

SUPERANNUATION FUND COMMITTEE

Friday, 17th November, 2017

10.00 am

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





AGENDA

SUPERANNUATION FUND COMMITTEE

Friday, 17th November, 2017 at 10.00 am Ask for: **Denise Fitch**
Medway Room, Sessions House, County Telephone: **03000 416090**
Hall, Maidstone

Membership

Conservative (8):	Mr C Simkins (Chairman), Mr N J D Chard (Vice-Chairman), Mr P V Barrington-King, Mr P Bartlett, Mr P C Cooper, Mr P J Homewood, Mr J P McInroy and Mr J Wright
Liberal Democrat (1)	Mr D S Daley
District Council (3)	Cllr J Burden, Cllr P Clokie and Cllr N Eden-Green
Medway Council (1)	Cllr L Wicks
Kent Active Retired Fellowship (2)	Mrs M Wiggins and Mr D Coupland
UNISON (1)	Mrs S Lysaght
Staff Representative (1)	Vacancy

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UNRESTRICTED ITEMS

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

A. COMMITTEE BUSINESS

A1 Substitutes

A2 Membership

To note that:

- a) Mr P Homewood has replaced Mr A Marsh as a member of this Committee.
- b) At its meeting on 10 October 2017 the Selection and Member Services Committee confirmed that voting rights for the Medway Council co-optee (Cllr Wicks) on this Committee.

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

A4 Minutes - 8 September 2017 (Pages 7 - 12)

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 M&G Questions (Pages 13 - 14)

B2 Sarasin Questions (Pages 15 - 16)

B3 Access Pooling Update (Pages 17 - 32)

B4 Fund Structure (Pages 33 - 48)

UNRESTRICTED ITEMS

(meeting open to the public)

C. MATTERS FOR REPORT/DECISION BY THE COMMITTEE

C1 Fund Position Statement (Pages 49 - 58)

C2 Pensions Administration (Pages 59 - 68)

C3 Fund Employer Matters (Pages 69 - 76)

C4 Date of next meeting

The next meeting of the Committee will be held on Friday 9 February 2018 at 10.00am

John Lynch,
Head of Democratic Services
03000 410466

Thursday, 9 November 2017

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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, 8 September 2017.

PRESENT: Mr C Simkins (Chairman), Mr N J D Chard (Vice-Chairman), Mr P V Barrington-King, Mr P Bartlett, Cllr J Burden, Mr D Coupland, Cllr N Eden-Green, Mrs S Lysaght, Mr R A Marsh, Mr J P McInroy, Cllr L Wicks and Mr J Wright.

ALSO PRESENT: Mrs M E Crabtree and Mr J D Simmonds, MBE

IN ATTENDANCE: Ms B Cheatle (Pensions Manager), Mrs A Mings (Treasury and Investments Manager), Ms D Fitch (Democratic Services Manager (Council)), Mr N Vickers (Business Partner (Pension Fund)) and Mr A Wood (Corporate Director of Finance).

UNRESTRICTED ITEMS**14. Membership**

(Item A2)

It was noted that, in order to comply with the political proportionality on Committees as agreed at County Council on 25 May 2017, the Labour Group had given up their seat on this Committee.

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

(Item A3)

None

16. Minutes - 23 June 2017

(Item A4)

RESOLVED that the minutes of the meeting held on 23 June 2017 are correctly recorded, subject to Cllr J Burden being removed from the list of members present, and that they be signed by the Chairman.

17. Motion to exclude the Press and Public

(Item A5)

RESOLVED that under Section 100A of the Local Government Act 1972 the press and public be excluded from the meeting for the following business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of part 1 of Schedule 12A of the Act.

18. Schroders

(Item B1)

(1) The Chairman welcomed Ms Noffke and Mr Day to the meeting. He invited them to present their report and to focus on the UK equities mandate that they managed for the Kent County

Council Superannuation Fund. They responded to questions of detail from Members on the performance of the Kent Fund investments.

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

(Ms Noffke and Mr Day left the meeting)

19. Investment Strategy

(Item B2)

(1) Mr Vickers introduced a report which reviewed the Fund's Investment Strategy including current asset allocation.

(2) In relation to the brief for the investment strategy consultant Mr Vickers undertook to include reference to the potential consultant's views on future volatility and also request examples of the results that their advice had produced for their clients.

(3) In relation to the potential re-investment of £200m in the Pyrford Fund, Mr Vickers undertook to seek a fee reduction.

(4) RESOLVED that:

(a) the current allocation to global equities be reduced by £200m and that £200m be withdrawn from the Ballie Gifford mandate and re-invested in the Pyrford Absolute Return Fund.

(b) a review of investment strategy be commissioned and responsibility for selecting the consultant be delegated to the Corporate Director of Finance in consultation with the Chairman.

(Cllr Eden-Green took no part in the debate relating to State Street in accordance with his previously declared interest).

20. Pensions System Procurements

(Item B3)

(1) Mr Vickers introduced a report which set out the issues relating to the future provision of the pensions administration software and informed the Committee of the decision on the Guaranteed Minimum Pension (GMP) Reconciliation procurement.

(2) RESOLVED that the Committee agree to the calling off from the Northumberland County Council framework and the outcome of the GMP reconciliation procurement be noted.

UNRESTRICTED ITEMS

Meeting open to the Press and Public

21. Superannuation Fund Report & Accounts and External Audit *(Item C1)*

- (1) Mrs Mings presented the Report & Accounts of the Superannuation Fund for 2016/17, which had been approved by the Governance and Audit Committee, and the External Audit Findings Report.
- (2) RESOLVED that
 - (a) the Superannuation Fund Annual Report be approved
 - (b) the content of the Accounts for 2016/17 and the Fund policies be noted
 - (c) the Report and Accounts be published to the Kent Pension Fund website
 - (d) the external auditor's Audit Findings Report be noted, and
 - (e) the approval of the [Accounts](#) by the Governance and Audit Committee on 19 July 2017 be noted.

22. Fund Position Statement *(Item C2)*

- (1) Mr Vickers introduced a report which provided a summary of the Fund's asset allocation and performance, including the fund position statement for the quarter to 30 June 2017 and the longer term investment returns.
- (2) RESOLVED that the report be noted

23. Internally Managed Cash Balances *(Item C3)*

- (1) Mrs Mings introduced a report which updated the Committee on the Fund's cash position as at August 2017.
- (2) RESOLVED that the current cash position be noted and agreed that the Fund's cash may also be invested in Cashplus / Short term bond funds.

24. ACCESS Pooling Update *(Item C4)*

- (1) Mr Vickers and Mrs Mings introduced a report to update the Committee on progress on Pooling. The report included information on the ACCESS Joint Committee, Communications with the DCLG, passive investment management procurement, investment manager rationalisation and the operator procurement.
- (2) Officers undertook to provide a further update to the Committee at their next meeting and to keep members informed of progress as necessary between meetings.

(3) RESOLVED that:

- (a) the report be noted,
- (b) the Corporate Director of Finance, in consultation with the Chairman of the Superannuation Fund Committee, be delegated authority to approve the contract with the CIV Operator.
- (c) once the contract for the Operator has been prepared the Kent County Council seal be affixed to the legal documents.

25. Implementation of the Markets in Financial Instruments Directive (MiFID II)
(Item C5)

(1). Mrs Mings presented a report outlining the impact of MiFID II and in particular the risk to KCC of becoming a retail client on 3rd January 2018.

(2). Mrs Mings explained that, if the Committee agreed to apply for elective professional investor status under MiFID II regulations, it would be essential that information on relevant skills, experience and expertise was obtained from each member of the Committee. There would be a very short timescale for obtaining this information.

(1). RESOLVED that:

- a) the potential impact on investment strategy of becoming a retail client with effect from 3rd January 2018 be noted.
- b) the immediate commencement of applications for elected professional client status be agreed with all relevant institutions in order to ensure KCC can continue to implement an effective investment strategy.
- c) the Committee forgoes the protections available to retail clients
- d) authority be delegated to the Treasury and Investments Manager to complete the applications for elected professional client status.
- e) the Chairman sign the minutes relating to the above recommendations at the end of today's meeting.

26. Employer Matters
(Item C6)

(1). Officers introduced a report on employer related matters and applications from organisations to become admitted bodies within the Superannuation Fund.

(2). RESOLVED that the employers report be noted and that:

- a) Solo Service Group Ltd be admitted to the Kent County Council Superannuation Fund;
- b) Pabulum Ltd be admitted to the Kent County Council Superannuation Fund;

- c) the Chairman sign the minutes relating to recommendations (a) to (b) at the end of today's meeting; and
- d) once legal agreements have been prepared for these matters the Kent County Council seal can be affixed to the legal documents.

27. Date of next meeting
(Item C7)

It was noted that the next meeting of the Committee would be held on Friday 17 November 2017 at 10.00am.

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of the Local Government Act 1972.

Agenda Item B1

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Item No.

By: Chairman Superannuation Fund Committee
Corporate Director of Finance

To: Superannuation Fund Committee – 17 November 2017

Subject: **FUND POSITION STATEMENT**

Classification: Unrestricted

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

FOR DECISION

INTRODUCTION

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

INVESTMENT RETURN QUARTER TO 30 SEPTEMBER

2. The Fund returned +1.12% in the Quarter compared with a benchmark return of +1.68% increasing in value by £69m.
3. Equity and UK Commercial Property all saw positive returns.
4. Relative to the benchmark this was generally a disappointing quarter for our active equity managers with only Schroders UK and Sarasin Global outperforming the benchmark.
5. The main area for concern is the continued underperformance of Woodford. The recent problems have had extensive media coverage and there have been some high profile investments which have gone badly wrong, Provident being notable. Neil Woodford's investment approach is not benchmark constrained and there can be significant under and over performance. The Chairman is holding discussions with the product specialist in December and will be meeting with Neil Woodford in February, they will also be attending the meeting on 23 March.

INVESTMENT RETURN ONE YEAR

6. The one year return at Fund level is well ahead of benchmark (12.58% against 10.15%). This primarily reflects strong performance from the Fund's core investment mandates; Schroders UK Equities, Baillie Gifford Global Equities and DTZ Commercial Property. Compared with a year ago when they last attended the Committee Sarasin have had strong out performance.

7. It is also worth reminding the Committee of the key contribution of State Street the passive equity manager delivering strong absolute performance in a rising equity market.

ASSET ALLOCATION

8. The asset allocation shown as at 30 September is prior to the £200m in Global Equities agreed by the Committee at its last meeting. Global equity returns were negative in September against broadly neutral UK Equities.
9. The Committee is formally required to consider asset allocation at each meeting. It is recommended that no changes are made to asset allocation.

RECOMMENDATION

10. Members are asked to agree the report.

Nick Vickers
Business Partner (Pension Fund)
Tel: 07920 428575
E-mail: nick.vickers@kent.gov.uk

FUND POSITION STATEMENT

Summary of Fund Asset Allocation and Performance

Superannuation Fund Committee

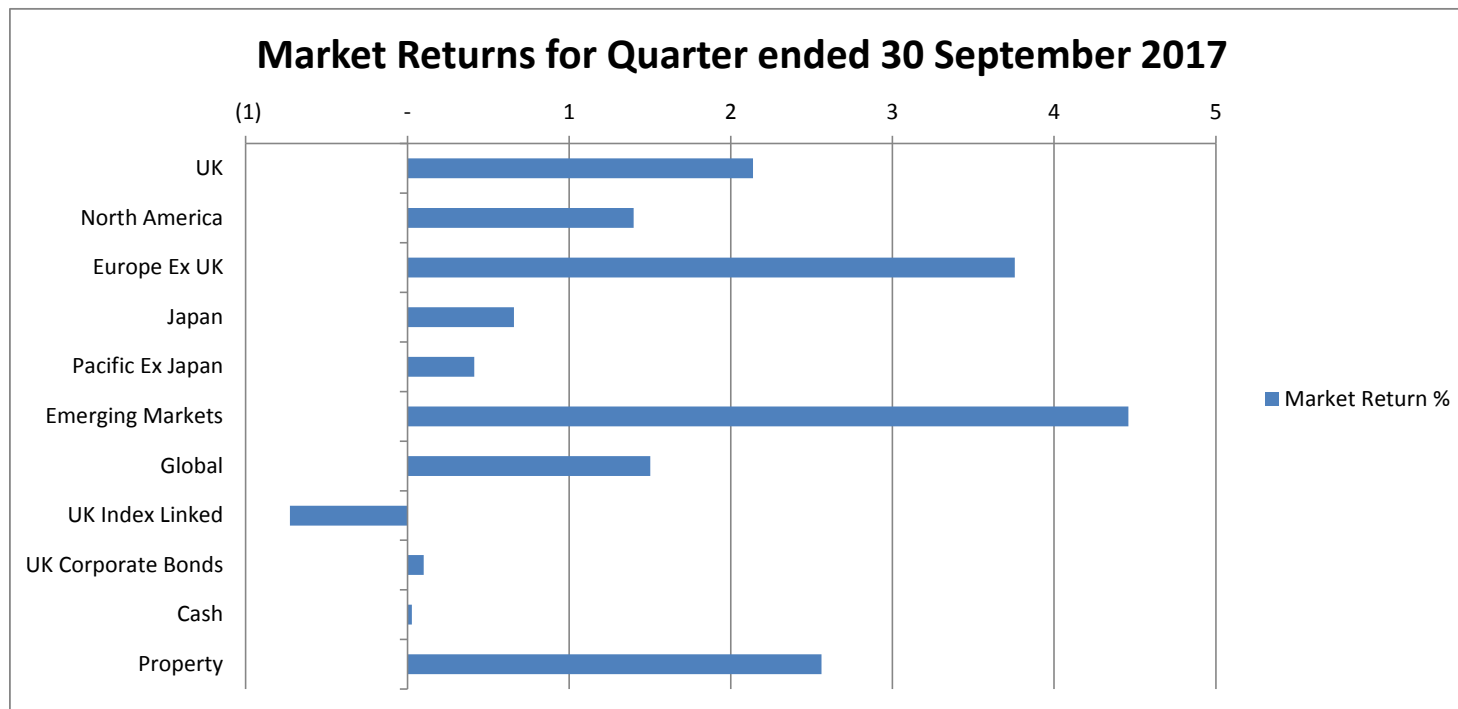
By: Chairman Superannuation Fund Committee
Corporate Director of Finance



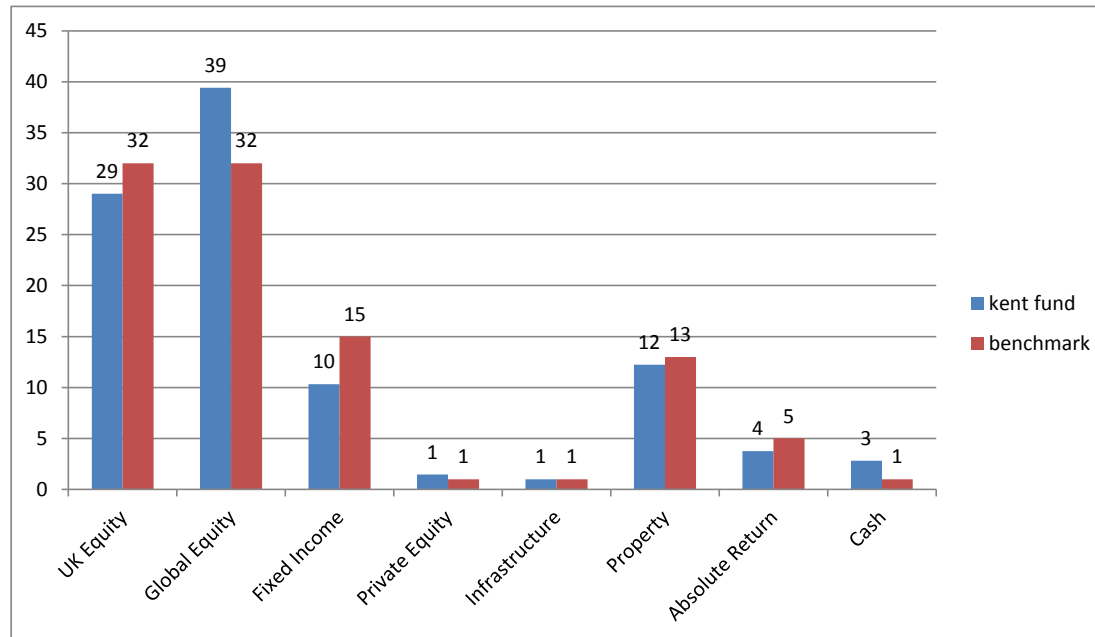
Kent County Council
Superannuation Fund Q2 2017-18

Nick Vickers - Business Partner

Market Returns for Quarter ended 30 September 2017

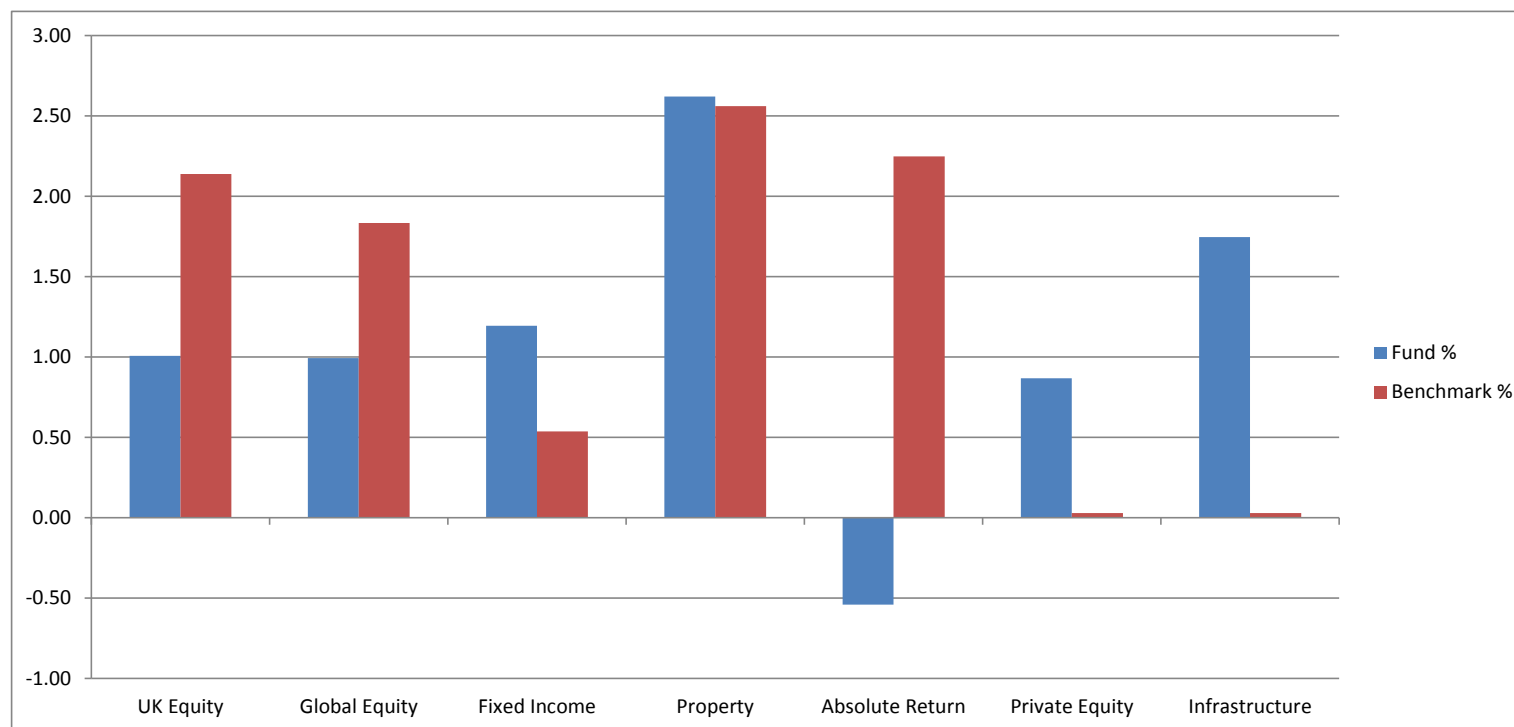


Fund Asset Allocation vs Benchmark as at 30 September 2017



Asset Class	Kent Fund		Benchmark
	£m	%	%
UK Equity	1,673	29	32
Global Equity	2,274	39	32
Fixed Income	596	10	15
Private Equity	83	1	1
Infrastructure	57	1	1
Property	706	12	13
Absolute Return	217	4	5
Cash	162	3	1
Total	5,767	100	100

Fund Asset Class Performance for Quarter ending 30 September 2017



Page 54

Asset Class	Fund %	Benchmark %	Outperformance %
UK Equity	1.01	2.14	-1.13
Global Equity	0.99	1.83	-0.84
Fixed Income	1.19	0.54	0.66
Property	2.62	2.56	0.06
Absolute Return	-0.54	2.25	-2.79
Private Equity	0.87	0.03	0.84
Infrastructure	1.75	0.03	1.72

Market Value Summary by Fund Manager as at 30 September 2017

Fund Mandate	Asset Class	Market Value as at 30 June 2017 (£m)	Market Value as at 30 September 2017 (£m)	Change in Market Value (£m)	% of Total Fund 30 September 2017
Baillie Gifford	Global Equity	1,283	1,306	24	22.65%
Schroders	UK Equity	903	922	19	15.99%
DTZ	Direct Property	468	474	7	8.22%
Goldman Sachs	Fixed Interest	364	371	7	6.43%
Woodford	UK Equity	325	306	-19	5.31%
State Street	UK Equity	316	323	7	5.60%
M&G	Global Equity	313	318	5	5.51%
Schroders GAV	Global Equity	277	278	1	4.82%
State Street	Global Equity	280	284	5	4.93%
Schroders	Fixed Interest	244	244	0	4.24%
Sarasin	Global Equity	224	229	5	3.96%
Pyrford	Absolute Return	219	217	-2	3.76%
Fidelity	Pooled Property	112	116	4	2.01%
Harbourvest	Private Equity	68	65	-3	1.14%
Internally managed cash	Cash	61	78	16	1.35%
Kames	Pooled Property	60	54	-5	0.94%
Partners	Infrastructure	58	57	-1	0.98%
DTZ Pooled Funds	Pooled Property	48	48	0	0.83%
Impax	Global Equity	44	45	1	0.78%
YFM	Private Equity	19	18	-1	0.31%
M&G Property	Pooled Property	13	14	0	0.24%
Total Kent Fund		5,698	5,767	69	100.00%

Performance Returns as at 30 September 2017
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	Quarter		1 Year		3 Year (p.a.)	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
Total Fund	1.12	1.68	12.58	10.15	11.14	9.46
Uk Equity						
Schroders UK Equity	2.11	2.10	13.56	11.70	7.92	8.35
State Street UK Equity	2.17	2.14	12.08	11.94	8.59	8.51
Woodford	-5.73	2.14	0.69	11.94	--	--
Global Equity						
Baillie Gifford	1.84	2.26	19.46	16.17	19.51	14.04
Sarasin	2.15	1.83	18.11	14.88	13.03	14.43
Schroders GAV	0.28	1.83	12.92	14.88	13.47	14.66
State Street Global Equity	1.71	1.71	15.67	15.79	15.57	15.73
Impax	1.82	1.83	12.24	14.88	16.00	14.66
M&G	1.45	1.96	15.44	15.49	11.53	15.05
Fixed Interest						
Goldman Sachs	1.93	0.86	7.06	3.50	5.32	3.52
Schroders Fixed Interest	0.10	0.09	3.56	0.47	1.76	1.40
Property						
DTZ	2.60	2.56	13.92	10.23	12.57	9.42
Fidelity	3.61	2.40	2.60	9.31	10.75	8.91
Kames	4.23	2.40	10.75	9.31	9.19	8.91
M&G Property	0.01	2.40	2.90	9.31	--	--
Private Equity						
Harbourvest	0.68	0.03	13.93	0.12	22.11	0.27
YFM	1.59	0.03	15.54	0.12	9.22	0.27
Infrastructure						
Partners	1.75	0.03	8.43	0.12	19.36	0.27
Absolute Return						
Pyrford	-0.54	2.25	2.09	9.01	4.75	7.29

Fund Manager Benchmarks and Performance Targets

Asset Class / Manager	Performance Benchmark	Performance Target
UK Equities:		
Schroders UK Equity	Customised	+1.5% pa over rolling 3 years
Woodford	FTSE All Share	Unconstrained
State Street UK Equity	FTSE All Share	Match
Global Equities:		
Baillie Gifford	Customised	+1.5% pa over rolling 3 years
Sarasin	MSCI AC World Index NDR	+2.5% over rolling 3 - 5 years
M&G	MSCI AC World Index GDR	+3% pa
Schroders GAV	MSCI AC World Index NDR	+3% - 4% pa over rolling 3 years
Impax	MSCI AC World Index NDR	+2% pa over rolling 3 years
State Street Global Equity	FTSE World ex UK	Match
Fixed Income:		
Schroders Fixed Interest	3 months Sterling Libor	+4% pa over a full market cycle
Goldman Sachs	+3.5% Absolute	+6% Absolute
Property:		
DTZ	IPD Pension Fund Index	≥ 3 year rolling average of benchmark returns
Fidelity	IPD UK PF Property Fund Index	
Kames	IPD UK PF Property Fund Index	
M&G Property	IPD UK PF Property Fund Index	
Alternatives: (Cash / Other Assets)		
Private Equity – YFM	GBP 7 Day LIBID	
Private Equity – HarbourVest	GBP 7 Day LIBID	
Infrastructure – Partners Group	GBP 7 Day LIBID	
Infrastructure - Henderson	GBP 7 Day LIBID	
Absolute Return – Pyrford	Retail Price Index (RPI)	RPI + 5%
Internally managed cash – KCC Treasury and Investments team	GBP 7 Day LIBID	

Fund Structure as at 30 September 2017

UK Equities	Global Equities	Fixed Interest	Property	Cash/Alternatives
Schroders +1.5% £922 m	Baillie Gifford +1.5% £1,306 m	Goldman Sachs +6.0% Abs. £371 m	DTZ Property £522 m	Internally managed Cash £78 m
State Street 0.0% £323 m	M&G +3.0% £318 m	Schroders +4.0% £244 m	Fidelity Property £116 m	Partners Infrastructure £57 m
Woodford £306 m	Schroders +3.0% - +4% £278 m		Kames Property £54 m	YFM Private Equity £18 m
	State Street +0.0% £284 m		M&G Property £14 m	HarbourVest Private Equity £65 m
	Impax +2.0% £45 m			Pyrford Abs. Return RPI + 5% £217 m
	Sarasin +2.5% £229 m			
Total Fund £5.8 bn				

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

To: Superannuation Fund Committee – 17 November 2017

Subject: **PENSIONS ADMINISTRATION**

Classification: Unrestricted

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

- Workload position
- Achievements against Key Performance Indicators (KPIs)
- CIPFA Benchmarking Survey Results 2017
- Monthly submission of employer data
- Staff resource

FOR DECISION

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 1 shows the year on year comparison of work levels being received in the section together with the 6 month position as at September 2017.
3. The majority of work categories remain at similar levels when compared to 2015/16.
4. When comparing work levels to 2013/14 the marked difference is with regard to the level of communications and enquiries. As reported previously this is partially due to the increasing profile of 'pensions' in the media and the general culture of seeking direct clarification with regard to pension questions. We encourage members of the scheme to visit our website www.kentpensionfund.co.uk, with an average of 9000 visits each month, to answer as many of their questions as possible however many still require a personal response. Emails are still growing as the preferred method of communication but this is still outstripped by the number of telephone calls received in the section, which averages at approximately 1610 each month.
5. The decrease in the number of deferred benefits shown in Appendix I for the years 2015/16 and 2017/18 is partially due to members now requiring 2 years' membership of the scheme before being entitled to a deferred benefit, an increase in the previous

requirement of 3 months membership, however the main reason for the difference in the number of deferred benefits when compared to previous years is that due to increased workloads in other areas we have deferred benefit calculations that have not yet been processed.

ACHIEVEMENTS AGAINST KEY PERFORMANCE INDICATORS (KPIs)

6. Appendix 2 shows the achievements of the section in meeting its KPIs for the 6 month period ending with September 2017 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. 3 categories of work show a continuation or improvement in the percentage achieved in 2015/16 within the KPI however as a result of concentrating efforts on these areas of work and due to the changes to the scheme still impacting, especially with regard to data received from employers, and the requirement in the scheme regulations that annual benefit illustrations and deferred benefit updates have to be issued by 31 August, other areas of work have suffered.

CIPFA BENCHMARK SURVEY RESULTS 2017

9. The Kent Pension Fund participates in the annual CIPFA administration costs benchmark survey.
10. The survey this year compared our costs with those of 30 other administering authorities.
11. Appendix III shows our performance against other authorities in a range of administrative areas. I have shown the Kent performance for 2015 and 2017 for additional information. Due to work constraints we did not take part in the survey in 2016.
12. The results place Kent 13th of the 30 authorities (1st being the lowest) in terms of the cost of administration per member of the scheme.
13. In comparison to other administering authorities our administration cost per member at £18.08 is lower than the average of £20.08.
14. Staff costs for 2017 remain higher than the average although lower than the figure for 2015 due to staff vacancies. In analysing the staff pay and staff experience breakdown provided it would appear Kent has 49% of staff with more than 15 years experience in Pensions Administration than other authorities which could explain the higher staff costs.
15. The report indicates that Kent has the 7th highest number of employers in the Fund when compared to the other 30 authorities.

16. The most significant variance is seen in the number of unprocessed leavers that we currently have when compared to the other authorities. This is as a result of the changes to the scheme from 2014, the added complexities to administering the scheme, the increase in communications and the statutory requirement to provide annual benefit illustrations by 31 August.
17. With the exception of this area of work In general terms I believe the results reflect well on our achievements particularly given, there is no 'quality' measure, built into the survey.

MONTHLY SUBMISSION OF EMPLOYER DATA

18. The administration of the Local Government Pension Scheme relies on accurate and current data supplied by scheme member's employers. For those scheme members joining and leaving the scheme specific data is required. In addition for every current member of the scheme, as at 31 March 2017 totalling 50,834 , information is required with regard to any changes to their data together with data, currently provided annually at year end, which is used to fulfil the statutory requirement to provide annual benefit illustrations (ABIs) by 31 August each year.
19. The requirement to receive specific accurate annual data with regard to scheme members in order to produce ABIs within this timeframe provides both employers and the pension section with additional and extreme workloads during the period from April to August each year which in turn impact on the pension section KPIs.
20. In addition because information is only supplied at year end this highlights information that should have been submitted by employers earlier in the year, for example new starters or joiners, which adds to the work to be completed during this short timespan and the added time taken by the pension section to chase the employers for this information.
21. The Pensions Regulator requires that all schemes hold accurate and current information with regard to the members of the scheme.
22. In order to reduce these issues we are looking to receive electronic submission of data from employers on a monthly rather than annual basis.
23. Heywood, the provider of the software that is used to administer the pension schemes, have developed a product, i-Connect, an automated data exchange portal that manages the flow of data securely between employers and the Fund on a monthly basis and therefore provides benefits to Pension Funds and employers .
24. i-Connect provides improvements in data quality and timeliness by automating the data gathering and validation process which in turns provides cost savings. It integrates fully with Altair, our software product to :-
 - provide straight through processing for submitting data
 - improve governance regarding contribution reconciliation
 - provide secure transfer of data to the pension fund

- remove the annual end of year return
 - cater for the CARE scheme
 - allow the pension fund system administrator to automatically create workflows based on each status change, update or data change
 - remove the audit risk of manipulating employer data
25. Heywood have prepared a business case and have calculated, based on their experience with other users, that in total i-Connect could save the Kent Pension Fund over £290,000 each year through the automation of data submission, reduction in errors and efficiencies realised in the existing annual reconciliation process.
26. The annual fee for providing i-Connect is £74,325.

STAFF RESOURCE

27. Appendix 4 shows the current structure of the Pension Administration team. Of the 57 FTE roles shown we currently have 8 vacancies.
28. This report shows that since the changes to the Local Government Pension Scheme in 2014, the additional complexities and the increase in communications from members of the scheme although we have kept pace in certain areas of our work, such as retirements, correspondence etc other areas have fallen behind and have resulted in backlogs of certain cases such as deferred benefits, amalgamation of pension membership etc also known as unprocessed leavers. The amount of these currently stands at 21495.
29. Within our current structure the backlog of these areas of work is increasing and causes problems with regard to the statutory obligation to provide members with details of their pension benefits as well as the Pensions Regulator's requirement.
30. The backlogs of work tend to be in the less technical areas of our work and are undertaken by our Pension Support Assistants. Therefore in order to deal with the backlogs of work we are looking to expand the number of permanent roles in this area by 4 FTE. The Pension Support Assistant is a Kent Grade KR4 with a starting salary of £16,968. This gives a total additional annual cost of around £90k.
31. These additional staff would be used to specifically target the backlog of areas of these areas of work. It is envisaged that when the staff are fully trained they should be able to clear approximately 7,000 of these cases in the first year together with dealing with new cases received.
32. Going forward, should agreement be given to new technology such as i-Connect described above, I envisage that additional existing staff can also be used to deal with these areas of work.
33. Due to the complexity of pensions work we would look to employ permanent rather than temporary staff. As has been reported previously the pension section suffer from a large turnover of staff and problems in recruiting staff and therefore should technology and changes to processes mean that future reductions in staffing are necessary we would look to deal with this by not recruiting to vacancies.

RECOMMENDATION

31. Members are asked to note this report.

- (1) Agree to the additional funding for the purchase of i-Connect.
- (2) Agree to the extra staff resource of 4 Pension Support Officers.

Barbara Cheatle
Pensions Manager
03000 415270

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

Case Type	2013/14	2014/15	2015/16	2016/17	6 months to September 2017
Benefit calculation	1978	1928	1766	2238	1033
Correspondence	1467	3450	4719	5370	2625
Divorce case	312	293	385	381	184
Estimate calculation	2861	2541	2810	3145	1671
Deferred benefit	5244	2475	993*	1357*	786*
Transfer/Interfunds in	374	189	204	286	106
Transfer/Interfunds out	478	558	651	644	355
Dependants	364	323	377	410	242
Total	13,078	11,757	11,905	13,831	7002

*These represent the number of leavers that have been identified as deferred benefits and have been processed. It does not include members who have left the scheme where we have still to process the leaver

Achievements against Key Performance Indicators

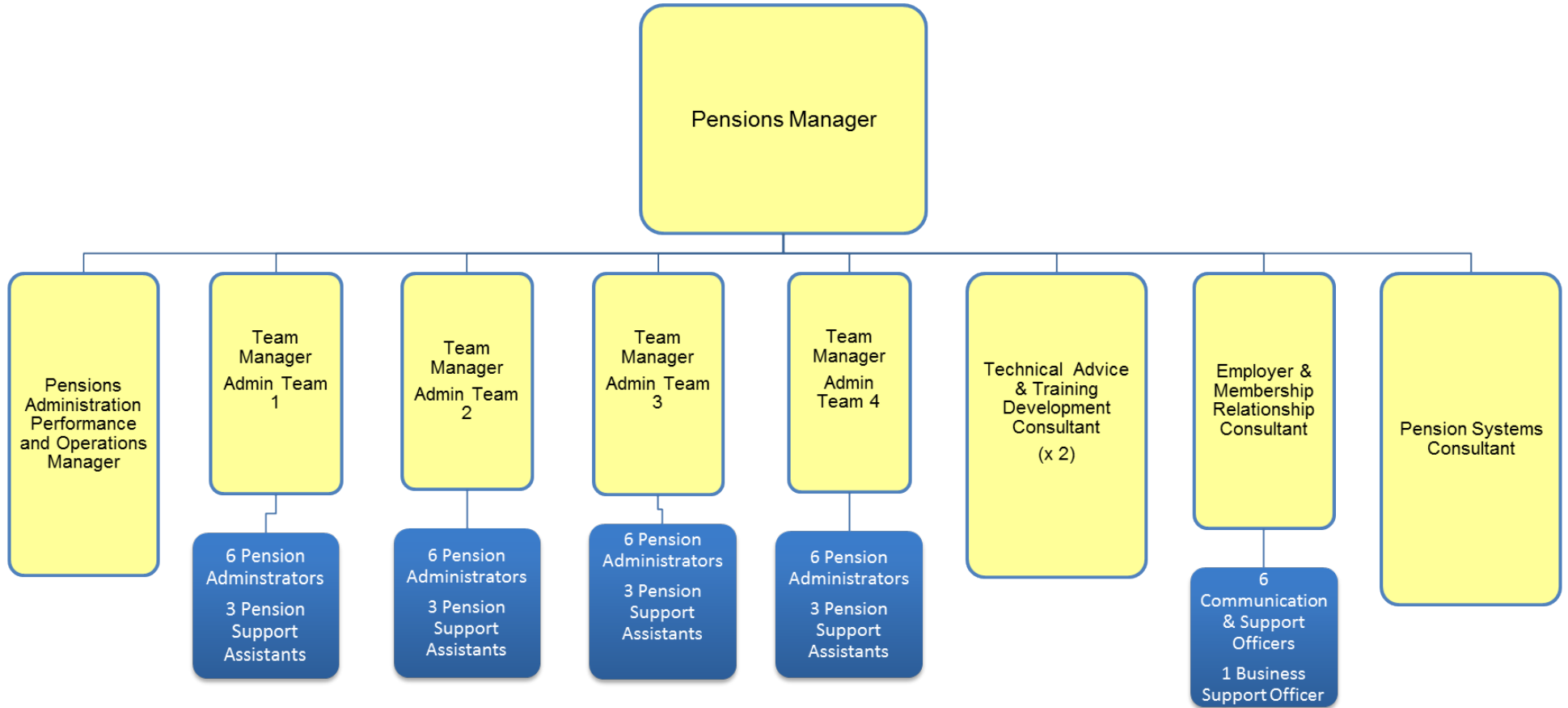
Case Type	Target Time	13/14		14/15		15/16		16/17		6 months to September 2017	
		No	% in target	No	% in target	No	% in target	No	% in target	No	% in target
Calculation and payment of retirement benefit	20 days	1978	99%	1928	99%	1766	96%	2238	95%	1033	98%
Calculation and payment of dependant benefit	15 days	364	99%	323	87%	377	86%	410	95%	242	99%
Calculation and provision of benefit estimate	20 days	2861	98%	2541	63%	2810	62%	3145	67%	1671	65%
Reply to correspondence	15 days	1467	99%	3450	98%	4719	98%	5370	99%	2625	99%

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

CIPFA Administration Benchmark Survey 2017

	Kent Pension Fund		Average over all participants 2017
	2015	2017	
Total administration costs per member	£14.97	£18.08	£20.08
Staff costs per member	£9.17	£9.02	£8.81
Payroll costs per member	£1.59	£1.52	£1.34
Communication costs per member	£1.96	£0.72	£0.87
Number of LGPS Employers	-	422	308
Leavers unprocessed/in progress	7.4%	12.7%	3.3%

PENSIONS ADMINISTRATION TEAM



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By: Chairman Superannuation Fund Committee
Corporate Director of Finance

To: Superannuation Fund Committee – 17 November 2017

Subject: **Fund Employer Matters**

Classification: Unrestricted

Summary: To report on employer related matters, a new scheduled body, applications to join the Superannuation Fund and a deed of modification.

FOR DECISION

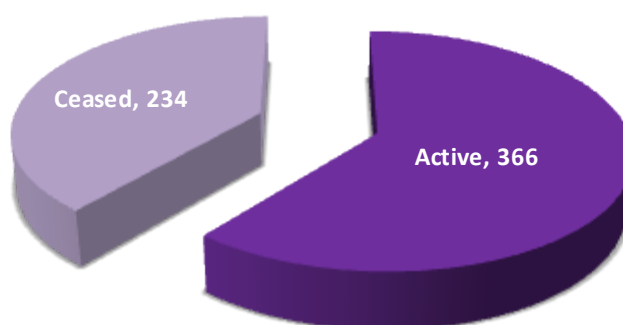
INTRODUCTION.

1. This report sets out information on employer related matters, to advise of a new scheduled body, applications from organisations to become admitted bodies within the Superannuation Fund and a deed of modification. The Committee's approval is sought to enter into these agreements.
2. The Committee is advised that the admission minutes are to be signed at the end of today's meeting to facilitate completion on the desired dates.

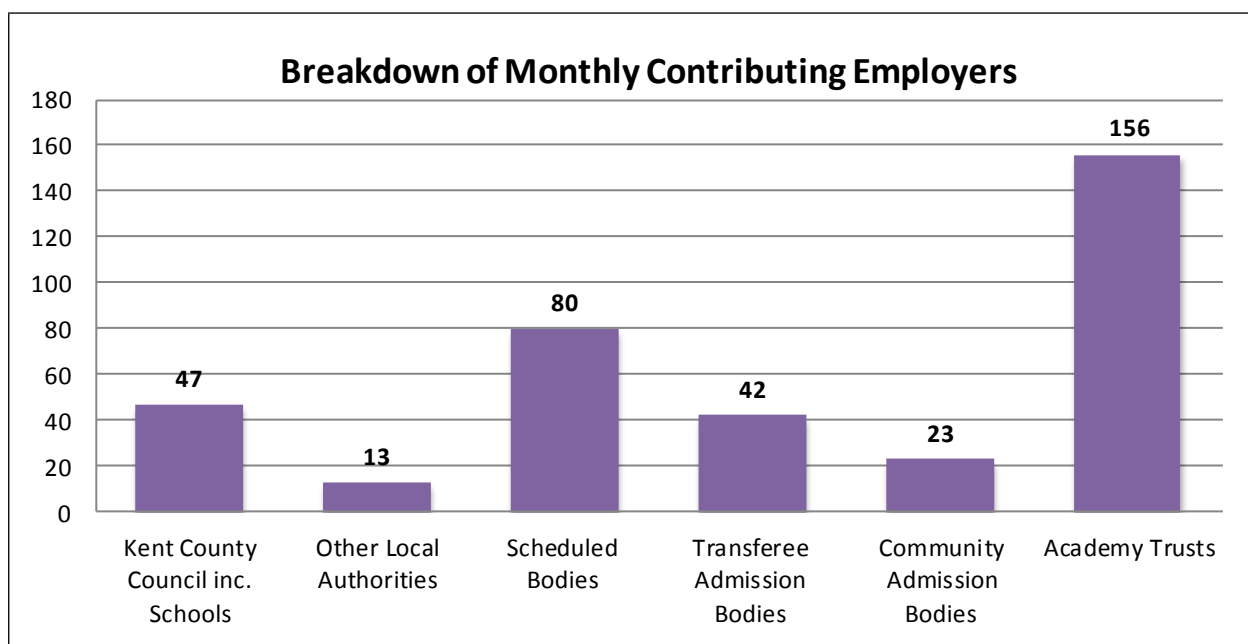
EMPLOYER UPDATE AT 30 SEPTEMBER 2017.

3. There are currently a total of 600 employers in the Kent Pension Fund.

Split of Employers between Active and Ceased



4. During the 3 months to the end of September 2017, the number of Active employers who are regularly paying contributions has fallen from 367 to 366 as a result of 1 Kent school changing their payroll provider. The number of Ceased employers has increased from 233 to 234. These no longer have active contributing members in the LGPS and 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 / Ceased employers in the Kent Pension Fund

Active Employers	Effective date
Academy Trusts	
Potential in Everyone Academy Trust	1 August
Maritime Academy Trust	1 September
University of Kent Academies Trust	1 September

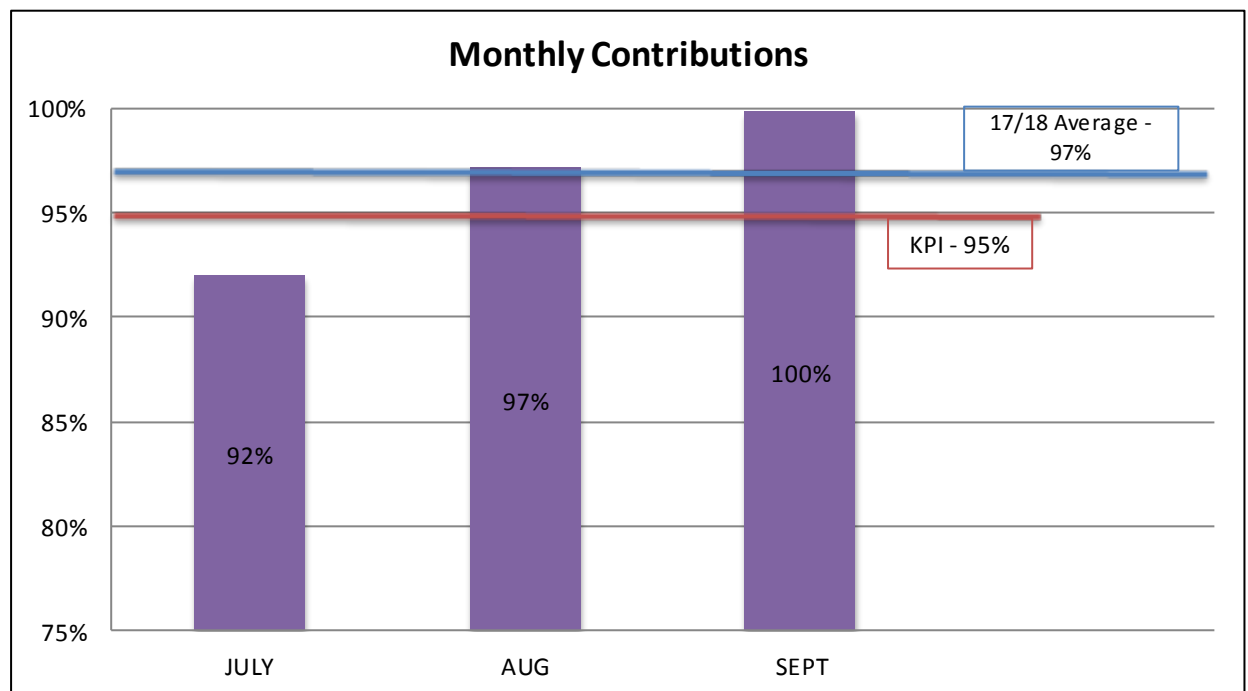
Ceased Employers	Effective date
Academy joined a Multi-Academy Trust	
Brompton Academy	1 September
Chatham Grammar School for Girls (Academy)	1 September
West Malling CEP School (Academy)	1 September
Kent County Council Incl Schools (Change of Payroll Provider)	
Downsview Infant School	1 July

CONTRIBUTIONS FROM EMPLOYERS QUARTER 2 2017-18

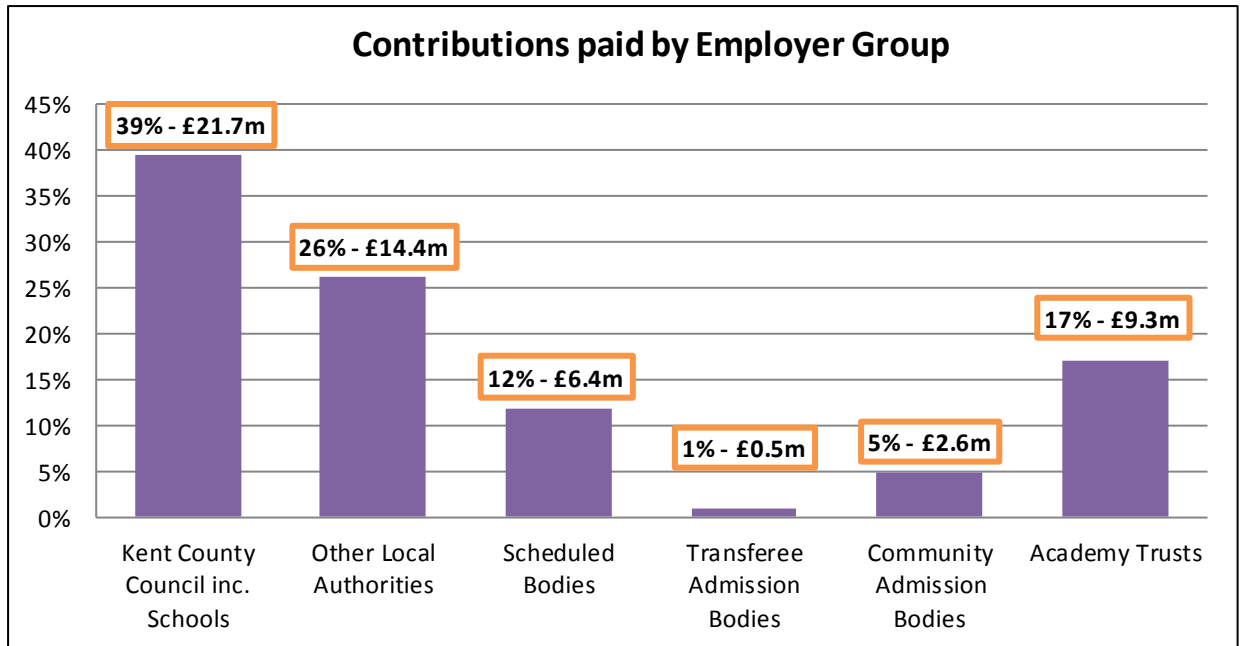
7. In quarter 2 2017-18 the Fund received £54.9m from Employers in respect of their monthly contributions (employer and employee) as follows:

	JULY	AUGUST	SEPTEMBER
	£	£	£
Received Early	9,763,338	9,624,425	9,720,014
Cash on 19th	7,131,768	8,197,452	8,451,367
Received Late	1,461,061	524,565	31,184
Total	18,356,167	18,346,441	18,202,565

8. KCC monitors the timing of receipt of these contributions compared to a KPI of 95%. During quarter 2 2017-18 the KPI has been exceeded in August and September. However in July this dropped to 92% due to one local authority paying a day late as the 19th fell on the weekend. As a consequence the overall average of all contributions being received on or before the due date fell from 98% in quarter 1 to to 96.3% for this quarter.



9. The following table shows that KCC and other local authorities have paid £36.1m, 65% of all contributions received from employers.



EDSECo Ltd (which will trade as The Education People)

10. EDSECo Ltd, which will trade as The Education People, is a local authority trading company 100% owned by Kent County Council (KCC). It was incorporated on 19 September 2017 and will provide services for a minimum period of 10 years.
11. The total number of people expected to transfer from KCC to EDSECo is approximately 369 FTEs and the transfer date is expected to be on or shortly after 1 April 2018.
12. EDSECo has made a resolution to join the Superannuation Fund from 1 April 2018. The resolution is made under Schedule 2 Part 2 (5) of the LGPS 2013 Regulations, as amended, and entitles all of their current KCC staff to be eligible for membership of the LGPS.
13. The Local Government Pension Scheme (LGPS) will be a closed scheme for all employees transferring to EDSECo under the TUPE regulations (except those who are aged 75 or older).
14. Barnett Waddingham has calculated the minimum employer contribution rate to be 21% however KCC and EDSECo have agreed that EDSECo will pay 22% as part of their commercial agreement as the LGPS risk remains with KCC.

NOURISH CONTRACT CATERING LTD

15. Swale Academies Trust is awarding a 3 year contract, with a possible 2 year extension, to Nourish Contract Catering Ltd for catering services at

its secondary schools although the effective date is yet to be confirmed. This involves the transfer of approximately 11 employees from the Trust

16. To ensure the continuity of pension arrangements for these employees Nourish Contract Catering Ltd has made an application for admission to the Superannuation Fund.
17. The admission application has been made under Schedule 2 Part 3 1(d) (i) of the LGPS Regulations 2013, as amended, and under this regulation the admitted body is required to provide a form of bond or indemnity.
18. The Fund Actuary has assessed the level of bond at £84,000 for the first year, £92,000 for the second year and £104,000 for the third year and the employer's contribution rate has been set at 27.2% for a closed agreement.
19. The completed questionnaire and supporting documents provided by Nourish Contract Catering Ltd have been examined by Officers to ensure compliance with the LGPS Regulations, and Invicta Law have given a favourable opinion.

COMPASS CARE HOMES WAYFARERS LTD

20. KCC is selling the freehold of Wayfarers Care Home in Sandwich to Compass Care Homes Wayfarers Ltd although the effective date is not yet known . This involves the transfer of approximately 52 employees from KCC to Compass Care Homes Wayfarers Ltd
21. To ensure the continuity of pension arrangements for these employees, Compass Care Homes Wayfarers Ltd has made an application for admission to the Superannuation Fund.
22. The admission application has been made under Schedule 2 Part 3 1(d) (i) of the LGPS Regulations 2013, as amended, and under this regulation the admitted body is required to provide a form of bond or indemnity.
23. The Fund actuary will assess the level of employer contribution rate and Bond.
24. The completed questionnaire and supporting documents provided by Compass Care Homes Wayfarers Ltd have been examined by Officers to ensure compliance with the LGPS Regulations, and Invicta Law have given a favourable opinion.

CIVICA UK LTD

25. Canterbury City Council, Dover District Council and Thanet District Council are intending to award a 7 year contract with a possible extension to a maximum of 10 years, to Civica UK Ltd for Revenue, Benefits and Customer Services.
26. The effective date is not yet known although it is expected to be in the last quarter of this current financial year. This involves the transfer of some 234 employees from Thanet District Council to Civica UK Ltd.
27. To ensure the continuity of pension arrangements for these employees, Civica UK Ltd has made an application for admission to the Superannuation Fund.
28. The admission application has been made under Schedule 2 Part 3 1(d) (i) of the LGPS Regulations 2013, as amended, and under this regulation the admitted body is required to provide a form of bond or indemnity.
29. It is proposed that Thanet District Council as scheme employer party to the admission agreement provides a guarantee. The Committee may wish to note that Thanet District Council will be sharing the liabilities and risks with Canterbury City Council and Dover District Council as all three Councils are party to the contract with Civica UK Ltd.
30. The Fund Actuary has assessed the employer's contribution rate at 16.7% for an open agreement or 19.2% for a closed agreement.
31. The completed questionnaire and supporting documents provided by Civica UK Ltd have been examined by Officers to ensure compliance with the LGPS Regulations, and Invicta Law have given a favourable opinion .

CLARION HOUSING ASSOCIATION

32. At their meeting on 17 March 2017 the Committee agreed to the admission to the Superannuation Fund of Circle 33 who have taken over all the liabilities of Russet Homes Ltd by way of a transfer of engagements.
33. Circle 33 is now intending to amalgamate with Affinity Sutton Homes to form Clarion Housing Association on 1 December 2017.
34. Circle 33 is seeking to enter into a Deed of Modification upon the amalgamation taking place. The Deed of Modification will confirm Clarion Housing Association as the admission body and that it takes on the liabilities and obligations of Circle 33, including the provision of a Bond and Parent Company Guarantee.

35. The Committee is being asked for a decision in principle to enter into the Deed of Modification subject to the receipt of legal advice as to the form of Deed and due diligence checks being completed once Clarion Housing Association has been established.

RECOMMENDATION

36. Members are asked to note that EDSECo Ltd, trading as The Education People has resolved to join the Fund
37. Members are asked to agree:
- a) to the admission to the Kent County Council Superannuation Fund of Nourish Contract Catering Ltd; and
 - b) to the admission to the Kent County Council Superannuation Fund of Compass Care Homes Wayfarers Ltd; and
 - c) to the admission to the Kent County Council Superannuation Fund of Civica UK Ltd; and
 - d) in principle to the request from Circle 33 to enter into a Deed of Modification; and
 - e) that the Chairman may sign the minutes relating to recommendations (a) to (d) at the end of today's meeting; and
 - f) that once legal agreements have been prepared for these matters the Kent County Council seal can be affixed to the legal documents.

Steven Tagg
Treasury and Investments
03000 416747

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