

SUPERANNUATION FUND COMMITTEE

Friday, 16th November, 2018

10.00 am

Medway Room - Sessions House





AGENDA

SUPERANNUATION FUND COMMITTEE

Friday, 16th November, 2018 at 10.00 am Ask for: **Theresa Grayell**
Medway Room - Sessions House Telephone: **03000 416172**

Membership

Conservative (8):	Mr C Simkins (Chairman), Mr P V Barrington-King, Mr P J Homewood, Mr J P McInroy and Mr J Wright	Mr N J D Chard (Vice-Chairman), Mr P Bartlett, Mr P C Cooper,
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 Retirement Fellowship (2)	Mrs M Wiggins and Mr D Coupland	
UNISON (1)	Mr J Parsons	
Staff Representative (1)	Vacancy	

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)

- 1 Substitutes
- 2 Declarations of Interests by Members in items on the Agenda for this meeting.
- 3 Minutes of the meeting held on 7 September 2018 (Pages 7 - 10)
- 4 Meeting Dates 2019/20

The Committee is asked to note that the following dates have been reserved for its meetings in 2019/20:

Friday 21 June 2019
Friday 6 September 2019
Friday 15 November 2019
Friday 7 February 2020
Friday 13 March 2020

All meetings will take place at County Hall, Maidstone, and will commence at 10.00 am

5 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.

Paragraph 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information)

EXEMPT ITEMS

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

- 6 Sarasin (Pages 11 - 12)
- 7 Woodford (Pages 13 - 14)
- 8 Fund Structure (Pages 15 - 24)
- 9 ACCESS Pooling Update (Pages 25 - 36)

UNRESTRICTED ITEMS

(meeting open to the public)

- 10 Fund Position Statement (Pages 37 - 48)
- 11 Pensions Administration (Pages 49 - 54)
- 12 Fund Employer Matters (Pages 55 - 60)
- 13 Date of next meeting

The next meeting of the Committee will be held on Friday 8 February 2019 at 10.00am, at Sessions House, Maidstone.

The committee will break for lunch at the end of this section

14 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.

Paragraph 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information)

EXEMPT ITEMS

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

15 M & G on Multi-Asset Credit and Private Debt

Benjamin Watts
General Counsel
03000 416814

Thursday, 8 November 2018

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 their items.

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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 on Friday, 7 September 2018.

PRESENT: Mr C Simkins (Chairman), Mr N J D Chard (Vice-Chairman), Mr D L Brazier (Substitute for Mr P V Barrington-King), Cllr J Burden, Cllr P Clokie, OBE, Mr P C Cooper, Mr D S Daley, Cllr N Eden-Green, Mr P J Homewood, Mr J P McInroy, Mr J Parsons, Cllr L Wicks and Mr J Wright.

ALSO PRESENT: Mrs M E Crabtree and Mr P J Oakford

IN ATTENDANCE: Mr N Vickers (Business Partner (Pension Fund)), Mrs A Mings (Treasury and Investments Manager) and Miss T A Grayell (Democratic Services Officer).

UNRESTRICTED ITEMS

76. Apologies and Substitutes

(Item 1)

1. Apologies for absence had been received from Mr P Barrington-King, Mr P Bartlett, Mr D Coupland, Mr D Shipton and Mrs M Wiggins.
2. Mr D Brazier was present as a substitute for Mr Barrington-King.

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

(Item 2)

There were no declarations of interest.

78. Minutes of the meeting held on 22 June 2018

(Item 3)

1. It was RESOLVED that the minutes of the meeting held on 22 June 2018 are correctly recorded and that they be signed by the Chairman.

2. The following matters arising were addressed by the Chairman:

Minute 68, para (2) (a) – this additional allocation was covered in more detail in an item on the agenda for 7 September.

Minute 70, para (2) - this was covered in an item on the agenda for 7 September.

Minute 71, para (1) – the conversion of €29m had been made on 11 July.

79. Barnett Waddingham
(Item 4)

Graeme Muir and Roisin McGuire from Barnett Waddingham were present for this item.

1. The Chairman welcomed Mr Muir and Ms McGuire to the meeting and invited them to provide an actuarial update for the Kent Pension Fund.
2. Mr Muir and Ms McGuire presented a series of graphics covering the role of the actuary, the outlook for the 2019 valuation and current issues.
3. It was RESOLVED that the information set out in the presentation and given in response to comments and questions be noted, with thanks.

80. Motion to Exclude the Press and Public
(Item 5)

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

EXEMPT ITEMS

(Open access to minutes)

81. Schroders
(Item 6)

Geoff Day and Sue Noffke from Schroders were present for this item.

1. The Chairman welcomed Mr Day and Ms Noffke to the meeting and invited them to report on the performance of the Kent Pensions Fund's investments managed by Schroders.
2. Mr Day and Ms Noffke presented a series of graphics to illustrate performance and responded to comments and questions of details from the committee.
3. It was RESOLVED that the information set out in the presentation and given in response to comments and questions be noted, with thanks.

82. Fund Structure
(Item 7)

1. Mr Vickers introduced the report and responded to comments and questions of detail from the committee. The committee debated the options available and reached consensus on the recommendations set out in the report.
2. It was RESOLVED that:-
 - a) the progress made on implementing the Investment Strategy be noted;
 - b) the position on the indirect property fund investments be noted;

- c) officers be directed to investigate options for extending the Kames fund, taking account of the reservations expressed by the committee during debate;
- d) the option to consider direct UK property investment be noted;
- e) the investment manager fee position be noted; and
- f) the Transparency Code position be noted.

83. ACCESS Pooling Update

(Item 8)

- 1. Mrs Mings introduced the report and received the committee's thanks on behalf of her team for the vast amount of work done on ACCESS.
- 2. Mrs Mings and Mr Vickers responded to comments and questions of detail from the committee.
- 3. It was RESOLVED that the information set out in the report and given in response to comments and questions be noted, with thanks.

UNRESTRICTED ITEMS

(meeting open to the public)

84. Superannuation Fund Report and Accounts and External Audit

(Item 9)

- 1. Mrs Mings introduced the report and advised the committee that the accounts had been approved by the Governance and Audit Committee on 25 July and published on the County Council website. Mrs Mings and her team were thanked for the huge amount of work they had put into preparing the accounts.
- 2. Mrs Mings then responded to comments and questions of detail from the committee.
- 3. It was RESOLVED that:-
 - a) the Superannuation Fund Annual Report be approved;
 - b) the content of the Accounts for 2017/18 be noted;
 - c) it be confirmed that the Report and Accounts can be published to the Kent Pension Fund website;
 - d) the external auditor's Audit Findings Report be noted; and
 - e) the position with regard to Governance and Audit Committee be noted.

85. Fund Position Statement

(Item 10)

1. Mr Vickers introduced the report and advised that Neil Woodford would be attending the 16 November 2018 meeting to update the committee on the performance of the funds he manages.
2. He highlighted the changes to the asset allocation agreed by the committee at its 22 June 2018 meeting and advised that the change to the private equity and infrastructure allocations would take a long time to realise and would be carefully monitored. The committee would have the opportunity to comment at each of its meetings on the changes being made and would have the final say about the moving of funds. He reassured Members that they could revisit the decision taken in June at any time.
3. It was RESOLVED that the Fund performance be noted and the new asset allocation, reflecting decisions already taken by the committee, be agreed.

86. Fund Employer Matters

(Item 11)

1. Mrs Mings introduced the report and, in response to a question, advised that employees' pension rights were protected under Transfer Undertakings and Protection of Employment (TUPE) arrangements when they moved to a new employer.
2. It was RESOLVED that the Superannuation Fund Committee agree:
 - a) to the admission to the Kent County Council Superannuation Fund of Monitor Services Ltd;
 - b) to the admission to the Kent County Council Superannuation Fund of Sodexo Ltd;
 - c) to a termination agreement being entered into with ABM Catering Ltd;
 - d) that the Chairman may sign the minutes relating to recommendations (a) to (c) at the end of today's meeting; and
 - e) that once legal agreements have been prepared for these matters the Kent County Council seal can be affixed to the legal documents.

87. Date of next meeting

(Item 12)

It was noted that the next meeting of the Committee would be held on Friday 16 November 2018, commencing at 10.00 am. This would be an extended meeting.

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

Agenda Item 6

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

Agenda Item 7

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of the Local Government Act 1972.

Agenda Item 9

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ACCESS JOINT COMMITTEE

MINUTES of a meeting of the ACCESS Joint Committee held at Islington Town Hall, Upper Street, London, N1 2UD on Monday, 11th June, 2018.

PRESENT: Cllr Andrew Reid - Chairman (Suffolk CC), Cllr Richard Stogdon - Vice-Chairman (East Sussex CC), Cllr Adrian Axford (Isle of Wight), Cllr Susan Barker (Essex CC), Cllr Jeremy Hunt (West Sussex CC), Cllr Mark Kemp-Gee (Hampshire CC), Cllr Graham Lawman (Northamptonshire CC), Cllr Terry Rogers (Cambridgeshire CC), Cllr Nick Chard substituted for Cllr Charlie Simkins (Kent CC), Cllr Kemp-Gee (Hampshire CC), Cllr David Williams (Hertfordshire), Cllr Judy Oliver substituted (Norfolk)

ALSO PRESENT: John Wright (Hymans Robertson), Clifford Sims (Squire Patton Boggs)

OFFICERS: Andrew Boutflower (Hampshire), Joel Cook (Kent), Kay Goldsmith (Kent) Nicola Mark (Norfolk), Kevin McDonald (Essex), Alison Mings (Kent), Ola Owolabi (East Sussex), Steven Pilsworth (Hertfordshire), Sharon Tan (Suffolk), Jo Thistlewood (Isle of Wight), Paul Tysoe (Cambridgeshire), Rachel Wood (West Sussex)

UNRESTRICTED ITEMS

85. Declaration of interests in items on the agenda.
(Item. 2)

No additional declarations not previously made were received.

86. Minutes of the meeting held on 26 April 2018.
(Item. 3)

RESOLVED that the minutes be approved as a correct record and signed by the Chairman.

87. Feedback from Pensions and Lifetime Savings Association (PLSA) Conference [11:15 - 11:20].
(Item. 4)

(1) Councillor Reid updated the Joint Committee on the PLSA Conference that had been held 21 – 23 May 2018.

(2) The keynote speakers included Rishi Sunak, the Parliamentary Under-Secretary for Housing, Communities and Local Government. He had spoken about the future of pools in a positive and encouraging way, showing good understanding of the key issues facing pension fund pools.

(3) Teresa Clay, Head of local government pensions at the Ministry of Housing, Communities and Local Government (MHCLG), spoke about the Ministry's focus on data, and ensuring that individual funds are in line with expectations. Those that are not will be expected to work to bring themselves in line with expectations. There appeared to be a difference in expectations between the MHCLG and The Pensions Regulator.

RESOLVED that the feedback from the PLSA Conference be noted.

88. Business Plan & Budget [11:20 - 11:30].

(Item. 5)

(1) Officers from Suffolk and Kent explained that work was ongoing to clarify assurance processes for the Committee's accounts. Both councils had instructed their auditors to look at the ACCESS spend last year in order to seek assurance. An update would be provided at the next meeting, when the audits had been completed.

(2) Rachel Wood (West Sussex) updated the Committee on the activities undertaken since the last Joint Committee. The 2018/19 budget was based on indicative costs that were available at the time and included a contingency.

RESOLVED that the update be noted.

89. Motion to Exclude the Press and Public.

(Item. 6)

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 paragraphs 3 and 5 of Part 1 of Schedule 12A of the Act.

90. Hymans Update [11:30 - 11:50].

(Item. 7)

(1) John Wright from Hymans Robertson introduced his presentation which had been circulated with the agenda.

RESOLVED that the update on progress and future challenges be noted.

91. Operator Implementation [11:50 - 12:30].

(Item. 8)

(1) Andrew Boutflower (Hampshire) updated the Committee on the progress of finalising the ACS prospectus, Link's proposal for the second tranche of sub-funds and a contract clarification in relation to fees.

(2) Karl Midl (Director) and Eamonn Gough (Senior Relationship Manager) from Link presented an update.

RESOLVED that;

- a) ACCESS make recommendations to the administering authorities that the contract clarification be agreed;
- b) The second tranche of sub-funds, as proposed by the operator, be noted;
- c) The progress in finalising that ACS prospectus be noted.

92. Update on Governance Manual arrangements [13:00 - 14:00].
(Item. 9)

(1) Nicola Mark (Norfolk) updated the Committee on the development of the ACCESS governance framework. The Committee discussed the various documents in development, providing feedback and making suggestions for amendments.

(2) Future review of the Inter-Authority Agreement was discussed, with comments from Members regarding maintaining clear records of the committee's powers and responsibilities. It was agreed that further work on the IAA review would be progressed.

RESOLVED that;

- a) progress on producing the Governance Manual be noted;
- b) a review of the IAA be undertaken, with a primary focus on updating terminology and improving clarity.
- c) the combined training session for Members and Officers on roles and responsibilities in relation to the ACCESS Pool be approved.
- d) other aspects of Phase 3 work would be further developed by Officers, in consultation the Chair, for further consideration by the Committee at a future meeting.
- e) any additional spend required for continued Governance work, prior to the next Committee meeting, to be identified and approved by Nicola Mark (Norfolk), in consultation with the Chair.

93. Update on ACCESS Support Unit and s151 Officers [14:00 - 14:45].
(Item. 10)

(1) Nicola Mark (Norfolk) outlined the structure for the ACCESS Support Unit (ASU), explaining the proposal for the Committee's consideration.

RESOLVED that;

- a) the proposed structure of the ACCESS Support Unit be approved;
- b) the proposal for Essex County Council to become the host authority for ACCESS be agreed (pending development of the ASU);
- c) The request for Essex County Council (as future Hosting Authority) to commence recruitment for the hosted roles be agreed.

94. Items for information or advice from the committee [14:45 - 15:00].
(Item. 11)

(1) Kevin McDonald (Essex) explained that the Local Authority Pension Fund (LAPF) Investment Awards for local authority pension funds were accepting entries until 15 June 2018, including one award for "Pool of the Year". The awards ceremony would be held on 20 September 2018.

RESOLVED that an LAPF award entry be developed and entered on their behalf by Mr McDonald.

95. Date of next meeting.
(Item. 12)

RESOLVED that the date of the next meeting be noted.

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

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By: Chairman Superannuation Fund Committee
Corporate Director of Finance

To: Superannuation Fund Committee – 16 November 2018

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.
2. October saw very significant falls in equity markets with America's technology-focused Nasdaq index from suffering its worst month in almost a decade, while the FTSE 100 saw its sharpest monthly decline since August 2015 (a fall of 5.1%). A short summary from UBS is attached in Appendix 2. Markets have at the time of writing this report recovered some of these losses.

INVESTMENT RETURN QUARTER TO 31 MARCH

2. The Fund returned 2.56% in the Quarter compared with a benchmark return of 1.92% increasing in value by £151m.
3. Global equities performed strongly but UK equity returns were negative.
4. Of the equity managers Baillie Gifford, Sarasin and M&G out performed their benchmarks and Woodford saw a welcome positive return.

INVESTMENT RETURN ONE YEAR

5. The one year return at Fund level was slightly ahead of benchmark (9.83% against 9.47%). As in the last quarter for the one year Baillie Gifford, Sarasin and M&G all outperformed, both the Schroders equity mandates were slightly behind benchmark. Woodford was substantially behind the benchmark.

ASSET ALLOCATION

6. The Committee is formally required to consider asset allocation at each meeting. The decisions taken in June by the Committee and the new asset allocation agreed in September will take time to implement given the time scales for the investments in private equity and infrastructure.

RECOMMENDATION

10. Members are asked to note 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

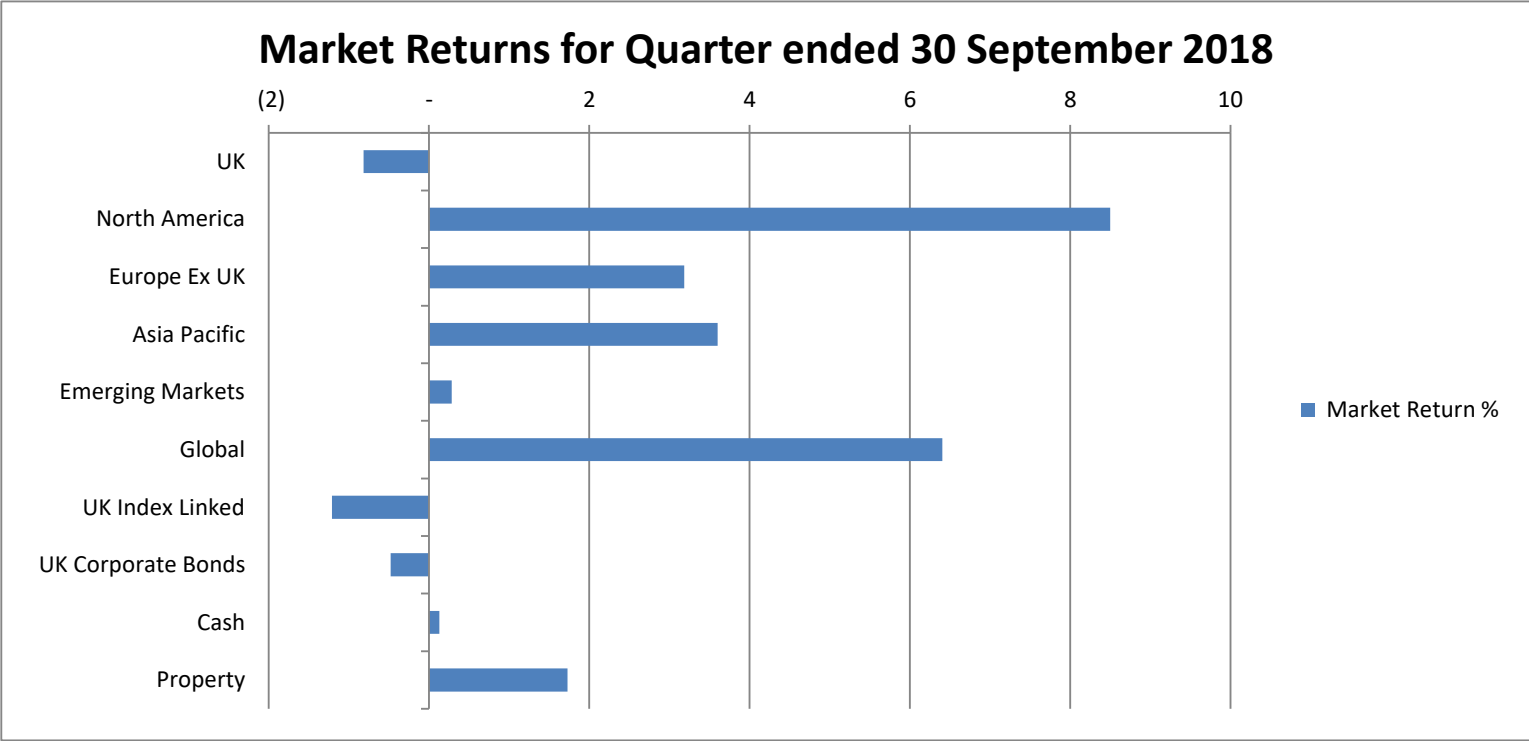
By: Chairman Superannuation Fund Committee
Acting Corporate Director of Finance



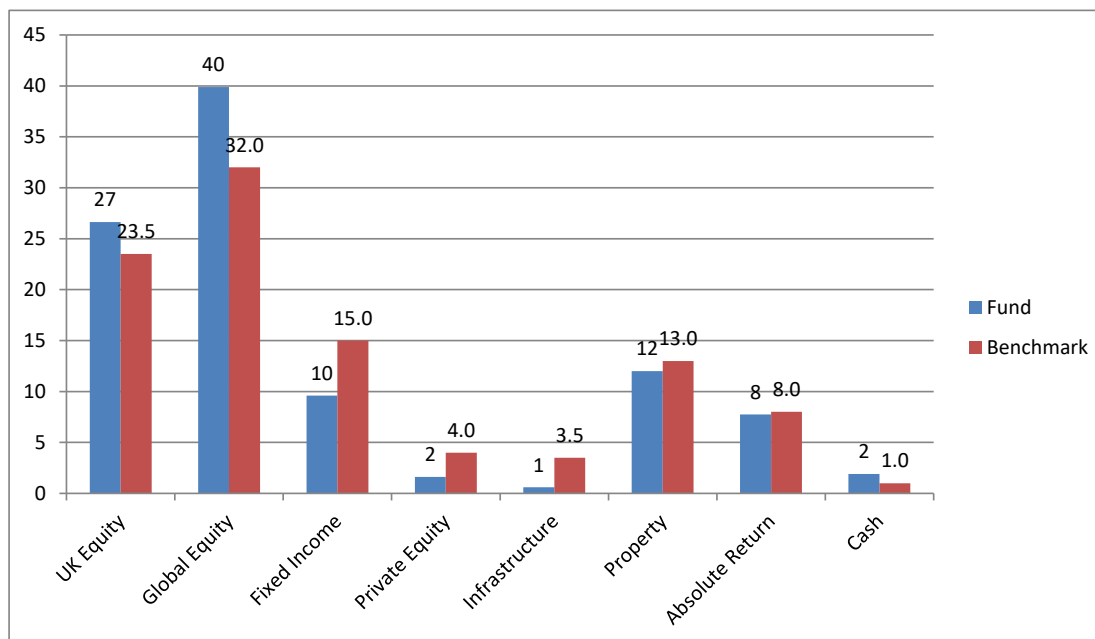
Kent County Council
Superannuation Fund Q2 2018-19

Nick Vickers - Business Partner (Pension Fund)

Market Returns for Quarter ended 30 September 2018

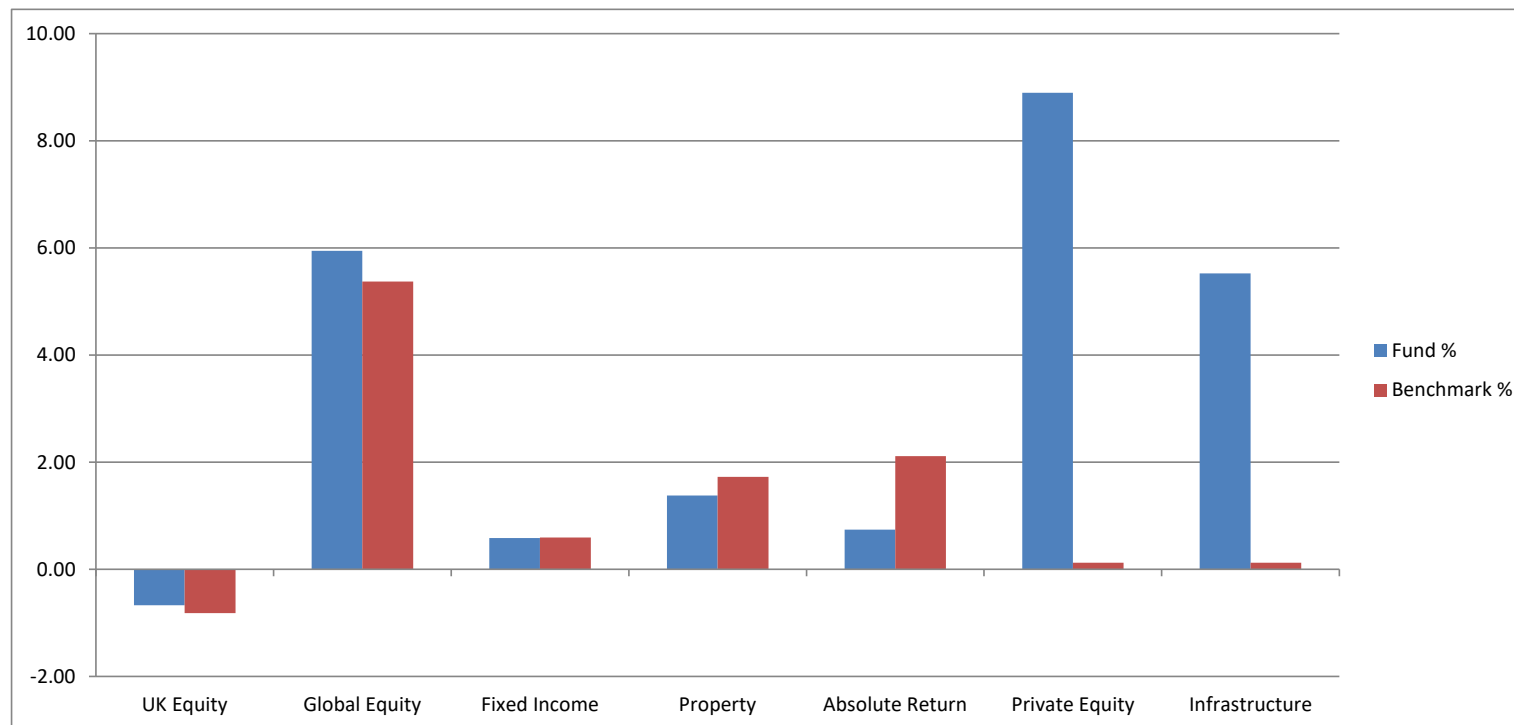


Fund Asset Allocation vs Benchmark as at 30 September 2018



Asset Class	Fund		Benchmark
	£m	%	%
UK Equity	1,685	26.6	23.5
Global Equity	2,524	39.9	32
Fixed Income	607	9.6	15
Private Equity	103	1.6	4
Infrastructure	37	0.6	3.5
Property	759	12.0	13
Absolute Return	491	7.8	8
Cash	120	1.9	1
Total	6,327	100	100

Fund Asset Class Performance for Quarter ending 30 September 2018



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Asset Class	Fund %	Benchmark %	Outperformance %
UK Equity	-0.67	-0.82	0.15
Global Equity	5.95	5.37	0.57
Fixed Income	0.58	0.59	-0.01
Property	1.38	1.73	-0.35
Absolute Return	0.74	2.11	-1.37
Private Equity	8.90	0.12	8.77
Infrastructure	5.53	0.12	5.40

Market Value Summary by Fund Manager as at 30 September 2018

Fund Mandate	Asset Class	Market Value as at 30 June 2018 (£m)	Market Value as at 30 September 2018 (£m)	Change in Market Value (£m)	% of Total Fund 30 September 2018
Baillie Gifford	Global Equity	1,300	1,366	67	21.6%
Schroders	UK Equity	984	970	-14	15.3%
DTZ	Direct Property	500	501	1	7.9%
Pyrford	Absolute Return	418	421	3	6.7%
Goldman Sachs	Fixed Interest	368	372	5	5.9%
M&G	Global Equity	343	366	23	5.8%
UBS UK	UK Equity	345	344	-1	5.4%
UBS Global	Global Equity	292	311	20	4.9%
Schroders GAV	Global Equity	293	306	13	4.8%
Woodford	UK Equity	283	288	4	4.5%
Sarasin	Global Equity	246	262	17	4.1%
Schroders	Fixed Interest	242	241	-1	3.8%
Fidelity	Pooled Property	126	128	2	2.0%
Harbourvest	Private Equity	70	74	4	1.2%
Ruffer *	Absolute Return	0	70	70	1.1%
Kames	Pooled Property	53	54	1	0.9%
DTZ Pooled Funds	Pooled Property	51	52	1	0.8%
Impax	Global Equity	46	48	2	0.8%
Internally managed cash *	Cash	118	47	-71	0.8%
Partners	Infrastructure	39	37	-1	0.6%
YFM	Private Equity	22	29	7	0.5%
M&G Property	Pooled Property	24	24	0	0.4%
UBS Emerging Markets	Global Equity	15	15	0	0.2%
Total Kent Fund		6,176	6,327	151	100.0%

* £70m invested into Ruffer Absolute return fund taken from Internally managed cash

Performance Returns as at 30 September 2018

	Quarter		1 Year		3 Year (p.a.)	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
Total Fund	2.56	1.92	9.83	9.47	13.83	12.10
Uk Equity						
Schroders UK Equity	-1.42	-0.80	5.21	5.77	11.04	11.23
UBS	-0.82	-0.82	--	--	--	--
Woodford	1.54	-0.82	-6.11	5.87	1.54	11.46
Global Equity						
Baillie Gifford	5.13	4.15	22.81	9.85	25.84	17.81
Sarasin	6.74	5.57	14.72	12.94	18.81	19.20
Schroders GAV	4.49	5.57	10.06	12.94	17.29	19.21
UBS Emerging Markets	0.38	0.59	--	--	--	--
UBS World Ex UK Equity	6.72	6.70	--	--	--	--
Impax	4.07	5.57	7.08	12.94	19.00	19.21
M&G	6.79	5.70	15.18	13.53	21.95	19.85
Fixed Interest						
Goldman Sachs	1.24	0.86	0.41	3.50	5.34	3.51
Schroders Fixed Interest	-0.42	0.22	-1.52	0.70	1.55	0.59
Property						
DTZ	1.10	1.73	10.53	9.80	10.72	7.66
Fidelity	1.66	1.60	10.48	8.87	7.94	7.13
Kames	3.70	1.60	12.66	8.87	9.30	7.13
M&G Property	1.15	1.60	3.65	8.87	6.99	7.13
Private Equity						
Harbourvest	8.51	0.12	23.43	0.37	20.83	0.27
YFM	10.25	0.12	24.22	0.37	20.13	0.27
Infrastructure						
Partners	5.53	0.12	15.65	0.37	17.96	0.27
Absolute Return						
Pyrford	0.82	2.11	1.25	8.30	4.56	8.14
Ruffer *	--	--	--	--	--	--

* Investment in Ruffer made on 15th August '18

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
UBS 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
UBS Global Equity	FTSE (Dev) World ex UK	Match
UBS Emerging Market Equities	FTSE Emerging Markets	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	
Absolute Return – Pyrford	Retail Price Index (RPI)	RPI + 5%
Absolute Return – Ruffer	Retail Price Index (RPI)	
Internally managed cash – KCC Treasury and Investments team	GBP 7 Day LIBID	

Fund Structure as at 30 September 2018

UK Equities	Global Equities	Fixed Interest	Property	Cash/Alternatives
Schroders +1.5% £970 m	Baillie Gifford +1.5% £1,366 m	Goldman Sachs +6.0% Abs. £372 m	DTZ Property £552 m	Internally managed Cash £47 m
UBS 0.0% £344 m	M&G +3.0% £366 m	Schroders +4.0% £241 m	Fidelity Property £128 m	Partners Infrastructure £37 m
Woodford £288 m	Schroders +3.0% - +4% £306 m		Kames Property £54 m	YFM Private Equity £29 m
	UBS +0.0% £326 m		M&G Property £24 m	HarbourVest Private Equity £74 m
	Impax +2.0% £48 m			Pyrford Abs. Return RPI + 5% £421 m
	Sarasin +2.5% £262 m			Ruffer Abs. Return RPI £70 m
Total Fund			£6.3 bn	

Equity market sell-off update

Investment Solutions | UBS Asset Management

Luke Browne, Head of Investment Specialists, Investment Solutions and **Ryan Primmer**, Head of Investment Solutions

With US equities at an all-time high on September 20th, the nearly 10% correction that followed resulted in a flat year-to-date performance.

Global equities fell largely in-line, however most major indices outside of the US were already down year-to-date, fueled by moderating ex-US growth, associated concerns of China's deleveraging, the stronger US dollar and rising worries about trade conflicts and their impact on exports and company earnings.

What was the catalyst for the sell off?

The latest sell-off was triggered by a sharp rise in US yields (about 40 bps over 6 weeks) which was driven largely by more hawkish guidance from the US Federal Reserve. More recently, concerns about 'peak earnings' and end-of-cycle concerns have added to the selling pressure.

Third quarter earnings and guidance have been reasonably solid but a lower number of releases beating revenue estimates relative to recent quarters and increasing noise around growing margin pressures (associated with higher wages and raw materials) have led to a re-assessment of the multiple investors are willing to pay for future earnings.

Since the market's peak, the next 12-month P/E multiple on the S&P 500 has fallen from 17.5 to 15.5, which is near average since 1990. We believe this is a fairly sharp re-pricing, especially considering a generally supportive earnings season.

The outlook for global equities

Looking ahead, we expect near-term volatility to continue as the market digests recent price action and associated risks around Fed policy, earnings expectations and geopolitical events including US-China trade negotiations and the US midterm elections.

However, we believe we are much closer to the end of this drawdown than the beginning.

While 10% corrections in the S&P 500 are quite common historically, it is rare to have a bear market (greater than 20% drawdown) outside of recessions. Since 1970, there has only been one S&P 500 bear market outside of a recession, which was Black Monday, October 19th 1987.

However, as the situation currently stands, most leading economic indicators in the US remain robust, and our proprietary recession probability model signals about a 1 in 4 chance of a recession over the next 12 months—not negligible, but not our base case. There is in fact, little reason to believe

the path to normalization in the US has been thrown of course. Rates will continue to rise at a gradual rate and robust growth should continue to feed through to a strong earnings environment, also witnessed in Q2.

Further, China's authorities have announced a series of monetary, fiscal and regulatory easing measures which should keep growth on track and have stabilizing effects for trade-sensitive economies from emerging markets to Europe. As the evidence of these stimulus measures begin to take hold in the data over the coming months, we'd expect markets to stabilize and present opportunities to increase allocations to select equity markets to benefit from a recovery.

In summary, while we believe another 5% decline in the S&P 500 is possible, we do not at this point expect a 20% bear market or worse. In our view, this is a re-pricing given greater appreciation of policy tightening and global risks, as opposed to a sign of an imminent end of the economic cycle.

Our views may change, however if US and global economic data begin to show genuine signs of deterioration, or if credit spreads (typically a leading indicator for a turn in the economic cycle), start to widen more severely.

How are we positioning multi-asset portfolios?

We have, over recent weeks, been migrating to a more defensive positioning in our core multi asset portfolios. This move, in anticipation of elevated risk levels, leaves us well placed to selectively deploy risk capital to take advantage of attractive investment opportunities.

Most notably, we are looking to add equity exposures at attractive entry points. Depending on how the market landscape develops, we are positive towards US equities given earnings support, emerging markets amid attractive valuations but remain mindful of trade tensions and Japanese equities which are supported by domestic reforms and monetary policy.

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Americas

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EMEA

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By: Chairman Superannuation Fund Committee
Corporate Director of Finance

To: Superannuation Fund Committee – 16 November 2018

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)
- Data Quality and Preparation for the Valuation of the Fund 2019

FOR INFORMATION AND DECISION

INTRODUCTION

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

WORKLOAD POSITION

2. Appendix 1 shows the year on year comparison of work levels being received in the section together with the levels in the 6 months ending 30 September 2018.
3. Assuming that workloads continue at the same level for the remainder of 2018/19 then the majority of work categories will have increased when compared to previous years.
4. As reported previously the category where there is a continuing increase year on year is with regard to communications to the section. We encourage members of the scheme to visit our website www.kentpensionfund.co.uk, with a current average of 8280 visits a month, to answer as many of their questions as possible however many still require a personal response. These figures do not include telephone calls received in the section, which averages at approximately 2000 each month.
5. Communications increase following the despatch of the deferred benefit annual updates, normally in June each year, and the Annual Benefit Illustrations, for current members of the scheme, despatched at the end of August. In June 2018, 38303 deferred benefit annual updates were issued with 46291 Annual Benefit Illustrations being issued at the end of August.
6. The number of deferred benefit calculations completed has increased during the first 6 months of the year as we seek to clear some of the outstanding cases we have in this area.

ACHIEVEMENTS AGAINST KEY PERFORMANCE INDICATORS (KPIs)

7. Appendix 2 shows the achievements of the section in meeting its KPIs for the 6 months to 30 September 2018 compared to the previous 4 years.
8. We are required to complete 95% of the recorded KPI tasks, within the agreed target turnaround times.
9. You will note in the categories of dependant benefits and correspondence that there has been a slight improvement in the KPI percentage with a fall in the percentage in the other 2 categories. The first 6 months of the year are always particularly busy when dealing with our normal workload as well as the despatch of the deferred benefit update statements and Annual Benefit Illustrations. In addition as has been demonstrated in Appendix1 we have also seen an increase in our workload over this period however we are hopeful that the annual figures for 2018/19 will see an improvement in these areas.

DATA QUALITY AND PREPARATION FOR THE VALUATION OF THE FUND 2019

10. As explained at previous Superannuation Committee meetings The Pensions Regulator now requires all pension schemes to measure the quality of their data with regard to 'Common Data' and 'Scheme Specific Data'.
11. We understand that the LGPS Scheme Advisory Board, together with the Government Actuary Department, are still in discussions with regard to the actual 'Scheme Specific Data' that should apply in the case of the LGPS however a basis has been decided between the software providers in order that information can be provided to the Pensions Regulator with regard to each scheme's quality of data.
12. Our software provider Aquila Heywood have run an analysis against our database and in September 2018 provided reports with regard to the quality of our data. I detail below some of the initial findings.
13. With regard to the 'Common Data', there are 8 categories of data that are measured, such as valid National Insurance number format, name, current address etc 7 of the 8 categories met the highest benchmark of greater than 98% with 2 categories not recording a single failure. Overall the percentage of tests passed for common data is 99.3%.
14. With regard to the 'Scheme Specific Data' the analysis incorporates in the order of 100 individual tests against data. The overall percentage of tests passed for Kent's scheme-specific data is 93.6%.
15. As explained these reports have only been produced recently and therefore we will now study them in detail and produce a data improvement plan, with priority being given to the areas identified as highest risk.

16. In addition to the improvement in data quality we are also considering various options with regard to our outstanding workloads that will need to be completed before August 2019 in order that the scheme actuary can undertake the Valuation of the Fund.
17. Members will be aware of the problems I have reported previously of recruiting and retaining pensions administration staff and so one of the initiatives we undertook during the summer was to employ students on a temporary basis to help with clearing some of the backlogs of work and we currently have some graduates, employed by our actuary Barnett Waddingham, also helping with this task.
18. However it is clear that these initiatives, together with the work that can be undertaken by the existing pensions administration staff will not clear enough of the backlogs of work in order that the actuary can undertake the valuation of the Fund next summer.
19. Members may recall that a National LGPS Framework for Third Party Administration Services has been established by Norfolk CC and that this has been used previously to secure the procurement of various services. One of the services offered by some of the companies listed on the framework is the delivery of a service dealing with the backlogs of various categories of LGPS administration work.
20. Initial costs given by 2 of the companies on the Framework range from £30 to £65 per case, depending on the complexity of each case. As we are seeking for these companies to clear between 8000-10000 cases between January and June 2019 the total figures mean that we would need to engage with KCC's procurement team in order to call off the framework.

RECOMMENDATION

21. Members are asked to note this report and agree that a call off from the Norfolk Framework may be undertaken to engage a company to help to clear backlog cases.

Barbara Cheatle
Pensions Manager
03000 415270

Tasks completed in key administration areas
Workload summary

Case Type	2014/15	2015/16	2016/17	2017/18	6 months to September 2018
Benefit calculation	1928	1766	2238	2008	1220
Correspondence	3450	4719	5370	5339	3175
Divorce case	293	385	381	329	204
Estimate calculation	2541	2810	3145	3025	1891
Deferred benefit	2475	993*	1357*	1720*	2265
Transfer/Interfunds in	189	204	286	422	125
Transfer/Interfunds out	558	651	644	859	347
Dependants	323	377	410	377	249
Total	11,757	11,905	13,831	14,079	9,476

*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	14/15		15/16		16/17		17/18		6 months to September 2018	
		No	% in target	No	% in target	No	% in target	No	% in target	No	% in target
Calculation and payment of retirement benefit	20 days	1928	99%	1766	96%	2238	95%	2008	98%	1220	93%
Calculation and payment of dependant benefit	15 days	323	87%	377	86%	410	95%	578	99%	249	98%
Calculation and provision of benefit estimate	20 days	2541	63%	2810	62%	3145	67%	3025	72%	1891	64%
Reply to correspondence	15 days	3450	98%	4719	98%	5370	99%	5339	99%	3175	100%

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

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By: Chairman Superannuation Fund Committee
Corporate Director of Finance

To: Superannuation Fund Committee – 16 November 2018

Subject: **FUND EMPLOYER MATTERS**

Classification: Unrestricted

Summary: To report on employer related matters and applications to join the Superannuation Fund.

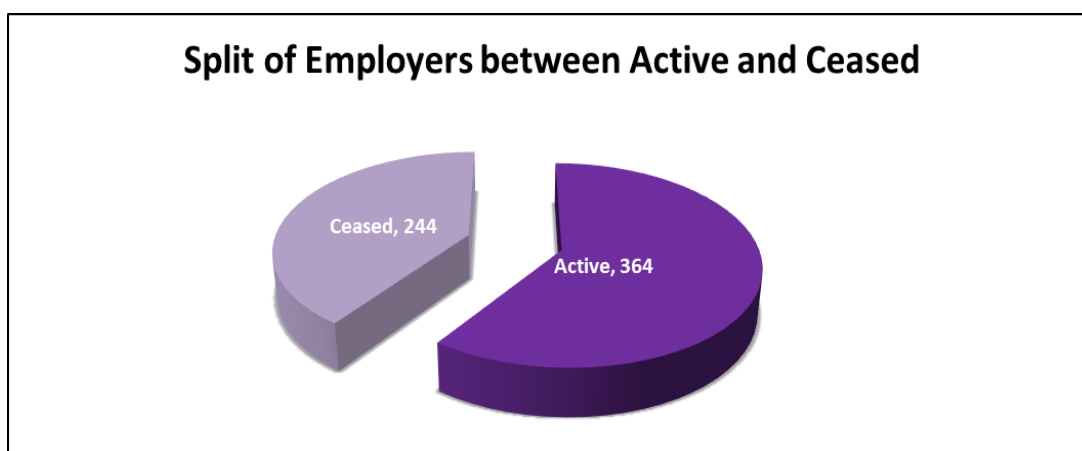
FOR DECISION

INTRODUCTION.

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

EMPLOYERS IN THE FUND AT 30 SEPTEMBER 2018

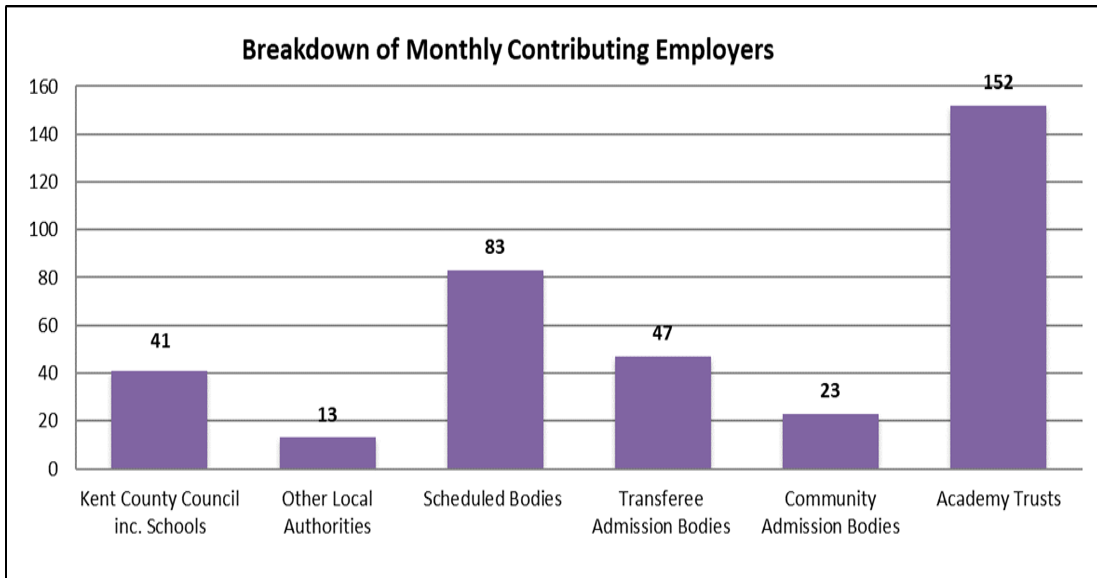
3. There were a total of 608 employers in the Kent Pension Fund.



4. The number of active employers regularly paying contributions increased in the 3 months July to September 2018 to 364. This was as a result of 8 employers joining the Fund while 4 employers ceased to have active members in the LGPS including 2 Admission bodies who have exited the Fund and 2 academies that changed trust. In addition 2 KCC schools have re-engaged KCC for their payroll service and are therefore no longer reported as separate employers. The ceased employers no longer have active contributing members in the LGPS and the Fund has an existing or future liability to pay pensions.
5. The following table lists employers who either joined or ceased to have active members in the Fund during the first 6 months of 2018-19.

New Employers	Effective date
<i>Scheduled Bodies</i>	
Westgate on Sea Parish Council	1 April 2018
Cantium Business Solutions Limited	1 July 2018
EDSECo Ltd trading as The Education People	1 September 2018
<i>Academy Trusts</i>	
Veritus Multi Academy Trust	1 May 2018
Fortis Trust	1 June 2018
The Pioneer Academy	1 July 2018
Coppice Primary Partnership	1 September 2018
<i>Admitted Bodies</i>	
Nourish Contract Catering Limited (Swale Academy Trust)	1 April 2018
Solo Service Group Limited	1 July 2018
Churchill Contract Services Limited (SJWM)	16 July 2018
Cater Link Limited (re Rivermead Inclusive Trust)	1 August 2018
Nourish Contract Catering Limited (re Stour)	1 September 2018
Ceased/Merged to Trust Employers	Effective date
<i>Academy joined a Multi-Academy Trust /Change of Trust</i>	
Danecourt Academy (Argent)	1 April 2018
Veritus Academy	1 May 2018
Bradfields Academy	1 June 2018
Meopham Community Academy	1 August 2018
Schools Company Trust	1 August 2018
<i>Admitted Bodies</i>	
Principal Catering (Our Lady Of Hartley)	1 December 2017
Mitie Security Limited	1 August 2018

6. The following chart shows the Employers from whom the Fund receives monthly contributions, by Employer Group. Note the KCC figures reflect the County's and schools' relationships with a number of payroll providers.

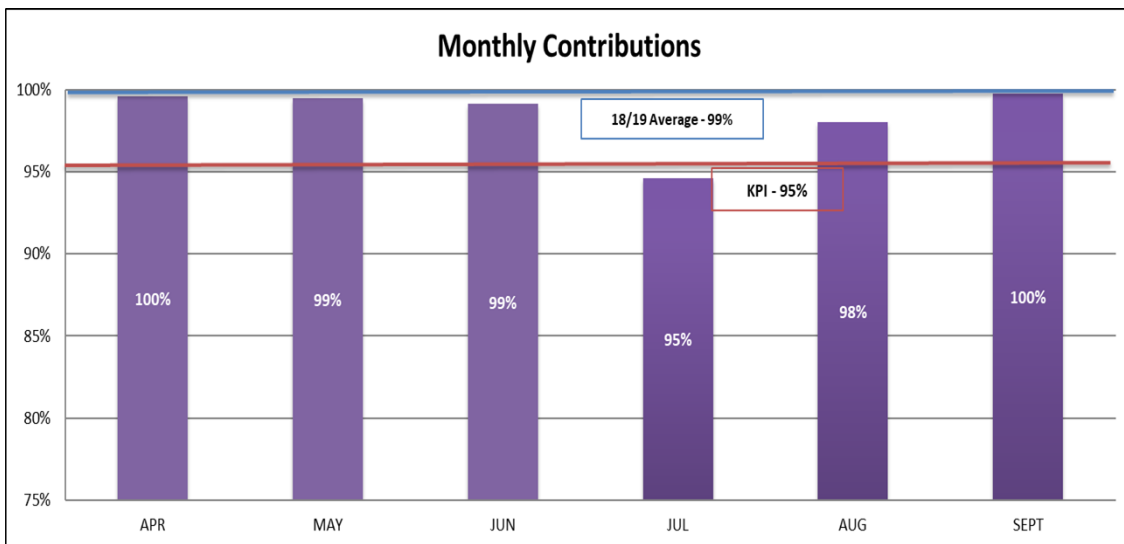


CONTRIBUTIONS FROM EMPLOYERS

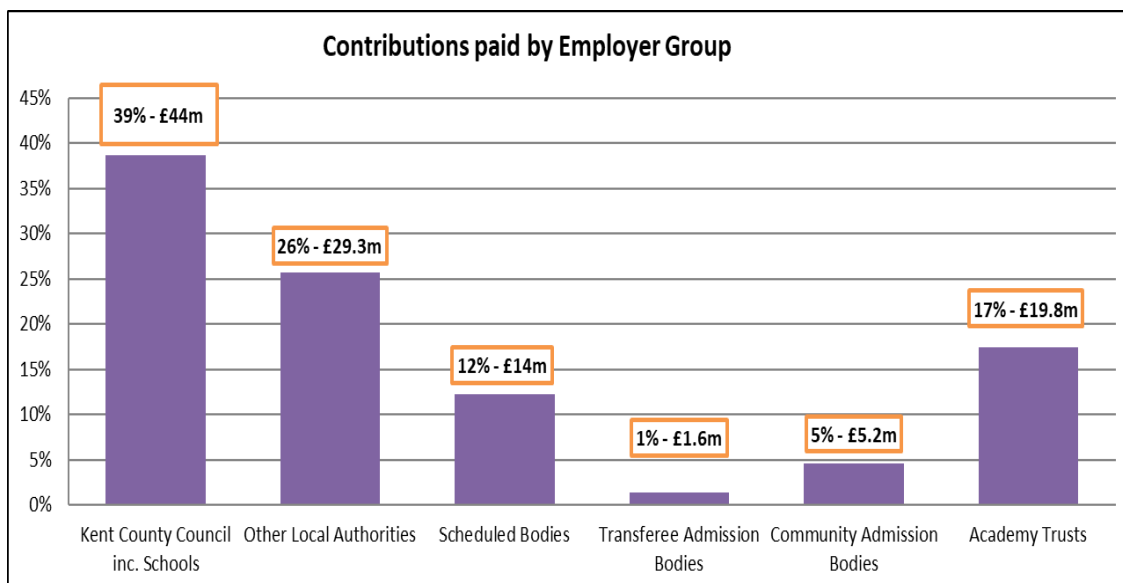
7. In the first half of 2018-19 the Fund received £114m from Employers in respect of their monthly contributions (employer and employee) as follows:

	Received Early	Cash on 19th	Received Late	Total
	£	£	£	£
April	10,125,904	9,140,793	84,200	19,350,896
May	11,766,335	7,105,259	93,664	18,965,259
June	10,401,830	8,559,473	150,331	19,111,634
July	9,095,181	8,875,664	1,023,703	18,994,548
August	10,080,883	8,391,175	375,229	18,847,287
September	11,091,649	7,609,068	42,917	18,743,635

8. KCC monitors the timing of receipt of these contributions compared to a KPI of 95%. The KPI was exceeded in 5 out of the 6 months and the average for this quarter for contributions received was 98.5%. The late receipts in July and August were 1-2 days late from 2 local authorities and a college, and officers followed up with the employers.



9. The following chart shows the proportion paid by KCC and other employers of contributions received.



DEEP BEAT ENTERTAINMENT LTD re Medway Park and Strood Sports Centre

10. Medway Council is awarding two five year contracts for Catering Services although the effective dates are not yet known. These involve the transfer of employees from Medway Council to Deep Beat Entertainment Ltd.
11. To ensure the continuity of pension arrangements for these employees, Deep Beat Entertainment Ltd has applied for admission to the Superannuation Fund in respect of each contract.
12. The admission applications have been made under Schedule 2 Part 3 1(d) (i) of the Local Government Pension Scheme Regulations 2013, as amended, and under this regulation the admitted body is required to provide a form of bond or indemnity.
13. The Fund Actuary will assess the employer contribution rates and bond levels required.
14. The completed questionnaires and supporting documents provided by Deep Beat Entertainment Ltd have been examined by Officers to ensure compliance with the LGPS Regulations, and Invicta Law have given a favourable opinion.

COMPASS CONTRACT SERVICES (UK) Ltd (re Fortis Academy Trust)

15. Fortis Academy Trust is awarding a three year contract for Catering Services although the effective date is not yet known. This involves the transfer of three employees from Medway Council to Compass Contract Services (UK) Ltd.
16. To ensure the continuity of pension arrangements for these employees, Compass Contract Services (UK) Ltd has made an application for admission to join the Superannuation Fund.
17. The admission application has been made under Schedule 2 Part 3 1(d) (i) of the Local Government Pension Scheme 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 will assess the employer contribution rate and bond level required.
19. The completed questionnaire and supporting documents provided by Compass Contract Services (UK) Ltd have been examined by Officers to ensure compliance with the LGPS Regulations, and Invicta Law have given a favourable opinion.

THE CONTRACT DINING COMPANY LTD

20. Medway Council is awarding a three year contract for Catering Services at the Barnsole Academy Trust, although the effective is not yet known. This involves the transfer of three employees from Medway Council to The Contract Dining Company Ltd.
21. To ensure the continuity of pension arrangements for these employees, The Contract Dining Company Ltd has made an application for admission to join the Superannuation Fund.
22. The admission application has been made under Schedule 2 Part 3 1(d) (i) of the Local Government Pension Scheme 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 employer contribution rate and Bond.
24. The completed questionnaire and supporting documents provided by The Contract Dining Company Ltd have been examined by Officers to ensure compliance with the LGPS Regulations, and Invicta Law have given a favourable opinion.

CLEANTEC SERVICES LTD

25. Leigh Academies Trust is awarding a three year contract for Cleaning Services although the effective is not yet known. This involves the transfer of employees from Leigh Academies Trust to Cleantec Services Ltd.
26. To ensure the continuity of pension arrangements for these employees, Cleantec Services Ltd has made an application for admission to join the Superannuation Fund.
27. The admission application has been made under Schedule 2 Part 3 1(d) (i) of the Local Government Pension Scheme Regulations 2013, as amended, and under this regulation the admitted body is required to provide a form of bond or indemnity.
28. The Fund Actuary will assessed the employer contribution rate and bond level required
29. The completed questionnaire and supporting documents provided by Cleantec Services Ltd have been examined by Officers to ensure compliance with the LGPS Regulations, and Invicta Law have given a favourable opinion.

RECOMMENDATION

30. Members are asked to agree:
 - a) to the admission to the Kent County Council Superannuation Fund of Deep Beat Entertainment Ltd re Medway Park;

- b) to the admission to the Kent County Council Superannuation Fund of Deep Beat Entertainment Ltd re Strood Sports Centre;
- c) to the admission to the Kent County Council Superannuation Fund of Compass Contract Services (UK) Ltd;
- d) to the admission to the Kent County Council Superannuation Fund of The Contract Dining Company Ltd;
- e) to the admission to the Kent County Council Superannuation Fund of Cleantec Services Ltd;
- f) that the Chairman may sign the minutes relating to recommendations (a) to (f) at the end of today's meeting; and
- g) 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
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