

KENT COUNTY COUNCIL

PENSION BOARD

MINUTES of a meeting of the Pension Board held in the Wantsum Room, Sessions House, County Hall, Maidstone on Friday, 27 October 2017.

PRESENT: Mrs M E Crabtree (Chairman), Mrs R Binks, Mr D Coupland, Ms A Kilpatrick, Mrs S Lysaght and Mr J Peden

IN ATTENDANCE: Mr J Lynch (Head of Democratic Services), Ms L Savage (Pensions Administration Performance and Operations Manager), Mr S Tagg (Senior Accountant - Pension Fund) and Mr N Vickers (Head of Financial Services)

UNRESTRICTED ITEMS

10. Apologies
(Item 1)

Apologies were received from Councillor David Monk (Medway Council) and Ms Barbara Cheatle (Pensions Manager).

11. Declarations of Interest by Panel members on items on the agenda for this meeting
(Item 2)

None

12. Minutes of the meeting held on 4 July 2017
(Item 3)

RESOLVED that the minutes of the meeting held on 4 July 2017 are correctly recorded and that they be signed by the Chairman as a correct record.

13. Superannuation Fund Report & Accounts and External Audit
(Item 4)

(1) Mr Vickers presented the report and Accounts of the Superannuation Fund for 2016/17 and the External Audit Findings report.

(2) Mr Vickers highlighted the followings points:

- The Accounts were agreed by the Governance and Audit Cttee in July and then the Superannuation Fund Committee in Sept each year before being presented to the Board.
- The last year had seen a very significant growth in the value of the Pension Fund, with a return of 21% the fund increased in value by just under £1bn.

- 39% of the Fund's portfolio was in Overseas Equities versus the benchmark figure of 32%. Given the high returns these had yielded £200m had been taken out of equities to bank them.
- A major review of investment strategy had been commissioned, the outcome of which would be presented to the next meeting of the Board.
- The Funds' investments had outperformed the benchmark over a 3, 5 and 10 year period.
- A lot of our investments were in pool funds. Where KCC were direct owners of shares they did vote on them and were actively engaged with management at their company meetings.

(3) Mr Vickers answered questions from the Board and stated:

Fund Managers performance was closely monitored and they would shortly be meeting with Woodford over their performance.

The review of investment strategy could well suggest having less in UK equities.

(4) RESOLVED that the report be noted.

14. ACCESS Pooling Update (Item 5)

(1) Mr Vickers updated the Board on progress with pooling. It was noted that:

- A formal Joint Ctte had now been formally established with the 11 participating authorities. This was chaired by Cllr Andrew Reid from Suffolk and Cllr Richard Stogdon from East Sussex being Vice Chairman.
- The DCLG had changed their view and now required all funds to participate in a pool and all pools must have an FCA authorised operator. ACCESS was now complying with this requirement whereas the Northern Pool were not and a small number of funds did not want to be part of pools.
- ACCESS Funds had recently awarded a contract for their combined passive mandate to UBS Asset Management (UK) Ltd. This would give KCC a saving of £400,000 per annum.
- Kent's current manager, State Street, did not bid for the new contract.
- In relation to Investment Manager Rationalisation each of the 11 Funds had their own manager and there was around £10bn of Funds in passive investments across ACCESS. Potentially there could be a further £10bn of funds moved into passive investments over the next 2 years.

- The November meeting of the Superannuation Ctte would be asked to agree the Kent investment in the initial sub funds. The intention was that the sub fund structure would be agreed by all ACCESS funds by 1st February 2018, when the operator's contract commenced, so that they could go ahead and seek authorisation from the FCA for the establishment of the sub funds.
- 3 good responses had been received from the invitation to tender for the operator procurement. The Joint Ctte was scheduled to approve the recommender supplier, following more detailed meetings with respondents, on or around 20th November and to recommend the contract award to individual funds for their approval during late November/early December 2017.
- The contract would be for 3 years plus 2.

(2) RESOLVED that the update be noted and officers let members know of any training events they think would be useful for members on pooling.

15. Fund Employer Matters (Item 6)

(1) Mr Tagg took members through the report and answered questions.

Late contributions from employers were closely monitored and during quarter 1 the KPI has been exceeded each month with an average of 98% being received on or before the due date. Late payments were mainly due to manual error.

The number of employers in the Fund was likely to go up in the future due to schools converting to Academy status and Parish and Town councils joining as it fulfilled their auto enrolment requirement. More private contractors were joining as local authorities outsourced work.

The Superannuation Fund Ctte could refuse access to join and officers would provide members with due diligence and legal advice before any decision was taken.

Following a question concerning Academy Trusts, it was noted that the Government had stated that they would stand behind Trusts should they fold.

Noted that the workload of the Pensions team had increased dramatically with the increase in the number of employers in the Fund but that officers had been able to cope with this with thinking ahead and modernising their processes and systems.

(2) RESOLVED that the report be noted and officers thanked for all their hard work.

16. Implementation of the Markers in Finance Instruments Derivative (MiFID II)
(Item 7)

(1) Mr Vickers introduced the report and advised that the Superannuation Cttee at their meeting in September had agreed that elections for professional client status should be made on behalf of the Council and delegated authority to the Treasury and Investments Manager for the purpose of completing the applications.

(2) RESOLVED that the report be noted.

17. Date of next meeting
(Item 8)

(1) It was agreed that the next meeting of the Board would be held on 24 April 2018 at 10.00am.

(2) Noted that this meeting would focus on what was happening in Pensions rather than investments.