

SUPERANNUATION FUND COMMITTEE

Friday, 8th February, 2019

10.00 am

Medway Room - Sessions House





AGENDA

SUPERANNUATION FUND COMMITTEE

Friday, 8th February, 2019 at 10.00 am
Medway Room - Sessions House

Ask for: **Theresa Grayell**
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	

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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 16 November 2018 (Pages 5 - 10)
- 4 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)

- 5 Goldman Sachs Asset Management
- 6 Investment Strategy (Pages 11 - 52)
- 7 Property Investment Strategy (Pages 53 - 78)

UNRESTRICTED ITEMS

(meeting open to the public)

- 8 Local Government Pension Scheme Statutory Guidance on Asset Pooling (Pages 79 - 90)
- 9 Fund Employer Matters (Pages 91 - 94)
- 10 Date of next meeting
The next meeting of the Committee will be held on Friday 15 March 2019 at 10.00am

Benjamin Watts
General Counsel
03000 416814

Thursday, 31 January 2019

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.

KENT COUNTY COUNCIL

SUPERANNUATION FUND COMMITTEE

MINUTES of a meeting of the Superannuation Fund Committee held in the Medway Room - Sessions House on Friday, 16 November 2018.

PRESENT: Mr C Simkins (Chairman), Mr N J D Chard (Vice-Chairman), Mr P V Barrington-King, Mr P Bartlett, Cllr J Burden, Cllr P Clokie, OBE, Mr P C Cooper, Mr D Coupland, Mr D S Daley, Cllr N Eden-Green, Mr P J Homewood, Mr J P McInroy, Mrs M Wiggins and Mr J Wright.

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

UNRESTRICTED ITEMS

88. Substitutes

(Item 1)

Apologies for absence had been received from Joe Parsons and Cllr Les Wicks. The new Corporate Director of Finance, Zena Cooke, had taken up her post on 12 November but was unable to attend today's meeting.

There were no substitutes.

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

(Item 2)

Cllr Paul Clokie declared an interest as he served on the Board of Churches, Charities and Local Authorities Investment Management Ltd (CCLA)

90. Minutes of the meeting held on 7 September 2018

(Item 3)

It was RESOLVED that the minutes of the meeting held on 7 September 2018 are correctly recorded and they be signed by the Chairman. There were no matters arising.

91. Meeting Dates 2019/20

(Item 4)

The committee NOTED that the following dates had been reserved for its meetings in 2019/20:

Friday 8 February 2019
 Friday 15 March 2019
 Friday 21 June 2019
 Friday 6 September 2019
 Friday 15 November 2019
 Friday 7 February 2020
 Friday 13 March 2020

All meetings would take place at County Hall, Maidstone, commencing at 10.00 am.

92. Motion to exclude the Press and Public for exempt business
(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)

93. Sarasin and Partners
(Item 6)

Henry Boucher (Fund Manager and Deputy Chief Investment Officer) and Jerry Thomas (Fund Manager and Head of Global Equities) at Sarasin and Partners were present for this item at the invitation of the committee.

1. The Chairman welcomed Mr Boucher and Mr Thomas to the meeting and invited them to report on the performance of the Kent Pension Fund's investments managed by Sarasin and Partners.
2. Mr Boucher and Mr Thomas presented a series of graphics which set out Sarasin's performance, long-term strategy considerations and global equity strategy. They then answered questions of detail from the committee, including the selection process for areas of investment and opportunities in emerging markets, stewardship and the effects of automation in industry.
3. It was RESOLVED that the information set out in the presentation and given in response to comments and questions be noted, with thanks.

94. Woodford Investment Management Ltd
(Item 7)

Neil Woodford and Will Deer from Woodford Investment Management Ltd were present for this item at the invitation of the committee.

1. The Chairman welcomed Mr Woodford and Mr Deer to the meeting and invited them to report on the performance of the Kent Pension Fund's investments managed by Woodford Investment Management Ltd.
2. Mr Woodford and Mr Deer presented a series of graphics which set out Woodford's performance, outlook and positioning. They then answered questions of detail from the committee, including redemptions, the predicted effects of Brexit and the company's research strategy.
3. It was RESOLVED that the information set out in the presentation and given in response to comments and questions be noted, with thanks.

95. Fund Structure

(Item 8)

1. The committee debated the information given and options available and reached consensus on the recommendations set out in the report.
2. It was RESOLVED that:-
 - a) the committee note:-
 - i. the presentations and comments on the individual named companies' mandates;
 - ii. the position on the investment strategy; and
 - iii. the position on the Fixed Income mandate; and
 - b) officers be authorised to discuss possible changes in the mandate named in recommendation 3 of the report for reporting back to a future meeting of the committee.

96. ACCESS Pooling Update

(Item 9)

1. Mrs Mings introduced the report and responded to questions of detail from the committee. She advised that draft figures for savings and costs would be reported to the committee's next meeting.
2. 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)

97. Fund Position Statement

(Item 10)

1. Mr Vickers introduced the report and responded to comments and questions from the committee on the summary information provided.
2. It was RESOLVED that the information set out in the report and given in response to questions be noted, with thanks.

98. Pensions Administration

(Item 11)

1. Mrs Cheatle introduced the report and highlighted key areas of work challenges, as follows:-
 - a) a backlog of pensions work had built up since the introduction of changes to the pensions scheme in 2014. This backlog would need to be addressed before the scheme's valuation in 2019 by Barnett Waddingham;

- b) data held by the scheme was being checked and its quality assessed in preparation for the valuation. One area in which data was not reliably up to date, and over which the Council had no control, was address data for scheme members who had deferred their benefits, as they sometimes moved away and did not supply a forwarding address;
- c) Mrs Cheatle undertook to report back to a future meeting of the committee on the service improvement plan; and
- d) the pensions team was currently carrying nine vacancies, some of which had been filled temporarily over the summer months. In addition, the Council's actuary, Barnett Waddingham, had been helping to fill some vacancies on a temporary basis.

2. Mr Vickers added that the Pension Board had had a good discussion about pensions administration at its meeting on 19 October 2018 and had expressed much support for the ongoing challenges faced by the pensions team.

3. The Chairman placed on record his thanks to Mrs Cheatle and her team for the work they continued to undertake to manage the volume of pensions enquiries and benefits illustrations work while also preparing for the scheme's valuation in 2019.

4. It was RESOLVED that:

- a) the information set out in the report be noted, with thanks;
- b) a report on the service improvement plan be made to a future meeting of the committee; and
- c) the committee agree that a call-off from the Norfolk Framework may be undertaken to engage a company to help clear backlog cases.

99. Fund Employer Matters *(Item 12)*

It was RESOLVED that the Superannuation Fund Committee 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 (e) 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.

100. Date of next meeting

(Item 13)

It was noted that the next meeting of the Committee would be held on Friday 8 February 2019, commencing at 10.00 am at Sessions House, County Hall.

101. Motion to exclude the Press and Public for exempt business

(Item 14)

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)

102. M & G Investment on Multi-Asset Credit and Private Debt

(Item 15)

Annabel Gillard (Director, Global Institutional Business) and Henry Barstow (Director, Fixed Income) from M&G Investments were present for this item at the invitation of the committee.

1. The Chairman welcomed Ms Gillard and Mr Barstow to the meeting and thanked them for attending to brief the committee about the use of multi-asset credit and private debt.
2. Ms Gillard and Mr Barstow presented a series of graphics which set out the different types of investment open to pension funds, the benefits and risks of each type and the method for researching rigorously the different options before taking a decision about investing. These graphics included, as case studies, details of some companies with which M&G had worked. They also set out the past market performance of the various types of investment and the patterns of performance the company had witnessed during their 20 years' experience of those areas of investment.
3. Ms Gillard and Mr Barstow explained the terms used in the market and responded to questions of detail from the committee, including the current market performance of various types of investment.
4. Ms Gillard and Mr Barstow were thanked for giving their time to attend and help the committee to understand these areas of investment.

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of the Local Government Act 1972.

Agenda Item 6

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Agenda Item 7

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By: Chairman Superannuation Fund Committee
Corporate Director of Finance

To: Superannuation Fund Committee – 8 February 2019

Subject: **LGPS STATUTORY GUIDANCE ON ASSET POOLING**

Classification: Unrestricted

Summary: To introduce the consultation document on asset pooling.

FOR INFORMATION

INTRODUCTION

1. At the beginning of January 2019 the Ministry of Housing, Communities and Local Government published a consultation document on Statutory Guidance on Asset Pooling. The is attached in the Appendix.
2. The document potentially represents a significant tightening of the rules around the pooling regime. The 12 week consultation period ends on 28 March and the Committee will receive a draft response at its meeting on 15 March.

RECOMMENDATION

3. Members are asked to note the report.

Nick Vickers
Business Partner (Pension Fund)
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Local Government Pension Scheme

Statutory guidance on asset pooling

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Foreword

The reform of investment management in the Local Government Pension Scheme (LGPS) for England and Wales began in 2015 with the publication of criteria and guidance on pooling of LGPS assets, following extensive consultation with the sector. LGPS administering authorities responded by coming together in groups of their own choosing to form eight asset pools.

Through the hard work and commitment of people across the scheme, those eight pools are now operational. Their scale makes them significant players at European or global level, and significant annual savings have already been delivered, with the pools forecasting savings of up to £2bn by 2033. Along the way many lessons have been learnt and great progress has been made in developing expertise and capacity, including in private markets and infrastructure investment.

This is a considerable achievement in itself, but there is still a long way to go to complete the transition of assets and to deliver the full benefits of scale. In the light of experience to date with pooling and the challenges ahead, authorities have requested guidance on a range of issues. The time is now right for new guidance to support further progress.

1 Introduction

1.1 This guidance sets out the requirements on administering authorities in relation to the pooling of LGPS assets, building on previous Ministerial communications and guidance on investment strategies, and taking account of the current state of progress on pooling. It is made under the powers conferred on the Secretary of State by Regulation 7(1) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the 2016 Regulations). Administering authorities are required to act in accordance with it.

1.2 This guidance replaces the section at pages 7 to 8 of Part 2 of *Guidance for Preparing and Maintaining an Investment Strategy*, issued in September 2016 and revised in July 2017, which deals with regulation 7(2)(d) of the 2016 Regulations. It also replaces *Local Government Pension Scheme: Investment Reform Criteria and Guidance*, issued in November 2015.

2 Definitions

2.1 This guidance introduces a set of definitions for use in this and future guidance, as follows:

'Pool' the entity comprising all elements of a Local Government Pension Scheme (LGPS) asset pool

'Pool member' an LGPS administering authority which has committed to invest in an LGPS pool and participates in its governance

'Pool governance body' the body used by pool members to oversee the operation of the pool and ensure that the democratic link to pool members is maintained (for example, Joint Committees and officer committees)

'Pool company' the Financial Conduct Authority (FCA) regulated company which undertakes selection, appointment, dismissal and variation of terms of investment managers, and provides and operates pool vehicles for pool members

'Pool fund' a regulated unithold fund structure operated by a regulated pool company, such as an Authorised Contractual Scheme (ACS)

'Pool vehicle' an investment vehicle (including pool funds) made available to pool members by a regulated pool company

'Pooled asset' an investment for which the selection, appointment, dismissal and variation of terms for the investment manager is delegated to a regulated pool company, or an investment held in a pool vehicle

'Retained asset' an existing investment retained by a pool member during the transition period

'Local asset' a new investment by a pool member which is not a pooled asset

3 Structure and scale

3.1 All administering authorities must pool their assets in order to deliver the benefits of scale and collaboration. These include:

- reduced investment costs without affecting gross risk-adjusted returns
- reduced costs for services such as custody, and for procurement
- strengthened governance and stewardship and dissemination of good practice
- greater investment management capacity and capability in the pool companies, including in private markets
- increased transparency on total investment management costs
- diversification of risk through providing access to a wider range of asset classes, including infrastructure investments

3.2 In order to maximise the benefits of scale, pool members must appoint a pool company or companies to implement their investment strategies. This includes:

- the selection, appointment, dismissal and variation of terms of investment managers, whether internal or external

- the management of internally managed investments
- the provision and management of pool vehicles including pool funds

It is for the pool companies to decide which investment managers to use for pool vehicles, including whether to use in-house or external management. Pool members may continue to decide if they wish to invest via in-house or externally managed vehicles.

3.3 Pool companies may be wholly owned by pool members as shareholders or may be procured and appointed by the pool members as clients.

3.4 A pool company must be a company regulated by the Financial Conduct Authority (FCA) with appropriate FCA permissions for regulated activities. This helps ensure the pools comply with financial services legislation, and provides additional assurance to scheme members and employers. Depending on the structure of the pool, appropriate permissions may include permissions for execution, acting as agent, provision of advice, or such other permissions as required by the FCA. Where regulated funds (e.g. in an ACS) are operated by the pool company it should comply with relevant UK legislation.

Regular review of services and procurement

3.5 Pool governance bodies, working with the pool company, should regularly review the provision of services to the pool, and the process of procurement, to ensure value for money and cost transparency. Where services are procured or shared by pool members, pool members should regularly review the rationale and cost-effectiveness of such arrangements, compared to procurement and management through the pool company. Pool members and pool companies should consider using the national LGPS procurement frameworks (www.nationallgpsframeworks.org) where appropriate.

Regular review of active and passive management

3.6 Pool members, working with the pool company, should regularly review the balance between active and passive management in the light of performance net of total costs. They should consider moving from active to passive management where active management has not generated better net performance over a reasonable period. Pool members should also seek to ensure performance by asset class net of total costs is at least comparable with market performance for similar risk profiles.

4 Governance

4.1 Pool members must establish and maintain a pool governance body in order to set the direction of the pool and to hold the pool company to account. Pool governance bodies should be appropriately democratic and sufficiently resourced to provide for effective decision making and oversight.

4.2 Pool members, through their internal governance structures, are responsible for effective governance and for holding pool companies and other service providers to account. Strategic asset allocation remains the responsibility of pool members, recognising their authority's specific liability and cash-flow forecasts.

4.3 Members of Pension Committees are elected representatives with duties both to LGPS employers and members, and to local taxpayers. Those who serve on Pension Committees and equivalent governance bodies in LGPS administering authorities are, in many ways, required to act in the same way as trustees in terms of their duty of care to scheme employers and members, but are subject to a different legal framework, which derives from public law. In particular while they have legal responsibilities for the prudent and effective stewardship of LGPS funds, LGPS benefits are not dependent on their stewardship but are established and paid under statute in force at the time.

4.4 Those who serve on Pension Committees and equivalent governance bodies in pool members should therefore take a long term view of pooling implementation and costs. They should take account of the benefits across the pool and across the scheme as a whole, in the interests of scheme members, employers and local taxpayers, and should not seek simply to minimise costs in the short term.

4.5 Local Pension Boards of pool members have a key role in pool governance, given their responsibilities under the LGPS Regulations 2013 (regulation 106 (1)) for assisting authorities in securing compliance with legislation, and ensuring effective and efficient governance and administration of the LGPS. They can provide additional scrutiny and challenge to strengthen pool governance and reporting, and improve transparency and accountability for both members and employers.

4.6 Local Pension Boards may also provide a group of knowledgeable and experienced people from which observers may be drawn if pool members wish to include observers on pool governance bodies.

Strategic and tactical asset allocation

4.7 Pool members are responsible for deciding their investment strategy and asset allocation, and remain the beneficial owners of their assets, in accordance with *Guidance for Preparing and Maintaining an Investment Strategy*.

4.8 Pool members collectively through their pool governance bodies should decide the pool's policy on which aspects of asset allocation are strategic and should remain with the administering authority, and which are tactical and best undertaken by the pool company. Pool governance bodies, when determining where such decisions lie, should be mindful of the trade-off between greater choice and lower costs and should involve the pool company to ensure the debate is fully informed on the opportunities and efficiencies available through greater scale.

4.9 Providing pool members with asset allocation choices through an excessively wide range of pool vehicles or investment managers will restrict the pool company's ability to use scale to drive up value. On the other hand maximising scale by significantly limiting asset allocation options may not provide all pool members with the diversification needed to meet their particular liability profile and cash flow requirements. Pool members should set out in their Funding Strategy Statement and Investment Strategy Statement how they, through the pool governance body, have balanced these considerations and how they will keep this under regular review.

4.10 Where necessary to deliver the asset allocation required by pool members, pool companies may provide a range of pool vehicles and in addition arrange and manage segregated mandates or access to external specialist funds. Pool governance bodies should ensure that their regulated pool companies have in place the necessary permissions to enable pool vehicles to be made available where appropriate.

4.11 Determining where asset allocation decisions lie will not be a one-off decision as pool member requirements will change over time. Pool governance bodies should ensure that a regular review process, which involves both pool members and pool companies, is in place.

5 Transition of assets to the pool

5.1 Pool members should transition existing assets into the pool as quickly and cost effectively as possible. Transition of listed assets should take place over a relatively short period.

5.2 Pool governance bodies, working with pool companies and, where appointed, external transition managers, should seek to minimise transition costs to pool members while effectively balancing speed, cost and timing, taking into account exit or penalty costs and opportunities for crossing trades.

5.2 The transition process will incur direct or indirect costs which may fall unevenly across pool members. For example, where the selected managers are used by some pool members but not others. In such cases pool members who are already using the selected manager may incur significantly lower (if any) transition costs than those who do not.

5.3 Inter-authority payments (or other transfers of value) may be desirable in order to share these costs equitably between pool members. The Government's view is that such payments are investment costs within Regulation 4(5) of the 2016 Regulations, and payments made by a pool member to meet its agreed share of costs may be charged to the fund of that pool member, whether the payments are made to other pool members, the pool company, or another body by agreement.

Temporary retention of existing assets

5.4 In exceptional cases, some existing investments may be retained by pool members on a temporary basis. If the cost of moving the existing investment to a pool vehicle exceeds the benefits of doing so, it may be appropriate to continue to hold and manage the existing investment to maturity before reinvesting the funds through a pool vehicle.

5.5 In many cases there will be benefits in such retained assets being managed by the pool company in the interim. However pool members may retain the management of existing long term investment contracts where the penalty for early exit or transfer of management would be significant. These may include life insurance contracts ('life funds') accessed by pool members for the purpose of passive equity investment, and some infrastructure investments. Pool members may also retain existing direct property assets where these may be more effectively managed by pool members.

Regular review of retained assets

5.6 Pool members, working with the pool company, should undertake regular reviews (at least every three years) of retained assets and the rationale for keeping these assets outside the pool. They should review whether management by the pool company would deliver benefits. Pool members should consider the long term costs and benefits across the pool, taking account of the guidance on cost-sharing, and the presumption should be in favour of transition to pool vehicles or moving such assets to the management of the pool company.

6 Making new investments outside the pool

6.1 Pool members should normally make all new investments through the pool company in order to maximise the benefits of scale. Following the 2019 valuation, pool members will review their investment strategies and put revised strategies in place from 2020. From 2020, when new investment strategies are in place, pool members should make new investments outside the pool only in very limited circumstances.

6.2 A small proportion of a pool member's assets may be invested in local initiatives within the geographical area of the pool member or in products tailored to particular liabilities specific to that pool member. Local assets should:

- Not normally exceed an aggregate 5% of the value of the pool member's assets at the point of investment.
- Be subject to a similar assessment of risk, return and fit with investment strategy as any other investment.

6.3 Pool members may invest through pool vehicles in a pool other than their own where collaboration across pools or specialisation by pools can deliver improved net returns.

6.4 During the period of transition, while pool governance bodies and pool companies work together to determine and put in place the agreed range of pool vehicles, a pool member may make new investments outside the pool, if following consultation with the pool company, they consider this is essential to deliver their investment strategy. This exemption only applies until the pool vehicles needed to provide the agreed asset allocation are in place.

7 Infrastructure investment

7.1 Infrastructure investment has the potential to provide secure long term returns with a good fit to pension liabilities, and form part of investment strategies of authorities. The establishment of the pools was intended to provide the scale needed for cost-effective investment in infrastructure, and to increase capacity and capability to invest in infrastructure.

7.2 There is no target for infrastructure investment for pool members or pools, but pool members are expected to set an ambition on investment in this area. Pool companies may provide pool vehicles for investment in UK assets, or overseas assets, or both, as required to provide the risk and return profile to meet pool member investment strategies. However the Government expects pool companies to provide the capability and capacity for pools over time to move towards levels of infrastructure investment similar to overseas pension funds of comparable aggregate size.

7.3 Pool companies may provide pool vehicles for investment in existing (brownfield) or new (greenfield) infrastructure, based on an assessment of the benefits and risks in relation to pool member liabilities, and non-financial factors where relevant. Pool members may invest in their own geographic areas but the asset selection and allocation decisions should normally be taken by the pool company in order to manage any potential conflicts of interest effectively, maintain propriety, and ensure robust evaluation of the case for investment.

7.4 For the purpose of producing annual reports, infrastructure assets are defined in the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance *Preparing the Annual Report* as follows:

Infrastructure assets are the facilities and structures needed for the functioning of communities and to support economic development. When considered as an investment asset class, infrastructure investments are normally expected to have most of the following characteristics:

- *Substantially backed by durable physical assets;*
- *Long life and low risk of obsolescence;*
- *Identifiable and reliable cash flow, preferably either explicitly or implicitly inflation-linked;*
- *Revenues largely isolated from the business cycle and competition, for example, through long term contracts, regulated monopolies or high barriers to entry;*
- *Returns to show limited correlation to other asset classes.*

Key sectors for infrastructure include transportation networks, power generation, energy distribution and storage, water supply and distribution, communications networks, health and education facilities, social accommodation and private sector housing.

Conventional commercial property is not normally included, but where it forms part of a broader infrastructure asset, helps urban regeneration or serves societal needs it may be.

7.5 All residential property is included in this definition of infrastructure. It is not restricted to social accommodation or private sector housing.

7.6 A variety of platforms may be required to implement the infrastructure investment strategies of pool members. Pool companies are expected to provide access to a range of options over time including direct and co-investment opportunities.

8 Reporting

8.1 Pool members are required to report total investment costs and performance against benchmarks publicly and transparently in their annual reports, following the CIPFA guidance *Preparing the Annual Report*, with effect from the 2018-19 report.

8.2 In summary, pool member annual reports should include:

- opening and closing value and proportion of pooled assets by asset class
- opening and closing value and proportion of local assets by asset class
- net and gross performance of pooled assets by asset class
- total costs of pooled assets by asset class
- for actively managed listed assets, net performance by asset class net of total costs compared to appropriate passive indices over a one, three and five year period
- net and gross performance of local assets by asset class
- total costs of local assets by asset class
 - asset transition during the reporting year
 - transition plans for local assets
 - pool set-up and transition costs, presented alongside in-year and cumulative savings from pooling
 - ongoing investment management costs by type, with a breakdown between pooled assets and local assets

8.3 Investments should be classed as pool assets on the basis of the definition in the CIPFA guidance *Preparing the Annual Report*.

For the purpose of defining those assets which are classed as being within an asset pool, 'pooled assets' are those for which implementation of the investment strategy – i.e. the selection, appointment, dismissal and variation of terms for the investment managers (including internal managers) – has been contractually, transferred to a third party out with the individual pension fund's control.

8.4 Any investment where a pool member retains the day to day management, or the responsibility for selecting or reappointing an external manager, is not a pool asset.

8.5 Pool members should provide a rationale for all assets continuing to be held outside the pool, including the planned end date and performance net of costs including a comparison which costs of any comparable pool vehicles. They should also set out a high level plan for transition of assets.

8.6 The SAB will publish an annual report on the pools based on aggregated data from the pool member annual reports, in the Scheme Annual Report. Pool members should comply with all reasonable requests for any additional data and information from the SAB to enable it to publish a comprehensive report.

8.7 Pool members should ensure that pool companies report in line with the SAB Code of Cost Transparency. They should also ensure that pool companies require their internal and external investment managers to do so.

8.8 Pool members should also ensure that the annual report of the pool company is broadly consistent with the reports of pool members, and with the Scheme Annual Report, in so far as it relates to their investments, and that the report includes a narrative to explain differences. These may arise for example from reporting periods of pool companies which differ from that of the pool member.

8.9 Pool members are required to report any change which results in failure to meet the requirements of this guidance to the LGPS Scheme Advisory Board (SAB) and to MHCLG.

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By: Chairman Superannuation Fund Committee
Corporate Director of Finance

To: Superannuation Fund Committee – 8 February 2019

Subject: **Fund Employer Matters**

Classification: Unrestricted

Summary: To report on an application to join the Superannuation Fund and a number of admission matters.

FOR DECISION

INTRODUCTION.

1. This report sets out information on an application from an organisation to become an admitted body within the Superannuation Fund. It also advises of three admission agreements that need updating. The Committee's approval is sought to enter into these agreements.
2. The Committee is advised that the minutes are to be signed at the end of today's meeting to facilitate completion on the desired dates.

PT COMMERCIAL LTD t/a Ecocleen

3. Sunny Bank Primary School in Sittingbourne, is awarding a one year contract with possible annual extensions for cleaning services although the effective date is not yet known. This involves the transfer of approximately 3 employees from Sunny Bank Primary School to PT Commercial Ltd t/a Ecocleen.
4. To ensure the continuity of pension arrangements for these employees, PT Commercial Ltd t/a Ecocleen has made an application for admission to the Superannuation Fund.
5. 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.
6. The Fund Actuary has assessed the employer contribution rate at 18.8% and the bond for the first year at £5,000.
7. The completed questionnaire and supporting documents provided by PT Commercial Ltd t/a Ecocleen have been examined by Officers to ensure compliance with the LGPS Regulations, and Invicta Law has given a favourable opinion.

SOUTHERN & SOUTH EAST ENGLAND TOURIST BOARD t/a Tourism South East

8. Southern & South East England Tourist Board t/a Tourism South East is a transferee admission body that joined the Fund on 1 April 2003. They now only have one active LGPS member and are seeking to avoid becoming an exiting employer when this member leaves.
9. In December 2018 Southern & South East England Tourist Board t/a Tourism South East gave written notice to amend the terms of their admission agreement so that any designated employee may join the scheme.
10. It is proposed we enter into an updated admission agreement to reflect this change.

BIRKIN CLEANING SERVICES LIMITED

11. Birkin Cleaning Services Limited is a transferee admission body that joined the Fund on 2 November 2015 following a transfer of staff to them from Dartford Grammar School for Girls.
12. As their initial three year contract has been extended to November 2019 it is proposed we enter into an updated agreement with them.

CAPITA MANAGED IT SOLUTIONS LIMITED (ST GEORGES BOADSTAIRS)

13. Capita Managed IT Solutions is a transferee admission body that joined the Fund on 20 December 2012 following a transfer of staff to them from St Georges School.
14. As their contract has been extended for a further five years from February 2019 it is proposed we enter into an updated agreement with them.

RECOMMENDATION

15. Members are asked to agree:
 - (a) the admission to the Kent County Council Superannuation Fund of PT Commercial Ltd t/a Ecocleen;
 - (b) that an amended admission agreement is entered into with Southern & South East England Tourist Board t/a Tourism South East;
 - (c) that an amended admission agreement is entered into with Birkin Cleaning Services Limited;

- (d) that an amended admission agreement is entered into with CAPITA IT Managed Solutions;
- (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
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