress it has made in meeting the Government’s requirements as published in the Department for Communities and Local Government’s *Local government pension scheme: investment reform criteria and guidance* documentation on 25th November 2015.

ACCESS (a collaboration of central, eastern and southern shires) has been formed in order to respond to the Government’s investment reform criteria. The map below illustrates the confirmed participants in the ACCESS pool.²



The participating authorities reflect a strong commitment to the project and share an approach to achieve common objectives. The ACCESS authorities have set out a clear set of guiding principles, which are summarised below:

| | | |
|-------------------------------|--------------------------|------------------------------------|
| Collaborative | Risk management | Objective evidence based decisions |
| Equitable voice in governance | Professionalism | Equitable cost sharing |
| No unnecessary complexity | Evolution and innovation | Value for money |

The ACCESS authorities will create a pool with assets of circa.£30bn which exceeds the Government’s criterion. Historically the authorities have taken a broadly similar approach to investing. For example:

- The average return for the authorities participating in the ACCESS pool exceeded the WM Local Authority Average over the medium term (five years).
- 75% of the pool assets are invested across 12 managers.
- 60% of the pool assets are invested in equities.
- 75% of the pool assets are actively managed.
- All funds have some exposure to passive investment.
- The published 2013 actuarial funding levels for ACCESS authorities show an average of 81%. This compares to a national mean average of 78% for all LGPS’s in England and Wales.

² Please refer to footnote 1 regarding the inclusion of Essex County Council.

These characteristics illustrate the very solid building blocks on which the pool will be formed. This foundation will assist the ACCESS authorities when working collaboratively during the formative stages of the asset pool. This includes the formulation of final detailed proposals in July 2016, through to the eventual transfer of liquid assets from 2018. This shared approach will stand the ACCESS pool in good stead over subsequent decades and enable participating authorities to execute their fiduciary responsibility to Local Government Pension Scheme (LGPS) stakeholders, as economically as possible whilst achieving optimum investment returns.

The potential for substantial benefits for a group of successful like-minded authorities collaborating and sharing their collective expertise is already clear. Each authority is committed to working together to establish a viable pool and ensuring the permanency and stability of any proposed structure.

Attached are further details of our proposals and we would welcome engagement from Government Officers to discuss matters further.

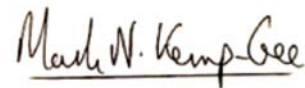
Signed



Cambridgeshire County Council



East Sussex County Council



Hampshire County Council

Essex County Council ³



Isle of Wight Council



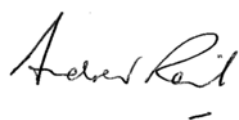
Kent County Council



Norfolk County Council



Northamptonshire County Council



Suffolk County Council



West Sussex County Council

³ Please refer to footnote 1 regarding the inclusion of Essex County Council.

Progress in meeting the pooling criteria

The Government's Investment Reform programme, and the creation of six asset pools, represents a significant project with considerable challenges in terms of size, technical and legal issues and agreeing a sustainable demographic governance model. It is important, therefore, that all aspects of the design and implementation are the outcome of collaborative informed and evidenced consideration by each authority participating in the pool.

The authorities participating in the ACCESS pool made a conscious decision to consider carefully the evidence on the most effective design of pools before detailed work on the ACCESS pool was undertaken. The proposal set out here has been heavily influenced by the work of "Project POOL", in which many of the ACCESS authorities participated. The ACCESS pool is now able to make further progress, confident that their proposal is on a sound basis.

Members of S101 Pension Committees, officers and other interested parties participating in ACCESS have engaged in this process and are committed to establishing a viable pool. All participating authorities have signed up to a Memorandum of Understanding (MoU) which underlines our commitment to investment pooling and the permanency of any proposed structure. It also sets out the basis for engagement, cost sharing and governance. The MoU has been appended to this submission.

ACCESS authorities have a clear project plan in place which sets out how each of the participating authorities will collaborate effectively to come to clear, objective, evidence based decisions. The authorities have commissioned Hymans Robertson to provide project support and have established an Officer Working Group to drive forward the business case for submission in July 2016, and the implementation that will follow. The project plan has been appended to this submission and shows how additional professional support will be sought when required. The participating authorities are comfortable with the progress made to date and are confident that the required work can be completed in advance of the July 2016 submission.

Finally, ACCESS authorities are establishing relationships with the wider LGPS community participating in other pooling groups, where possible, to ensure best practice, national coordination and optimal cost savings are achieved.

A: Asset pool(s) that achieve benefits of scale

The ACCESS group has created a pool with assets of almost £30bn.⁴

The current pool size may increase in the near future as additional authorities consider their options.

The assets by authority at 31st March 2015 are set out below.⁵ No single authority dominates the pool, which helps ensure a more collaborative approach to governance.

| Authority | £m | Allocation |
|---------------------------------|---------------|---------------|
| Cambridgeshire County Council | 2,268 | 7.6% |
| East Sussex County Council | 2,740 | 9.1% |
| <i>Essex County Council</i> | <i>4,906</i> | <i>16.4%</i> |
| Hampshire County Council | 5,111 | 17.1% |
| Isle of Wight Council | 483 | 1.6% |
| Kent County Council | 4,515 | 15.1% |
| Norfolk County Council | 2,930 | 9.8% |
| Northamptonshire County Council | 1,850 | 6.2% |
| Suffolk County Council | 2,193 | 7.3% |
| West Sussex County Council | 2,964 | 9.9% |
| Total | 29,959 | 100.0% |

Whilst the scale criterion has clearly been met it is important to note that there is a significant commonality in investments and associated suppliers:

- 75% of the assets are invested across 12 managers which will potentially allow ‘early wins’ in delivering cost optimisation for participants.
- There are 71 different managers used across the authorities which will also allow for rationalisation to be a targeted and managed process.

⁴ Please refer to footnote 1 regarding the inclusion of Essex County Council.

⁵ Please refer to footnote 1 regarding the inclusion of Essex County Council.

B: Strong Governance and Decision Making

The Government's criterion seeks to maintain democratic accountability within pooling arrangements and this is considered crucial to ensuring a successful pool.

ACCESS authorities have a clear set of objectives and principles, set out below, that will drive the decision making process over the next five months and allow participating authorities to help shape the design of the pool.

Objectives

- 1) Enable participating authorities to execute their fiduciary responsibilities to LGPS stakeholders, including scheme members and employers, as economically as possible.
- 2) Provide a range of asset types necessary to enable those participating authorities to execute their locally decided investment strategies as far as possible.
- 3) Enable participating authorities to achieve the benefits of pooling investments, preserve the best aspects of what is currently done locally, and create the desired level of local decision making and control.

In order to achieve these objectives, the ACCESS authorities have established the following guiding principles

Principles

- The participating authorities will work collaboratively.
- Participating authorities will have an equitable voice in governance.
- Decision making will be objective and evidence based.
- The pool will use professional resources as appropriate.
- The risk management processes will be appropriate to the pool's scale, recognising it as one of the biggest pools of pension assets in the UK.
- The pool will avoid unnecessary complexity.
- The pool will evolve its approach to meet changing needs and objectives.
- The pool will welcome innovation.
- The pool will be established and run economically, applying value for money considerations.
- The pool's costs will be shared equitably.
- The pool is committed to collaboration with other pools where there is potential to maximise benefits.

Work is underway to determine the governance structure for the ACCESS pool, the mechanisms by which each Administering Authority can hold the pools to account and the processes for making decisions.

The governance arrangements for the ACCESS pool will facilitate, in an economically efficient way, authorities' preferences on local decision making within the Government's framework for pools.

The project plan sets out key milestones for the governance work stream to ensure proposals are finalised by July 2016 and can be operational thereafter to support the transition of assets within the Government's timetable.

C: Reduced Costs and Excellent Value for Money

ACCESS authorities have initiated detailed work to accurately quantify the potential savings in investment fees, in the near term and over the next 15 years. These savings will be set out in the July 2016 submission.

ACCESS authorities believe it is critical that current costs and potential for savings are assessed professionally and using consistent methodology across all authorities and all pools, whilst always being mindful of the need to maximise investment return in each asset class. To this end the pool is proposing to use third party benchmarking expertise with experience of global market for pension funds.

The accounting year 2012-2013 will be used as the cost benchmark to take account of savings LGPS authorities have made since then.

ACCESS authorities endorse the estimated annual cost savings published by Project POOL indicating that circa £145-190m per annum could be saved across English and Welsh authorities via pooling arrangements, ten years after pooling has been implemented. This could increase to c£240-320m per annum if future asset growth of 5% per year for ten years is assumed.

As Project POOL noted, actual cost savings could be greater due to:

- competition when pools appoint external managers driving fees down
- additional savings on less visible layers of fees on alternative assets
- greater use of “in-house” management

This should mean that over the very long term, the costs of transition, and establishing and running the pool, will be recouped by savings and other benefits.

However, in the short term, the costs of implementing change are likely to exceed the savings.

Work to establish the savings for authorities participating in the ACCESS pool will begin very shortly as set out in the project plan. As part of its work over the next five months, ACCESS authorities will also assess the potential of its intended investment approach including the potential for active management to provide higher net returns. The work will also examine implementation costs and reporting proposals.

ACCESS authorities recognise the long term potential for cost savings from in house management, and are committed to considering how best to develop, or access, such capability over the longer term.

D: An Improved Capacity to Invest in Infrastructure

All of the ACCESS authorities invest in real estate assets (including industrial, healthcare, rental housing, retail, office units) and six of the ten authorities have some exposure to more specialist infrastructure (which fits with the Institute of Civil Engineers definition of networks for transport, energy generation and distribution, electronic communications, solid waste management, water distribution and waste water treatment etc).⁶ The table below sets out the range of commitment and investment levels by the participating authorities.

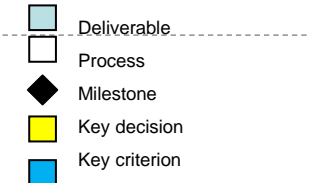
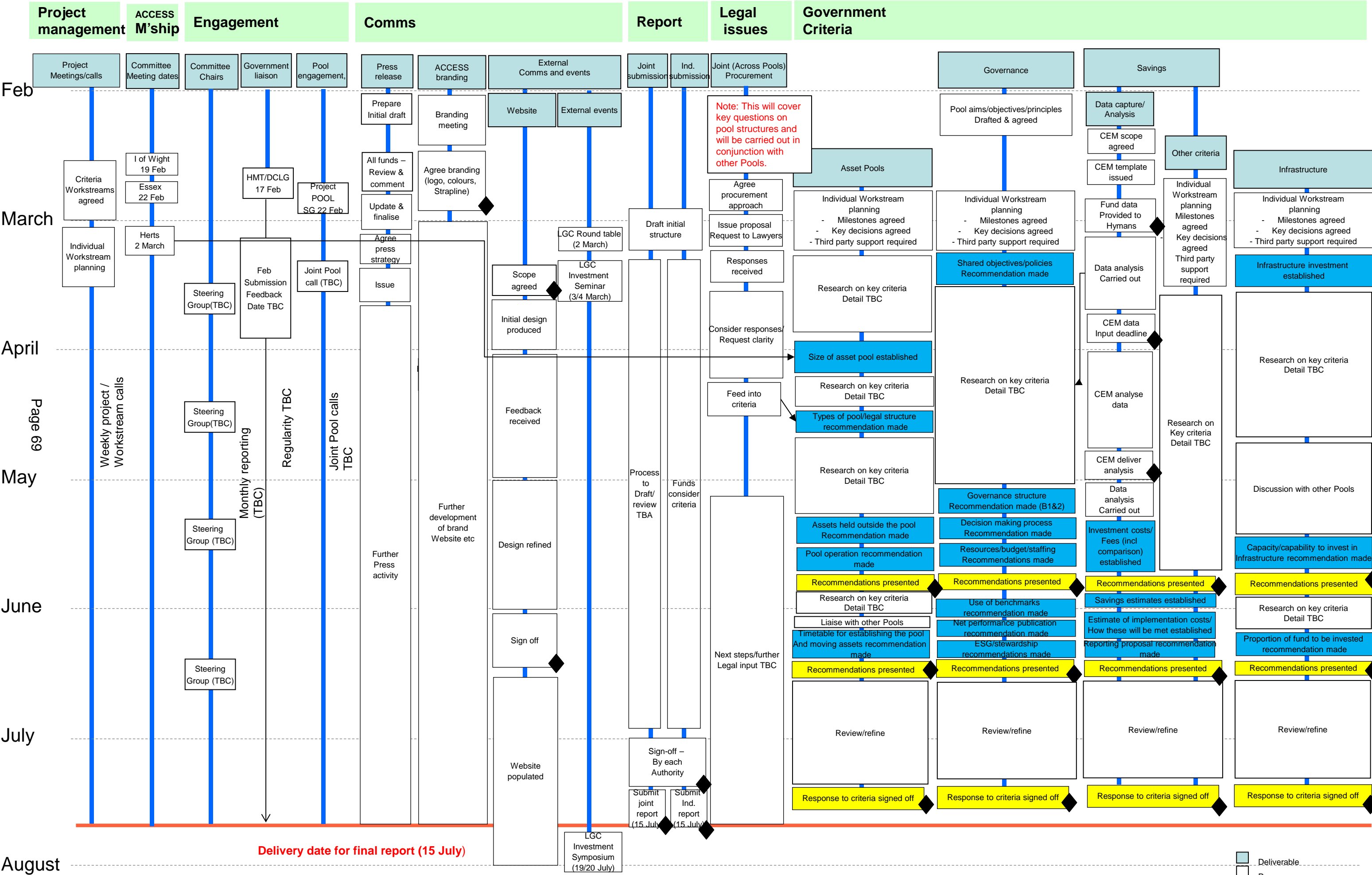
| | Real Estate | Specialist Infrastructure |
|-------------------------------------|-----------------------------------|---------------------------|
| Strategic Allocation | From 8% to 12% | From 1% to 6% |
| Current Investment Allocation/Value | From 5% to 12% £2,999m | From 0% to 3% £381m |
| Investment Type | Direct Multi-manager Pooled | Direct Fund of Funds |

The differential between the strategic allocation and actual investment for specialist infrastructure demonstrates the significant challenge in finding investments which will yield returns large enough, and of appropriate profile, to justify their acquisition. ACCESS authorities are committed to investigating all options for providing the participating authorities with access to the most appropriate infrastructure investments to match their asset allocations, including, if appropriate, working with other LGPS authorities or pools nationally to create a vehicle which will help make appropriate infrastructure investments more accessible to the LGPS at a lower cost. To ensure success, such a vehicle should be designed to meet the specific needs of LGPS investors given the distinctive nature of LGPS pension liabilities and risk appetite. If the vehicle can deliver access to the appropriate type of infrastructure investment ACCESS authorities believe that in the long term there is potential for the ACCESS pool to achieve an asset allocation closer to larger global funds.

Planning to carry out this work has commenced and a fuller response will be provided in July.

⁶ <http://researchbriefings.files.parliament.uk/documents/SN06594/SN06594.pdf>

ACCESS Pool July joint submission - project overview as at February 2016



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

To: Superannuation Fund Committee – 18 March 2016

Subject: **PENSIONS ADMINISTRATION**

Classification: Unrestricted

Summary: To provide members with a comprehensive update of administration issues including:-

FOR INFORMATION

- Workload position
- Achievements against Key Performance Indicators (KPIs)
- CIPFA Benchmarking Survey Results 2015
- Annual Benefit Illustrations 2014/15
- Scheme Sanction Charge
- Staffing

INTRODUCTION

1. This report brings members fully up to date with a range of issues concerning the administration of the Kent Pension Scheme.

WORKLOAD POSITION

2. Appendix I shows the year on year comparison of work levels being received in the section together with the 6 month position as at September 2015.
3. Most work categories appear to be in line with 2013/14 levels with the exception of correspondence and transfers out.
4. The level of enquiries and correspondence has again increased dramatically with 2427 general enquiries being dealt with during the 6 month period ending September 2015. This is a continuation of the increase in this area seen in the 12 month period ending in March 2015 and is representative of the increasing high profile of pensions in general and for members to receive information regarding the pension scheme.
5. In April 2015 the Government announced 'Freedom and Choice' options for those in defined contribution (DC) schemes. Although this provision was not replicated in the Local Government Pension Scheme (LGPS) there have been a growing number of enquiries and requests from members, particularly deferred beneficiaries, to transfer their pension rights to a DC scheme in order that they may take advantage of the changes.

ACHIEVEMENTS AGAINST KEY PERFORMANCE INDICATORS (KPIs)

6. Appendix II shows the achievements of the section in meeting its KPIs in the 6 month period to September 2015 compared to the previous 4 years.
7. We are required to complete 95% of the recorded KPI tasks, within the agreed target turnaround times.
8. The period from April to September is a particularly busy time in the section as in addition to dealing with the normal workload we deal with the year end process which culminates in the issuing of Annual Benefit illustrations to all current members of the scheme. This added pressure has an impact on the KPIs during this period and this is reflected in these results. The calculation of retirement benefits and dealing with correspondence are given priority during this period and as result these 2 areas did remain in the 95% target.
9. However as a result of concentrating efforts on these areas of work the targets were not met with regard to the calculation and payment of dependent benefits and the calculation of estimates.
10. The targets with regard to all these areas of work have improved subsequent to these results.

CIPFA BENCHMARK SURVEY RESULTS 2015

11. The Kent Pension Fund participates in the annual CIPFA administration costs benchmark survey.
12. The survey this year compared our costs with those of 44 other authorities (all authorities survey) and 19 comparator authorities, largely Shire Counties.
13. Appendix III shows our performance against both groups in a range of administrative areas. I have shown the Kent performance for 2014 and 2015 for additional information.
14. The results place Kent 8th of the 44 authorities (1st being the lowest) in terms of the cost of administration per member of the scheme.
15. In comparison to all schemes and comparator group figures total administration costs per member at £14.97 is lower than both averages (£19.17 and £17.94 respectively).
16. Staff costs remain higher than both the comparators however in analysing the staff pay and staff experience breakdown provided it would appear Kent has a larger number of staff with more than 5 years experience in Pensions Administration than other comparators which could explain the higher staff costs.
17. In previous years the number of scheme members dealt with by each FTE staff member has fallen below the club average however this has improved with the

number of scheme members being dealt with by each FTE staff member in 2014/15 increasing to 4226 members per FTE with the club average being 4230 members.

18. Although payroll costs per member have increased they are still lower than both survey averages (£1.59 compared to £1.85 and £2.17).
19. Accommodation costs tend to be higher than the average.
20. Actuarial costs tend to be lower than the averages. We believe this is because our interpretation of the requirement of this category is that these costs should relate solely to the actuarial costs associated with the administration of the scheme rather than the Kent Pension Fund's total actuarial costs. The balance of the costs are as a result of work undertaken by the Investments and Treasury section and should not be reported in this benchmarking exercise.
21. The report indicates that Kent has the fourth highest number of employers in the Fund when compared to the other 44 authorities.
22. The most significant variance is seen in our communication costs. These are high when compared to others but the Kent Pension Fund has always strived to provide clear and regular communication which receives positive feedback from our members. The costs have decreased slightly when compared to last year, despite the increase in postage costs, and we continue to strive to reduce communication costs without impacting on the service we provide.
23. Another anomaly with regard to the communication costs is that we believe there is disparity between some of the participants in the benchmarking survey as to the costs that are included in this category. We have a member of the pensions section on the CIPFA working party with regard to this survey and continue to pursue clarity regarding the costs that should be included in the communication category.
24. In general terms I believe the results reflect well on our achievements particularly given, there is no 'quality' measure, built into the survey.

ANNUAL BENEFIT ILLUSTRATIONS 2014/15

25. The Public Service Pensions Act 2013, together with the regulations governing the LGPS now require that all active members of the scheme receive an annual benefit illustration no later than five months after the end of the Scheme year to which it relates. In the LGPS this date is 31 August and unfortunately due to the non submission and inaccuracy of data provided by employers we were only able to supply 55% of active members with an illustration by this date. Further illustrations were produced with the last being despatched at the end of October.
26. The Local Government Association (LGA) became aware that the non compliance with this statutory requirement was a national problem and was due to the lateness of submission of data together with incorrect data from employers and IT issues in producing illustrations containing CARE benefits. As a result the LGA liaised with the Pensions Regulator on behalf of all administering authorities and on 9 October the Pensions Regulator's office issued their response (Appendix IV).

27. Kent decided that as they had not been able to issue all active members with an illustration by the 31 August that this was a material breach and therefore reportable to the Pensions Regulator. Appendix V contains a copy of the letter sent to the Pensions Regulator.
28. As the letter explains we continue to provide information and training to employers to ensure that the same problems do not arise with regard to the illustrations to be issued by 31 August 2016.

SCHEME SANCTION CHARGE

29. In September 2011 on the request of a former member of the scheme we paid transfer values totalling £14263.06 to an Overseas Pension Scheme calling itself 'Danica', registered in Sweden. The member signed all the relevant transfer discharge forms together with the scheme administrator who also provided a letter issued by HMRC on 10 May 2011 to Danica which provided them with a QROPS (Qualifying Recognised Overseas Pension Scheme) reference number and confirmed that Danica had provided HMRC with notification that it wanted to be published on the HMRC's QROPS list and that it satisfied the conditions as a QROPS.
30. On payment of the transfer values it is normal practice to check the HMRC QROPS list and on that day a scheme 'Danica Pension' was on the list and so payment was made.
31. At that time all transfers paid to QROPS had to be notified to HMRC on an annual basis on an event report. In November 2015 HMRC informed KCC that 'Danica' was not a QROPS and had not appeared on the HMRC list since 29 June 2011. They confirmed that they had issued Danica with a QROPS reference number however had subsequently established that 'Danica' represented itself as a QROPS but that it was not a pension scheme. It confirmed that 'Danica' should not be confused with 'Danica Pension' which was a genuine pension scheme.
32. They highlighted that transfers to overseas schemes which are not QROPS are treated as unauthorised member payments which give rise to tax charges on the scheme member and the scheme administrator. As a result they have raised a scheme sanction charge against the Fund which is 40% of the value of the transfer with a 25% deduction where the scheme member's unauthorised payment charge has been settled.
33. I have written to HMRC explaining that Kent had undertaken due diligence before making the payment of the transfer values and that the transfer was made in the reasonable belief that the receiving scheme was a QROPS and asking for the scheme sanction charge to be discharged. However it would appear that HMRC are unwilling to do this and therefore a charge of £5706.00 will have to be made by the Fund.
34. Internal procedures for dealing with transfers to QROPS have been tightened to ensure no further unauthorised payments are made.

STAFFING

35. We are currently running with 8 FTE vacancies within the section and in order to meet our statutory obligations under the pension scheme regulations and to deal with upcoming projects and backlogs of work we are to redeploy one of our current Pension Support Assistants to the role of Pensions Administrator and to recruit 4 new Pension Support Assistants.
36. All staffing costs are met by the Kent Pension Fund.

RECOMMENDATION

37. Members are asked to note the content of this report.

Barbara Cheatle
Pensions Manager
03000 415270

Background Documents – none

**Tasks created in key administration areas
Workload summary**

| Case Type | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 6 months to September 2015 |
|----------------------|----------------|----------------|----------------|----------------|---------------------------------------|
| Benefit calculation | 2434 | 2056 | 1978 | 1928 | 944 |
| Correspondence | 1473 | 1152 | 1467 | 3450 | 2427 |
| Divorce case | 449 | 351 | 312 | 293 | 179 |
| Estimate calculation | 3133 | 2672 | 2861 | 2541 | 1611 |
| Deferred benefit | 5185 | 4769 | 5244 | 2475 | 1137 |
| Transfer in | 283 | 365 | 374 | 189 | 124 |
| Transfer out | 418 | 403 | 478 | 558 | 363 |
| Dependants | 364 | 305 | 364 | 323 | 201 |
| Total | 13,739 | 12,073 | 13,078 | 11,757 | 6,986 |

Achievements against Key Performance Indicators

| Case Type | Target Time | 11/12 | | 12/13 | | 13/14 | | 14/15 | | 6 months to September 2015 | |
|---|-------------|-------|-------------|-------|-------------|-------|-------------|-------|-------------|----------------------------|-------------|
| | | No | % in target | No | % in target | No | % in target | No | % in target | No | % in target |
| Calculation and payment of retirement benefit | 20 days | 2434 | 99% | 2056 | 99% | 1978 | 99% | 1928 | 99% | 944 | 95% |
| Calculation and payment of dependant benefit | 15 days | 364 | 98% | 305 | 99% | 364 | 99% | 323 | 87% | 201 | 77% |
| Calculation and provision of benefit estimate | 20 days | 3133 | 99% | 2672 | 99% | 2861 | 98% | 2541 | 63% | 1611 | 51% |
| Reply to correspondence | 15 days | 1473 | 98% | 1152 | 99% | 1467 | 98% | 3450 | 98% | 2427 | 98% |

NB. All target turnaround times commence when we have all the necessary documentation to complete the particular task.

CIPFA Administration Benchmark Survey 2014

| | Kent County Council | | Average comparator group 2015* | Average all schemes 2015 |
|--|---------------------|--------|--------------------------------|--------------------------|
| | 2014 | 2015 | | |
| Total administration costs per member | £17.61 | £14.97 | £17.94 | £19.17 |
| Staff costs per member | £8.49 | £9.17 | £7.69 | £7.83 |
| Payroll costs per member | £1.45 | £1.59 | £2.17 | £1.85 |
| Communication costs per member | £2.18 | £1.96 | £0.75 | £0.78 |
| Actuarial costs per member | £0.57 | £0.21 | £1.10 | £1.14 |
| Accommodation costs per member | £1.12 | £1.04 | £0.56 | £0.65 |

* 19 shire counties

The Pensions Regulator

9 October 2015

Dear Jeff,

Thank you for outlining the issues faced by Local Government Pension Scheme (LGPS) funds for England and Wales in meeting the legislative deadline for providing annual benefit information statements to members.

The Pensions Regulator recognises the significance of the public service pension reforms, including the requirement to redesign benefits and new requirements about governance and administration.

We are aware that LGPS Funds, like all public service schemes, face a significant task in implementing the major reform of their benefit design, establishing new governance arrangements and putting in place systems to deal with the administration of the new and transitional arrangements while maintaining and integrating their legacy systems.

However, as you are aware, all public service schemes must be governed and administered in accordance with the requirements of the law. We therefore expect those involved in the governance and administration of public service schemes to comply with the law and strive to deliver good outcomes for members. It is vital that members are provided with information on their pension benefits so that they have a clear understanding of their financial position and can make informed decisions.

Where a legal duty relevant to the administration of the scheme has not been, or is not being complied with, certain people (including scheme managers, pension board members and those involved with administering the Funds) are under a duty to report breaches of the law to us if they consider that the breach is likely to be of material significance to us.

Some LGPS Funds have already contacted us to report a breach of the requirement to issue benefit information statements in accordance with the deadline stipulated in the Public Service Pensions Act 2013 (31 August 2015). Where the cause of the breach is explained as being due to significant data and IT system issues faced by Funds and Fund employers, we are minded to advise those Funds that we expect them to issue the statements as soon as possible and by the 30 November 2015 at the latest. As a matter of best practice, we also expect LGPS funds to take steps to inform affected members of the delay and when they can expect to receive their benefit statement.

Where these Funds are unable to meet this timeframe, they will need to provide us with further information, including their plan of action for remedying the breach. Plans will be considered on a case by case basis and we will consider what action to take if satisfactory plans are not in place.

Napier House
Trafalgar Place
Brighton
BN1 4DW

Customer support: 0845 600 0707
Email: customersupport@tpr.gov.uk
Website: www.thepensionsregulator.gov.uk

The Pensions Regulator

However, where the breach arises for other reasons, or in conjunction with other issues, we will consider whether a different response is appropriate in accordance with our Compliance and Enforcement Policy.

Where other Funds are in breach of the requirement and have not yet considered whether or not the breach must be reported to us, scheme managers, pension board members and those involved with administering the Funds will need to consider whether they must do so, whether or not they anticipate that benefit information statements will be issued by 30 November 2015.

Our Public Service Code of practice provides guidance on judging whether a breach needs to be reported, and if so, how to report a breach of law, and our compliance and enforcement strategy outlines our approach in response to any breach that is reported to us or of which we otherwise become aware.

If LGPS Funds decide that they need to report to us, they should explain the reasons for the breach occurring and their plan to remedy it, including the timeframe, which we will take into account in determining our response.

We would welcome the opportunity to engage with you further in relation to public service pensions schemes and to better understand how LGPS funds are addressing issues they face in complying with the legal requirements. Please do not hesitate to contact me if you wish to arrange.

Yours Sincerely
Joey

Joey Patel
Policy Lead
Public Service Pensions Regulation Team

The Pensions Regulator
Napier House
Trafalgar Place
BRIGHTON
BN1 4DW

Direct Dial: 03000 415270
Ask For: Mrs Cheatle
Date: 17 December 2015

Dear Sir

**Local Government Pension Scheme
Annual Benefit Illustrations 2014/15**

As you are aware the Public Service Pensions Act 2013, together with the regulations governing the Local Government Pension Scheme (LGPS), require that all active members of the scheme receive an annual benefit illustration no later than five months after the end of the Scheme year to which it relates. In the LGPS this date is 31 August and this letter is to highlight to you that for the year 2014/15 unfortunately the Kent Pension Fund did not meet this requirement with regard to all of its' active membership and consider this to be a material breach and are therefore reporting it to the Pensions Regulator.

I would now like to supply you with more detail of the delays and the reasons for this. Again as you know the LGPS went through major changes in its benefit design from 1 April 2014. Prior to the changes and during the year 2014/15 we communicated with all of the employers in the Fund concerning the changes to the scheme and the change in our requirements from them regarding scheme member data both during the scheme year and at year end in order that systems could be put in place to ensure correct data could be extracted from payroll systems. The form of the communications undertaken were bulletins, information on our website, employer forums and specific training events.

The spreadsheet to be completed with regard to year end data was despatched to 433 employers at the beginning of February with a return deadline date of 10 April. Unfortunately as at that date only 33% of returns had been received, with a further 12.5% being received by the end of April. As well as delays in supplying the data unfortunately the data received was not correct in all cases with data having to be returned for correction.

In order to comply with a despatch date of 31 August the printing company which we allocated with the task of printing the annual benefit illustrations required a lead in time of 4 weeks. Although we had not received all the data from all our employers at this time we decided to despatch as many illustrations as possible by the statutory deadline with 55% of the active membership illustrations being despatched on 27 August. A further 1 % were despatched on 18 September, 11.5% on 30 September with the remainder of the illustrations being despatched on 30 October.

In July when we realised that certain illustrations would not be able to be despatched by 31 August we contacted the relevant employers to explain the situation and asked that they make their employees aware of the situation.

Going forward we are already liaising with all our employers regarding the data that we will require for the year ending 2015/16 in order that we can comply with the despatch date in 2016 and continue to supply training sessions and one to one help where required.

I hope that the above is self explanatory if however you require any further information please do not hesitate to contact me.

Yours sincerely

Handwritten signature of Barbara Cheatle in black ink.

Mrs Barbara Cheatle
Pensions Manager
Pension Section

: Chairman Superannuation Fund Committee
Corporate Director Finance and Procurement

To: Superannuation Fund Committee – 18 March 2016

Subject: **FUND EMPLOYER MATTERS**

Classification: Unrestricted

Summary: To report on Fund employers, new resolution entities joining the Superannuation Fund and a number of admission matters.

FOR DECISION

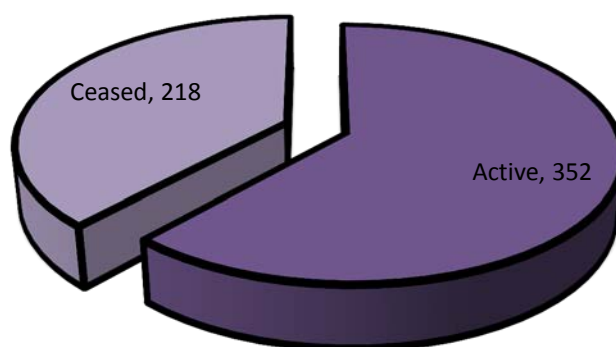
INTRODUCTION

1. This report sets out information on Fund employers. It also sets out details of an application from an organisation to become an admitted body within the Fund as well as a contract extension and a termination, and the Committee’s approval is sought to enter into these agreements. The report also provides an update on modifications to a number of existing admission agreements.
2. The report also informs the Committee of two new bodies resolving to become Scheduled bodies and join the Superannuation Fund
3. The Committee is advised that the minutes relating to the new admission matter are to be signed at the end of today’s meeting to facilitate completion on the desired date.

EMPLOYERS IN THE FUND AT 31 DECEMBER 2015

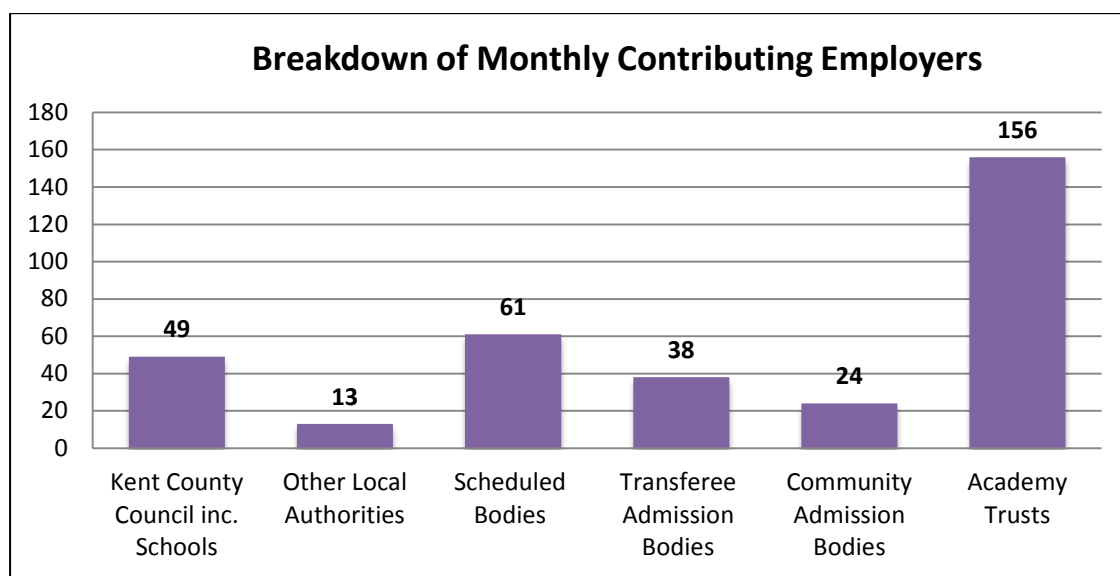
4. There are currently a total of 570 employers in the Kent Pension Fund. During the 3 months to the end of December the number of Active

Split of Employers between Active and Ceased



employers who are regularly paying contributions to the Fund decreased by 73 to 351. In the main this is due to the recognition of multi-academy trusts as employers in the Fund. Of the Active employers 341 pay monthly and 11 pay annual contributions. The 218 Ceased employers no longer have active contributing members in the LGPS but the Fund has an existing or future liability to pay pensions.

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



6. The following is a list of new Active and Ceased employers in the Kent Pension Fund. 92 individual academies have been consolidated into 22 multi-academy trusts as follows:

| Active employer | Effective date |
|---|----------------|
| <i>New Multi Academy Trusts</i> | |
| ACE Learning Trust | 1 OCT |
| Brook Learning Trust | 1 OCT |
| Fulston Manor Academies Trust | 1 OCT |
| Future Schools Trust | 1 OCT |
| Gravesend Grammar School Academy Trust | 1 OCT |
| Greenacre Academy Trust | 1 OCT |
| Kent Catholic Schools Partnership Trust | 1 OCT |
| Leigh Academies Trust | 1 OCT |
| Oasis Community Learning Trust | 1 OCT |
| Pathway Academy Trust | 1 OCT |
| REAch2 Academy Trust | 1 OCT |
| Swale Academies Trust | 1 OCT |
| The Diocese of Canterbury Academies Trust | 1 OCT |
| The Dover Federation for the Arts Trust | 1 OCT |
| The Howard Academy Trust | 1 DEC |
| The Primary First Trust | 1 OCT |
| The Thinking Schools Trust | 1 OCT |

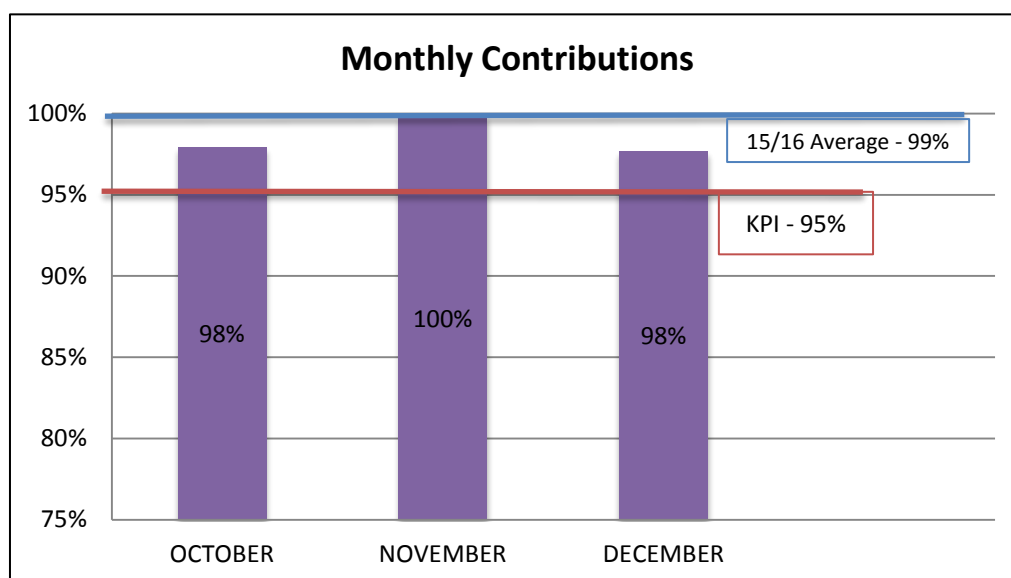
| | |
|---|-----------------------|
| The Lilac Sky School Trust | 1 OCT |
| The Village Academy Trust | 1 OCT |
| The Skinner's Kent Academy Trust | 1 OCT |
| The Stour Academy Trust | 1 OCT |
| Valley Invicta Academies Trust | 1 OCT |
| New Admission Bodies | |
| Agilisys Ltd | 9 DEC |
| Birkin Cleaning Services Ltd | 1 NOV |
| Invicta Telecare trading as Centra Pulse | 1 DEC |
| Ceased employer | Effective date |
| Mears Ltd | 6 NOV |
| Locate in Kent | 27 AUG |
| Cater Link Ltd (re Upton Junior School) | 30 SEP |
| Riverview Infant, Gravesend (converted to academy) | 31 OCT |

CONTRIBUTIONS FROM EMPLOYERS QUARTER 3 2015/16

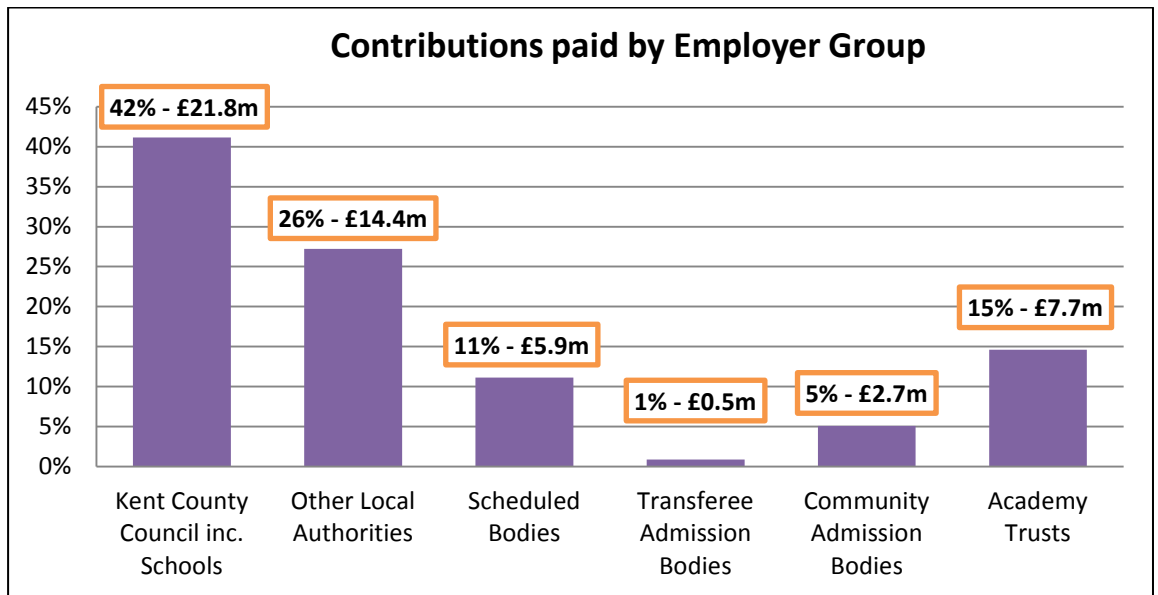
7. In quarter 3 2015/16 the Fund received £53m from Employers in respect of their monthly contributions (employer and employee) as follows:

| | OCTOBER | NOVEMBER | DECEMBER |
|----------------|-------------------|-------------------|-------------------|
| | £ | £ | £ |
| Received Early | 8,979,059 | 9,110,302 | 10,582,896 |
| Cash on 19th | 8,265,640 | 8,559,257 | 6,755,895 |
| Received Late | 360,284 | 27,667 | 409,065 |
| Total | 17,604,983 | 17,697,227 | 17,747,857 |

8. 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.



9. The following table shows that KCC and other local authorities have paid over £36m, 68% of all contributions received from employers.



CHURCHILL CONTRACT SERVICES LTD

10. Skanska Construction UK Ltd joined the Superannuation Fund on 1 November 2014 following a transfer of staff from KCC under the West Kent Total Facilities Management Contract.
11. On 3 May 2016 seven of those staff will be transferred to Churchill Contract Services Ltd which has made an application to join the Superannuation Fund.
12. The actuary has certified an employer contribution rate of 20.2% for a closed agreement and a three year stepped Bond of £13,000 for the first year, £15,000 for the second year and £15,000 for the third year.
13. The completed questionnaire and supporting documents provided by Churchill Contract Services Ltd have been examined by Officers to ensure compliance with the Local Government Pension Scheme Regulations, and Legal Services have given a favourable opinion on the application.

APCOA PARKING (UK) LTD

14. APCOA Parking (UK) Ltd is a transferee admission body in the Kent Superannuation Fund following the transfer of staff from Maidstone Borough Council on 1 July 2011.
15. As this contract has now been extended by 2 years to 31 May 2018, it is necessary to extend the original admission agreement by way of a deed of modification.

MEARS LTD

16. Mears Ltd is a transferee admission body which joined the Kent Superannuation Fund on 1 September 2014 following a transfer of staff from Medway Council.
17. As their last active LGPS member left on 6 November 2015 they are now an exiting employer and we will obtain an actuarial valuation of the payment due to the Superannuation Fund.
18. It is proposed that we enter into a termination agreement with Mears Ltd.

GEN² PROPERTY LIMITED

19. GEN² Property Ltd (GEN²) is a Local Authority Trading Company 100% owned by Kent County Council (KCC). The Council operates a Corporate Landlord model with the property service delivering Strategic Asset Management, involving the active management of the KCC estate (asset reviews, acquisitions, disposals, lease management, etc.); and Asset Agency Services which involves Property acting as a manager or agent of a supply chain to design, build, modify and operate individual assets. GEN² will provide the full range of those existing services for a minimum period of 5 years for KCC.
20. GEN² may also provide some of these and other related services to other public and non-public bodies.
21. GEN² was incorporated on 21 October 2015 and will commence trading from 1 April 2016. The total number of employees expected to transfer from KCC to GEN² is 80 FTEs. The transfer date is expected to be either on or shortly after 1 May 2016.
22. The Local Government Pension Scheme will be a closed scheme for all employees transferring to GEN² under TUPE regulations. Any employees that join GEN² Property Ltd after 1 May 2016 will join an alternative scheme provided by the company.
23. GEN² will have a KCC appointed board of 6-8. The board will include 4-6 non-executive directors (both independent and KCC employees with relevant experience). GEN² has made a resolution to join the Superannuation Fund from 1 May 2016. The resolution is made under Schedule 2 Part 2 13 of the LGPS 2013 Regulations and entitles all their current KCC staff to be eligible for membership of the LGPS. An admission agreement and bond is not required.
24. Barnett Waddingham have calculated the minimum employer contribution rate to be 15.7% although KCC and GEN² have agreed GEN² will pay 16.5% as part of their commercial agreement.

MEDWAY COMMERCIAL GROUP LTD

25. Medway Commercial Group Ltd (MCG) is a Local Authority Trading Company 100% owned by Medway Council. Initially MCG will provide the following services on behalf of Medway Council:
- CCTV
 - Assistive Technology
 - Out-of-Hours Calls handling Service
 - Lone Worker Solutions
26. MCG may also provide these and other related services to other public sector bodies and other organisations.
27. MCG was incorporated on 21 December 2015 and will commence trading from 1 April 2016. The total number of employees expected to transfer from Medway Council to MCG is 42 FTEs. The transfer date is expected to be on 1 April 2016.
28. MCG has made a resolution to join the Superannuation Fund from 1 April 2016. 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.
29. Barnett Waddingham has calculated the employer contribution rate to be 13.2% for an open agreement.

UPDATING ADMISSION AGREEMENTS – COMMUNITY ADMISSION BODIES (CAB's)

30. The Committee has previously agreed that following name changes and the closure of open agreements, new admission agreements may be put in place with the bodies concerned reflecting current LGPS regulations.
31. However, Officers have received further legal advice on these matters and are now asking the Committee to agree that these changes are acknowledged by the making of deeds of modification to the original admission agreements. This is a more straightforward and cheaper arrangement than making new admission agreements with the CAB's.
32. The CAB's concerned and the changes made are:

| | |
|---------------------------|------------------------|
| Active Life Ltd | Closure to New Members |
| Ashford Leisure Trust Ltd | Closure to New Members |
| Caldecott Community | Closure to New Members |

| | |
|--|--|
| Connexions Kent & Medway Ltd (2) | Name Change |
| Connexions Partnership Kent & Medway Ltd | Closure to New Members |
| Gravesham Community Leisure Ltd | Closure to New Members |
| HOPE (Kent) Ltd | Name Change |
| Kent Community Housing Trust | Name Change |
| Maidstone Housing Trust | Closure to New Members and Name Change |
| Remade South East Ltd | Closure to New Members |
| Thanet Community Housing Association | Closure to New Members & Name Change |
| Thanet Leisure Force Ltd | Name Change |
| West Kent Housing Association | Closure to New Members |

33. It is intended to bring a similar recommendation to the 24 June 2016 Committee for Transferee Admission Bodies.

RECOMMENDATION

34. Members are asked to note the update on employers and the two new resolution bodies joining the Superannuation Fund.
35. Members are asked to agree:
- a) to the admission to the Kent County Council Superannuation Fund of Churchill Contract Services Ltd; and
 - b) that a deed of Modification may be entered into with APCOA Parking (UK) Ltd; and
 - c) that a termination agreement may be entered into with Mears Ltd; and
 - d) to the making of deeds of modification to the admission agreements with the CAB's as listed; and
 - e) that the Chairman may sign the minutes relating to recommendation (a) 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.

Steven Tagg
Treasury and Investments
03000 416747

Background documents - none

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

To: Superannuation Fund Committee – 18 March 2016

Subject: **RISK REGISTER**

Classification: Unrestricted

Summary: To report an updated Pension Fund risk register.

FOR DECISION

INTRODUCTION

1. The Committee last considered the Pension Fund Risk Register in March 2014.

RISK REGISTER

2. This report presents an updated risk register. The highest ranked risks are:

- Proposals for Pooling investments (16).
- Fund investment return below that assumed by the actuary (16).
- Employer outsourcing – admission bodies (12).
- Admission agreement / scheduled bodies closed to new members (12).
- Pension change of premise (10).

RECOMMENDATION

3. Members are asked to agree the Risk Register.

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

Background documents - none

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KENT PENSION FUND RISK REGISTER MARCH 2016

| Category | Ref | Risk | Impact | Likelihood | Risk Score | Risk Owner | Mitigation | Residual Impact | Residual Likelihood | Residual Risk Score |
|-------------------------|-----|--|--------|------------|------------|---------------------------------|---|-----------------|---------------------|---------------------|
| Governance Risks | | | | | | | | | | |
| Governance | G1 | Increased scrutiny from the National Scheme Advisory Board, The Pensions Regulator (TPR) and Pensions Ombudsman. | 1 | 1 | 1 | N Vickers | Hold Pension Board meeting | 1 | 1 | 1 |
| Governance | G2 | Proposals for pooling of Investments | 4 | 4 | 16 | N Vickers | Responded to consultations, SFC now agreed to join the Access Pool, submission in on 19th February, work now in hand | 4 | 4 | 16 |
| Governance | G3 | Failure to establish the new Pension Board in accordance with legislation | 1 | 1 | 1 | N Vickers/ D Fitch | The Pensions Board had its first meeting on 30 July 2015 and the Chair Person has been appointed. Membership to be finalised after 6 Nov Committee meeting Details of the Pension Board set up on Kent.gov website. Link on pension fund website. 2nd meeting scheduled for April 2016 | 1 | 1 | 1 |
| Governance | G4 | Compliance with TPR requirements | 3 | 1 | 3 | A Mings / B Cheatle | Officers monitoring compliance, response to surveys | 2 | 1 | 2 |
| Governance | G5 | Administering Authority becoming separate entity from Local Authority | 1 | 2 | 2 | N Vickers | Respond to consultations | 1 | 2 | 2 |
| Governance | G6 | Compliance with data protection laws | 3 | 1 | 3 | A Mings/ B Cheatle | KCC policies and protocols. Training is now compulsory for all KCC staff by 31 December 2015 which was completed | 2 | 1 | 2 |
| Governance | G7 | Inadequate skills & knowledge of Committee and Board Members / officers | 2 | 1 | 2 | N Vickers | Emphasis on member and officer training & development. Attendance at conferences / training events run by Fund Managers, CIPFA, NAPF etc. KCC training available. TPR toolkit available | 2 | 1 | 2 |
| Governance | G8 | Loss of experienced Members/staff | 3 | 2 | 6 | N Vickers / A Mings / B Cheatle | Local election in 2017 / Succession planning KCC policy re succession planning | 3 | 2 | 6 |
| Governance | G9 | Potential changes to the provision of KCC Legal Services | 2 | 2 | 4 | A Mings/ S Tagg | Ongoing monitoring of KCC plans | 1 | 2 | 2 |
| Governance | G10 | Inadequate KCC resource to support Pension Fund processes | 3 | 1 | 3 | A Mings /B Cheatle | Need to agree a Service Level Agreement (SLA) with the BSC and agree charges | 2 | 1 | 2 |
| Employer Risks | | | | | | | | | | |
| Employer | E1 | Failure to communicate with employers effectively. | 2 | 1 | 2 | B Cheatle/ A Mings/ S Tagg | Employer Forums, meetings, regular communication Enhance Fund website, add guidance for employers to website | 1 | 1 | 1 |
| Employer | E2 | Increased number of employers in the Fund | 2 | 4 | 8 | A Mings/ S Tagg | Appropriate staffing resources and systems, clear communication Recognising Academies at Trust level, liaising with actuary | 2 | 3 | 6 |
| Employer | E3 | Employer outsourcing - admission bodies | 3 | 4 | 12 | S Tagg / A Mings | Clear process and communication with employers pre contract decisions, Liaise with KCC Legal Services and actuary Regular employers report to SFC and Pensions Board SFC agreed delegation for admission decisions to Director of Finance and Procurement in exceptional circumstances Ensure guarantees provided or bonds put in place if required and maintained for the life of the contracts | 2 | 4 | 8 |
| Employer | E4 | Admission agreements / scheduled body resolutions closed to new members | 3 | 4 | 12 | A Mings / S Tagg | Plan for exiting employers as per Reg. 64 (4) | 2 | 4 | 8 |
| Employer | E5 | Financial failure of an employer | 4 | 1 | 4 | A Mings/ S Tagg | Monitoring of employers, bond / guarantees, credit risk management Pro-active management of exit liability as per Reg 64 (4) Agree shorter recovery periods. Cash deficit contributions | 3 | 1 | 3 |
| Employer | E6 | Academies Closing | 3 | 2 | 6 | A Mings/ S Tagg | Recognise the academy Trust as employer rather than the individual academy in a multi academy trust. D of E guarantee | 3 | 1 | 3 |
| Employer | E7 | Failure to collect pension contributions in line with regulatory guidelines | 4 | 1 | 4 | A Mings/ S Tagg | Regular reporting to the Superannuation Fund Committee and Pensions Board Escalation process agreed and documented, Regular monitoring and recovery action, KPI's, Annual internal and external audit review Project to be established to look into solution based on employers using selfservice. | 3 | 1 | 3 |
| Employer | E8 | Changes to Employers' payroll providers | 2 | 4 | 8 | B Cheatle / S Tagg | Use of website, Communication with employers | 1 | 4 | 4 |
| Employer | E9 | Implementation of actuarial valuation results - 2016 valuation | 2 | 2 | 4 | A Mings/ S Tagg | Project plan documented on SharePoint August 2015 Briefing note received from actuary 2013/14 & 2014/15 cash flows already sent to actuary to reduce workload spike, Monitoring of monthly returns Held pre valuation meeting with actuary Reviewing employers evenst spreadsheet with actuary | 2 | 1 | 2 |

| Category | Ref | Risk | Impact | Likelihood | Risk Score | Risk Owner | Mitigation | Residual Impact | Residual Likelihood | Residual Risk Score |
|-----------------------------|-----|---|--------|------------|------------|---------------------|---|-----------------|---------------------|---------------------|
| Investment Risks | | | | | | | | | | |
| Investment | I1 | Fund managers' compliance with LGPS 2009 regs (as amended) and Fund SIP / FSS | 2 | 1 | 2 | A Mings/ S Surana | IMAs, Fund Manager reports, monthly management reporting, Committee reviews, officer reviews | 2 | 1 | 2 |
| Investment | I2 | Lack of adequate internal controls at Fund Managers and Custodian | 3 | 1 | 3 | A Mings/ S Surana | AAF/01/16 and SSAE16 reports for Fund Managers and Custodian | 3 | 1 | 3 |
| Investment | I3 | Changes in membership maturity mean that different employers request different investment strategies | 2 | 1 | 2 | N Vickers / A Mings | Balanced Investment strategy. Liaison with actuary. | 2 | 1 | 2 |
| Investment | I4 | Fund investment return below that assumed by the actuary | 4 | 4 | 16 | N Vickers | Diversified investment strategy with annual review. Advice from Hymans Robertson, Tactical asset allocation Monitoring of investment managers. | 3 | 4 | 12 |
| Investment | I5 | Investment in complex instruments / vehicles | 2 | 3 | 6 | N Vickers | Diversified Investment strategy, Advice from Hymans Robertson. Attendance at Industry and Fund Manager training forums | 2 | 2 | 4 |
| Investment | I6 | Pressure to reduce Investment fees | 2 | 4 | 8 | N Vickers | Participate in consultation to influence Policy and direction of travel Consider pooling of investments with other funds to reduce fee rates | 1 | 4 | 4 |
| Investment | I7 | Increased longevity | 2 | 3 | 6 | N Vickers | Investment strategy, Actuarial assumptions, increased employer contributions | 2 | 3 | 6 |
| Investment | I8 | Failure of manager or custodian | 3 | 1 | 3 | N Vickers / A Mings | Quarterly monitoring SSAE16 audit reports; diversification of manager mandates; diversification of custody via pooled funds Advice from Hymans Robertson. | 2 | 1 | 2 |
| Investment | I9 | Incomplete and inaccurate investment records including income | 3 | 2 | 6 | A Mings/ S Surana | Reconciliation of KCC accounting systems with fund managers' reports. Annual external audit review | 2 | 1 | 2 |
| Investment | I10 | Insurance risk on property portfolio | 2 | 2 | 4 | S Surana | Ensure adequate arrangements in place at all times | 2 | 1 | 2 |
| Investment | I11 | Failure to complete the Transition of Custodian Services on the due date | 3 | 1 | 3 | A Mings/ S Surana | Transition complete as agreed Regular internal review with custodian of progress against plan Dialogue and consultation with Fund Managers | 2 | 1 | 2 |
| Administration Risks | | | | | | | | | | |
| Administration | A1 | Poor communication with members | 2 | 1 | 2 | B Cheatle | Regular communication, ABI's | 2 | 1 | 2 |
| Administration | A2 | Fraudulent payments | 3 | 1 | 3 | B Cheatle/ A Mings | Atmos monitoring process Internal controls Regular internal & external audits | 2 | 1 | 2 |
| Administration | A3 | Failure of employers to provide timely and accurate information such as whole time equivalent pay and Assumed Pensionable Pay | 2 | 3 | 6 | B Cheatle/ S Tagg | Regular communication. Intervention with problem employers | 2 | 3 | 6 |
| Administration | A4 | Inadequate implementation of the 2014 Regulations and compliance with new requirements by employers | 4 | 2 | 8 | B Cheatle/ S Tagg | Regular communication with employers and staff training | 3 | 2 | 6 |
| Administration | A5 | Failure to maintain proper records leading to inadequate data, which could lead to increased complaints and errors | 3 | 1 | 3 | B Cheatle | Engagement with employers, employer manuals in place, electronic interface, year end data cleansing, officer checking | 3 | 1 | 3 |
| Administration | A6 | Security and integrity of member data | 3 | 1 | 3 | B Cheatle | Access controls, authorisations, reconciliations | 3 | 1 | 3 |
| Administration | A7 | System failure | 3 | 1 | 3 | B Cheatle | Externally hosted business continuity arrangements with Heywood. Cover for key staff in Business Services Centre | 3 | 1 | 3 |
| Administration | A8 | Manual calculations due to late/non receipt of new Regulations and errors within administration system. | 2 | 3 | 6 | B Cheatle | Staff training. | 2 | 3 | 6 |
| Administration | A9 | Failure or delay in paying pensioners | 2 | 4 | 8 | B Cheatle | Externally hosted business continuity arrangements with Heywood. | 2 | 4 | 8 |
| Administration | A10 | Impact of tax changes on individuals-annual allowance/lifetime allowance | 2 | 3 | 6 | B Cheatle | Briefing material. | 2 | 3 | 6 |
| Administration | A11 | Change of premises | 2 | 5 | 10 | B Cheatle | Admin team moved to Invicta House temporarily, anticipated move to Cantium House in early 2016 | 1 | 5 | 5 |
| Administration | A12 | Ending of Contracting Out - GMP reconciliation | 2 | 4 | 8 | B Cheatle | Awaiting central government guidance on any underpayment or overpayment of pensions | 2 | 4 | 8 |
| Administration | A13 | TPR concerns re quality of data - common data | 3 | 2 | 6 | B Cheatle | Contract to use tracing company to locate lost addresses, train employers so that correct timely data received | 2 | 2 | 4 |

Risk Scoring Guidelines

| Likelihood (Threats) | | |
|----------------------|---|--|
| Almost Certain | 4 | The event is expected to occur in most circumstances > 80% |
| Likely | 3 | More likely to occur than not: 51% to 80% |
| Possible | 2 | Fairly likely to occur: 21% to 50%. |
| Unlikely | 1 | Low but not impossible: 1% to 20% |

Risk Matrix (Threats)

| | | | Impact (Negative) | | | |
|------------|---|----------------|-------------------|------------|---------------|----------------|
| | | | Minor | Moderate | Major | Critical |
| | | | 1 | 2 | 3 | 4 |
| Likelihood | 4 | Almost Certain | Medium (4) | High (8) | VeryHigh (12) | Very High (16) |
| | 3 | Likely | Medium (3) | High (6) | High (9) | Very High (12) |
| | 2 | Possible | Low (2) | Medium (4) | High (6) | High (8) |
| | 1 | Unlikely | Low (1) | Low (2) | Medium (3) | Medium (4) |

Risk Appetite (Threats)

| Level of Risk | Consequences | Action Required |
|---------------------------|---|--|
| Very High 12-16 | Disastrous (negative) impact. The Council is very concerned with this kind of threat (Unacceptable). | Treatment/Mitigation Action(s) required to minimise threat(s) within 0 – 3 Months |
| High 6-9 | Severe (negative) impact. The Council is concerned with this kind of threat (Considerable). | Treatment/Mitigation Action(s) required to minimise threat(s) within 3 – 6 Months |
| Medium 3-4 | Medium (negative) Impact. The Council is uneasy with this kind of threat (Manageable). | Managed via contingency plans. Treatment/Mitigation Action(s) required to minimise threat(s) within 6 -9 Months |
| Low 1-2 | Relatively light negative impact. The Council is content with this kind of threat (Acceptable). | The Council is content to accept this risk, but threat(s) should be reviewed every 9 – 12 Months |

Risk Score = Likelihood × Impact