



## AGENDA

### PENSION BOARD

**Friday, 19th October, 2018, at 10.00 am**

Ask for: **Theresa Grayell**

**Wantsum Room - Sessions House**

Telephone **03000 416172**

*Tea/Coffee will be available 15 minutes before the start of the meeting in the meeting room*

#### **Membership**

##### **Scheme Employer Representatives (4)**

Kent County Council (2)

Mrs M Crabtree (Chairman) and Mrs R Binks

District/Medway Council (1)

Councillor D Monk

Police/Fire & Rescue (1)

Ms A Kilpatrick

##### **Scheme Employee Representatives (4)**

KCC (1)

Mr J Peden

Medway/Districts (1)

Mr J Parsons (Vice-Chairman)

Trade Unions (1)

Vacancy

Kent Active Retirement Fellowship (1)

Mr D Coupland

#### **UNRESTRICTED ITEMS**

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

1. Apologies and Substitutes
2. Declarations of Interest by Board Members on items on the agenda for this meeting
3. Minutes of the meeting held on 15 June 2018 (Pages 3 - 4)

4. ACCESS Pooling Update (Pages 5 - 12)
5. Superannuation Fund Report and Accounts and External Audit (Pages 13 - 106)
6. Internal Audit Report (Pages 107 - 108)
7. Date of next meeting

The date of the next meeting of the Board is currently being set and will be announced at the meeting.

#### **EXEMPT ITEMS**

*(At the time of preparing the agenda there were no exempt items. During any such items which may arise the meeting is likely NOT to be open to the public)*

Benjamin Watts  
General Counsel  
03000 416814

**Thursday, 11 October 2018**

**KENT COUNTY COUNCIL**

---

**PENSION BOARD**

MINUTES of a meeting of the Pension Board held in the Wantsum Room - Sessions House on Friday, 15 June 2018.

PRESENT: Mrs M E Crabtree (Chairman), Mr J Parsons (Vice-Chairman), Mrs R Binks, Mr D Coupland, Cllr D Monk and Mr J Peden

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

**UNRESTRICTED ITEMS****18. Apologies**

*(Item 1)*

Apologies for absence were received from Ms A Kilpatrick.

**19. Declarations of Interest by Board members on items on the agenda for this meeting**

*(Item 2)*

There were no declarations of interest.

**20. Minutes of the meeting held on 27 October 2017**

*(Item 3)*

RESOLVED that the minutes of the meeting held on 27 October 2017 are correctly recorded and that they be signed by the Chairman.

**21. ACCESS Pooling Update**

*(Item 4)*

- (1) Mrs Mings (Treasury and Investment Manager) introduced the report which provided an update on progress with pooling arrangements. She drew attention to the discussion taking place on various aspects of the Authorised Contractual Scheme and the reasons for the delay from April 2018 to August or September 2018 in submitting an application to the Financial Services Authority. She also referred to the administrative and governance arrangements for the ACCESS pool.
- (2) In response to Members' questions, she said that:
  - Funds would only be moved into the ACS if the fee reduction offset the additional costs of the ACS structure;
  - The Ministry of Housing, Communities and Local Government was aware of the progress being made by all Pools;
  - State Street Global Advisors (SSgA) had not joined the procurement framework for passive managers and the transfer of funds from State Street to UBS had been a straightforward exercise for Kent.

- (3) RESOLVED that the report be noted.

## **22. Pensions Administration**

*(Item 5)*

- (1) Mrs Cheatle (Pensions Manager) introduced the report which provided the Board with a comprehensive update of administration issues including the position relating to workload; achievements against Key Performance Indicators; a pension overpayment; monthly submissions of employer data; staff resources; General Data Protection Regulations; and the requirements of the Pension Regulator in relation to data quality.
- (2) In response to questions she said that the Kent Fund had the largest number of members taking up the 50:50 option but the number was still small. Information about the 50:50 option was available on the website and was directed at members considering leaving the scheme. The Pension Fund was however reliant on employers to promote this option among staff.
- (3) Comments were made about the need to have processes in place to dispose of data when it was no longer required.
- (4) RESOLVED that the report be noted.

## **23. Fund Employer Matters**

*(Item 6)*

- (1) Mrs Mings (Treasury and Investments Manager) introduced the report which provided information: on employers for the twelve months to 31 March 2018; employer related matters; an appeal to the Pensions Ombudsman; and a change to the LGPS regulations.
- (2) In response to questions, Mrs Mings said most employer contributions were received in good time and when any were late this could be attributed to the deadline of 19<sup>th</sup> of the month falling at a weekend. She also said that most academy trusts remained in the Kent Scheme
- (3) RESOLVED that the employer report be noted.

## **24. Date of next meeting**

*(Item 7)*

It was noted that the next meeting of the Board would be held on 19 October 2018.

By: Acting Corporate Director of Finance

To: Pensions Board – 19 October 2018

Subject: **ACCESS POOLING UPDATE**

Classification: Unrestricted

---

Summary: To update on progress on pooling.

**FOR INFORMATION**

---

**INTRODUCTION**

1. This report is to update the Board on progress on pooling.

**JOINT COMMITTEE**

2. The Joint Committee (JC) met on 11 June and 19 September 2018 and minutes of these meetings will be circulated to the Superannuation Fund Committee for its next meeting in November 2018.

**ESTABLISHMENT OF THE ACS AND SET UP OF SUB-FUNDS**

3. FCA approval for the LF ACCESS Pool Authorised Contractual Scheme (ACS) and first sub-fund was given on 9 August and a copy of the ACCESS press release is attached at appendix 1.
4. Efforts are now focused on the set up of the first sub-fund which is due to launch in October 2018.
5. Plans are also in hand for the launch of further sub-funds including the Kent Fund's Schroders UK Equities, Baillie Gifford and M&G Global Equities mandates. Once Kent has invested in these sub-funds it is anticipated that we will have invested a total of £3.56bn in the ACCESS pool representing 62% of total Kent Fund assets available for pooling.
6. The Kent Committee has already agreed it will only transfer funds into the ACCESS ACS if the fee savings offset the additional costs of the ACS structure. It is anticipated that overall the Kent Fund will achieve savings from its investments particularly as a result of the planned restructure of the M&G mandate and reduced manager fees.
7. With Link, the proposed sub-fund investment managers and Northern Trust officers will also be developing plans for the transition of funds into the sub-funds in order to minimise associated costs and to maximise savings. The launch of the second tranche of sub-funds is expected from Q1 2019 onwards.

8. With assistance from professional advisors ACCESS officers have undertaken a review of Funds' existing fixed income, diversified growth and remaining equity mandates as well as their potential future requirements in order to agree proposals for the next phase of sub-funds. It is anticipated that these proposals will be presented to the JC at their meeting in December 2018.

### **ACCESS SUPPORT UNIT (ASU) ARRANGEMENTS**

9. Interim support arrangements have continued to support officers in the Establishment Phase of the project.
10. Essex County Council has offered to host the ASU and plans are in hand for the recruitment of the Programme Director and Contract Manager. After a round of interviews involving both ACCESS officers and members of the JC Essex expect to appoint the Programme Director in early October and the Contract Manager shortly afterwards. The recruitment of an administration officer to take over the responsibility from Kent for the secretariat support to the JC is expected to happen in Q4 2018. The recruitment of 4 seconded part-time technical officers from the ACCESS Funds is expected to happen in 2019.

### **UPDATES FOR MHCLG**

11. MHCLG has been kept informed of the ACCESS pool's progress and a copy of the recent letter from the minister is attached at appendix 2. The JC chair and vice chair will be meeting the minister in early November.

### **RECOMMENDATION**

12. The Board is recommended to note this report.

#### **Alison Mings**

Treasury and Investments Manager

[Alison.mings@kent.gov.uk](mailto:Alison.mings@kent.gov.uk)

# The £40bn ACCESS LGPS investment pool has regulator approval for its first sub-fund launch.

**24 September 2018** - Link Fund Solutions Ltd has received FCA Regulatory Approval for The LF ACCESS Pool Authorised Contractual Scheme (ACS) and first sub-fund. This is a major milestone in the project to provide the ACCESS pool with a range of pooled investment funds, enabling authorities to execute their local investment strategy whilst benefiting from economies of being one of the largest investment pools in the UK.

The first global equity sub-fund is due to launch in October 2018 with an investment of £1.6bn by three of the ACCESS LGPS pension funds, resulting in anticipated savings of £1.5m per annum. Eventual savings are expected to be £1.9m per annum.

It is anticipated that more sub-funds will be launched in early 2019 facilitating a further significant move of assets to meet the government's objective of delivering reduced costs whilst maintaining overall investment performance.

The approval from the FCA comes on the anniversary of the formation of the ACCESS pool via the Inter Authority Agreement between the eleven participating LGPS Administering Authorities.

**Councillor Reid, Chairman of the ACCESS Joint Committee said:** "This has been a significant first year with the appointment of the passive manager (savings of £5m per annum), the appointment of Link as the Operator and now the launch of the ACS and the first sub-fund."

**Peter Hugh-Smith, Managing Director, Link Fund Solutions Ltd said:** "Link Fund Solutions and ACCESS have built a collaborative working relationship as we have worked towards the authorisation of the first LF ACCESS fund. Link Fund Solutions looks forward to utilising its experience and capabilities in launching the first fund and subsequent funds and aiding ACCESS to meet the government's requirements and delivering material cost savings to all participating authorities."

**ENDS**

## Media enquiries

### UK & Europe:

Teamspirit PR  
David Sells / Dan Pike  
020 7861 3835 / [LinkAssetServices@teamspirit.uk.com](mailto:LinkAssetServices@teamspirit.uk.com)

## Note to editors

### About ACCESS

ACCESS (A Collaboration of Central, Eastern and Southern Shires) is made of 11 LGPS Administering Authorities: Cambridgeshire County Council; East Sussex County Council; Essex County Council; Hampshire County Council; Hertfordshire County Council; Isle of Wight Council; Kent County Council; Norfolk County Council; Northamptonshire County Council; Suffolk County Council; and West Sussex County Council.

The ACCESS Administering Authorities are committed to working together and have each signed an Inter Authority Agreement, setting out how they will work together in response to the Governments pooling agenda across the LGPS, and to optimise benefits and efficiencies on behalf of their individual and collective stakeholders.

### About Link Asset Services

Link Asset Services works in partnership internationally with almost 7,000 clients including asset managers and investors, business managers, asset owners, trustees, issuers and borrowers. We provide the infrastructure through which assets are secured or deployed in both regulated and unregulated markets. The 3,000+ staff of Link Asset Services deliver more than 70 closely aligned services and help capital flow through the financial markets by processing £45bn of payments annually; as well as protecting and safeguarding more than £600bn held in funds, entities and other instruments.

Link Asset Services administers and safeguards assets across ten highly-regulated European jurisdictions. We work with a broad range of market segments, industries and asset classes, including equities, bonds and debt, and real assets. We work closely with regulators, industry bodies and market intermediaries. Our clients often procure multiple services from us and our approach and execution success has enabled us to build market leading positions across all of our business lines:

- Link Market Services (share registration, investor relations, share investment services and treasury)



# Appendix 1

- Link Fund Solutions (UCITS ManCo, AIFM, fund administration, transfer agency, ISA plan management)
- Corporate Services (finance and accounting, company secretarial, entity management, outsourcing services)
- Private clients (trust and company services, including inter-generational transfers)
  
- Banking and Credit Management, through the Asset Services brand provides loan origination and servicing, debt work-out, compliance and regulatory oversight.

## **About Link Group (ASX: LNK)**

Link Administration Holdings (Link Group) administers financial ownership data and drives user engagement through technology. Underpinned by its investment in technology, people and processes, it delivers comprehensive data and information solutions for companies, large asset owners and trustees across the globe.

For more information, please visit: [www.linkgroup.com](http://www.linkgroup.com)

This page is intentionally left blank



Ministry of Housing,  
Communities &  
Local Government

**Rishi Sunak MP**  
*Minister for Local Government*

**Ministry of Housing, Communities and Local  
Government**  
Fry Building  
2 Marsham Street  
London  
SW1P 4DF

Councillor Andrew Reid  
Chair, Joint Committee

Tel: 0303 444 3460  
Email: [rishi.sunak@communities.gsi.gov.uk](mailto:rishi.sunak@communities.gsi.gov.uk)

Councillor Richard Stogdon  
Vice Chair, Joint Committee

[www.gov.uk/mhclg](http://www.gov.uk/mhclg)

*Dear Cllr Reid and Cllr Stogdon,*

26 JUL 2018

### **ACCESS POOL: PROGRESS REVIEW**

Thank you for your report on progress to 11 April and updates to my officials on developments since then.

I am pleased to note that you have a pool operator in place and have applied for FCA authorisation of your Authorised Contractual Scheme. There is still some way to go to deliver a fully operational pool ready to make investments and I will be taking a close interest in your progress. I am also pleased to note that you expect a significant saving from your first sub-fund due to open in October and that you expect to have some £15 billion under management by next spring. I would like to thank all those across the funds whose commitment and hard work have enabled you reach this stage.

I also welcome the agreement from Essex to host your contract management unit and the start of the recruitment process. I will want to be assured that it is resourced to the level necessary to deliver strong governance and robust performance management of a large contractor.

For the future I will be looking to you to maintain momentum on the pace of transition while ensuring cost effectiveness, and to ensure that governance is delivering proper accountability and managing risk effectively. I will also expect fully transparent reporting on costs and investment performance by asset class against appropriate passive benchmarks and in line with the recent CIPFA guidance. I look forward to receiving your next report on progress as at 30 September by 15 October 2018.

I am disappointed that heavy parliamentary commitments have made it difficult to meet. I would like to discuss with you the development of your pool and your ambitions for the future including on infrastructure investment. My office will be in touch to arrange a meeting during the autumn.

**RISHI SUNAK MP**

This page is intentionally left blank

By: Acting Corporate Director of Finance  
To: Pensions Board – 19 October 2018  
Subject: **SUPERANNUATION FUND REPORT & ACCOUNTS AND  
EXTERNAL AUDIT**  
Classification: Unrestricted

---

Summary: To present the Report and Accounts of the Superannuation Fund for 2017/18 and the External Audit Findings Report.

## **FOR INFORMATION**

---

### **INTRODUCTION**

1. A copy of the Superannuation Fund Report and Accounts for the year ended 31 March 2018 is attached at appendix 1.
2. The Fund's Accounts were approved by Governance and Audit Committee on 25 July.
3. The external auditor's Audit Findings Report which wholly relates to the accounts is also attached at appendix 2. The audit of the accounts is complete and an audit opinion was issued on 26 July.
4. At its meeting on 7 September the Superannuation Fund Committee agreed to:
  - (1) Approve the Superannuation Fund Annual Report
  - (2) Note the content of the Accounts for 2017/18
  - (3) Confirm that the Report and Accounts can be published to the Kent Pension Fund website
  - (4) Note the external auditor's Audit Findings Report, and
  - (5) Note the position with regard to Governance and Audit Committee.

### **RECOMMENDATION**

4. The Board is asked to note this report.

Alison Mings  
Treasury and Investments Manager  
[Alison.mings@kent.gov.uk](mailto:Alison.mings@kent.gov.uk)  
03000 416488

This page is intentionally left blank

# Kent Pension Fund Report and Accounts

For the year ended 31 March 2018



Introduction and overview		Investments	Administration
Chairman's foreword	3	Investment strategy overview	15
ACCESS Pooling Update	4	Value of Funds under management by Fund Manager	16
Governance arrangements	5	Investment performance 2017-18	18
Risk management and Fund overview	7	Voting by Equity Fund Managers 2017-18	21
Employers	10		
Fund trends	10		
Financial summary	11		
			Administration management performance 2017-18 22
			CIPFA Benchmark 22
			Internal Dispute Procedure 22
			Employers 23

Actuary's report		Financial statements	Independent Auditor's report
Introduction	38	Statement of responsibilities for the Statement of Accounts	40
Asset value and funding level	38	Fund account for the year ending 31 March	41
Contribution rates	38	Notes to the pension fund account	42
Assumptions	38		
Updated position since the 2016 valuation	39		
			Opinion 74

If you have any comments on the annual report,

- please call 03000 416 431
- email [investments.team@kent.gov.uk](mailto:investments.team@kent.gov.uk), or
- write to: Kent Pension Fund, Treasury and Investments, Kent County Council, Room 3.17, Sessions House, County Hall, Maidstone, Kent ME14 1XQ



## Chairman's foreword

As the Fund Chairman it is my pleasure to introduce the Kent Pension Fund annual report.

2017-18 was a busy and successful year for the Fund as it grew in value to £5.83bn, having achieved an investment return of 4.7%, and individual and employer membership increased.

We continue to work hard to ensure the Fund is best positioned to deliver the returns needed in the future and it is pleasing to report that this has been a good year for the Fund's investments and while investment performance varied across strategies and managers our long established global equity, UK equity and direct property managers performed particularly well.

We regularly review the performance of the Fund's investment managers and asset allocation, and during the year we decided to transfer £200m from a global equity manager to an absolute return fund, banking gains made over a long period of time. Also, in collaboration with other ACCESS LEAPS funds, we decided to appoint UBS to manage our UK and global equity passive strategies transferring some £615m from the Fund existing manager while achieving significant savings on investment management fees.

We are now in the process of reviewing the Fund's strategic asset allocation and I look forward to reporting back on how we have implemented any changes to our arrangements next year.

Investment pooling continues to be a significant piece of work for the Kent Fund and we are represented on the project by Members and Officers. Kent Democratic Services also provides secretarial support to the Joint Committee. Progress made on the establishment of the ACCESS Pool is summarised overleaf.

Individual membership of the Fund increased during the year and at 31 March 2018 there were 52,775 contributing members, an increase of some 2,000 from 31 March 2017 and in total there are now 135,000

members in the Fund. The number of employers in the Fund also increased, to 432, mainly as a result of staff transferring to new employers as services have been outsourced and schools converting to academy status.

The growth in membership has resulted in an increased workload for the KCC staff who provide the administrative and accounting support to the Fund and I am grateful to them for all their hard work in maintaining high levels of service to members.

I would also like to thank the members of the Superannuation Committee and Pensions Board for their hard work and commitment during 2017-18. 2018-19 looks like being another challenging period for the Fund in terms of its investment strategy and further development of the ACCESS pool, while managing the needs of an increasing membership. As Chairman I am really looking forward to working with Members and Officers over the next 12 months.

**Charlie Simkins**  
**Chairman**

## ACCESS Pooling Update

The Government is encouraging LGPS Funds to work together to put forward plans to “pool investments to significantly reduce costs, while maintaining investment performance.” Eleven like-minded LGPS Funds including the Kent Pension Fund are working together under the name of ACCESS (A Collaboration of Central, Eastern and Southern Shires). Individually the participating Funds have a strong performance history and potential for substantial benefits for a group of successful like-minded Funds collaborating and sharing their collective expertise. Collectively the ACCESS Pool has significant scale with assets of £43bn, managed on behalf of c3,000 employers and c900,000 members. It is the Government’s expectation that the asset pools are formed in order for assets to begin being transferred from individual LGPS Funds from 1 April 2018.

The ACCESS Pool submitted their Spring Progress report to the Ministry of Housing, Communities and Local Government (MHCLG) on 4 May 2018. It sets out the progress made by the ACCESS Funds to meet the Government’s investment reform agenda and we would like to highlight the following:

- The July 2016 submission to DCLG indicated that ACCESS Funds could benefit from eventual projected savings of £30m annually (excluding any assumptions on asset growth). These estimates of savings remain consistent with current evidence.
- ACCESS Funds have appointed UBS to manage its passive mandates (approx. £11bn). The indicative saving of £5.2m per annum exceeds the estimated saving projection of £4m per annum stated in our July 2016 submission.
- The ACCESS Funds have appointed Link Fund Solutions (Link) as the Pool’s Financial Conduct Authority (FCA) authorised Operator. The appointment means a significant shift in governance arrangements

with the Operator responsible for selecting and contracting with managers on behalf of the Funds participating in the Pool.

- With the procurement phase completed, the implementation phase of the project is in train and progressing well. Link is preparing documentation for the FCA authorisation of an umbrella Authorised Contractual Scheme (ACS) and first sub-fund for submission very shortly.
- A key element of governance arrangements focuses on the robust management of the Operator contract and the Operator to ensure it is held to account by the administering authorities of each Fund participating in ACCESS via the Joint Committee. ACCESS is also setting up the ACCESS Support Unit (ASU) which will manage the Operator contract against specified KPIs and provide technical and secretariat support services to the Joint Committee (JC) and Officer Working Group (OWG). Interim arrangements are already in place.
- The Pooling arrangements have been set up to ensure the administering authorities of each Fund may exercise proper democratic accountability and continue to meet fiduciary responsibilities.
- The potential for greater savings in the longer term remains, as the ACCESS Pool applies its leverage as one of the largest asset pools in the UK and collaborates with other pools to achieve further benefits of scale in investment management including new ways of investing in illiquid assets in particular infrastructure.
- In addition to the savings in investment management fees due to the reduction in manager numbers and an increase in mandate size, there are other tangible benefits from pooling including a governance dividend (potential for reduced risk due to manager diversification achieved at pool level), and tax savings for funds moving from pooled funds to segregated mandates in the Pool’s tax transparent ACS. For some asset classes such as global equities tax savings alone are material relative to additional costs of implementing pooling.

## Governance arrangements

### The Superannuation Fund Committee

The Superannuation Fund Committee exercises all of the powers and duties of the Kent County Council (KCC) in relation to its functions as Administering Authority for the Fund. The Committee is responsible for setting investment strategy, appointing professional fund managers and carrying out regular reviews and monitoring of investments. It also monitors the administration of the Pension Scheme and determines Pension Fund policy in regard to employer admission arrangements.

A new committee was constituted following the Council elections in May 2017. The membership of the Committee during 2017-18 is detailed below. An initial committee meeting was held immediately after the elections to elect the chair of the committee. There were 5 full Committee meetings during the year.

### Committee members



Charlie Simkins  
Chairman  
Kent County Council



Nick Chard  
Vice Chairman  
Kent County Council



Dan Daley  
Kent County Council



Paul Barrington-King  
Kent County Council



Alan Marsh  
Kent County Council  
(Until 08/09/2017)



Paul Bartlett  
Kent County Council



Paul Cooper  
Kent County Council



Tan Dhesi  
Kent County Council  
(until 07/09/2017)



Peter Homewood  
Kent County Council  
(from 08/09/2017)



James McInroy  
Kent County Council



John Burden  
Gravesham Borough  
Council



Nick Eden-Green  
Canterbury City Council



Paul Clokie  
Ashford Borough Council



John Wright  
Kent County Council



Les Wicks  
Medway Council

### Kent Active Retirement Fellowship

Mary Wiggins  
David Coupland

### Union Representative

Sophy Lysaght - until 22 March 2018  
Joe Parsons - from 23 March 2018

## Local Pensions Board

The Local Pensions Board for Kent was established in April 2015 in accordance with the relevant Government Legislation.

The membership of the Board during 2017-18 is detailed below; there were 2 full Board meetings during the year.

### Board Members

Margaret Crabtree, Chairperson	Kent County Council
Rosalind Binks	Kent County Council
David Monk	Shepway District Council
Alison Kilpatrick	Kent and Medway Fire and Rescue Service
Joe Parsons, Vice Chairperson	Unison Representative
Sophy Lysaght (until 22 March 2018)	Unison Representative
John Peden	Staff Representative
David Coupland	Kent Active Retirement Fellowship Representative

### Kent County Council Officers and Others

The day to day operations and management of the Fund and implementing the decisions of the Superannuation Fund Committee are delegated to the KCC Section 151 officer and their staff. This includes the power to seek professional advice and devolve day to day handling of the Fund's investments to professional fund managers and advisers within the scope of the regulations. KCC undertakes the monitoring and accounting for the investments of and income due to the Fund.

### Fund Managers

Schroders



SARASIN  
& PARTNERS



State Street Global Advisors (SSgA)

Kent County Council Treasury Management Team

USB Asset Management

Further details of the Fund Manager mandates can be found in the Investment Strategy Statement (ISS).

### Other Organisations providing services to the Kent Fund

Service	Organisation
Custodian	Northern Trust Company
Bankers	National Westminster Bank
Fund Actuary	Barnett Waddingham
Additional Voluntary Contributions (AVC) Providers	Equitable Life Assurance Prudential Assurance Company Standard Life Assurance
Investment Consultants	Mercers
Auditors	Grant Thornton
Legal Advisors	Invicta Law
Performance Measurers	Northern Trust Company PIRC Limited
Administration software provider	Aquila Heywood

The Kent Pension Fund maintains the following statutory statements and policies; these are reviewed and updated regularly:

- Funding Strategy Statement
- Investment Strategy Statement
- Governance Compliance Statement
- Communications Policy Statement.

These documents can be found on the Pension Fund's website - <http://www.kentpensionfund.co.uk/local-government/fund-information/policies>

### Risk Management

Kent County Council as the Administering Authority for the Kent County Council Superannuation Fund has delegated responsibility for the management of risk to the Superannuation Fund Committee.

#### Risk register

The Committee regularly reviews the Fund's key risks and has identified the main risks as:

- Fund investment return below that assumed by the actuary
- risks associated with the investment in the ACCESS ACS sub-funds
- change of premises for the Administration staff.

Arrangements have been agreed for the management of these risks in order to mitigate their impact on the Fund.

#### Financial, demographic, regulatory, and employer risks

Details of the counter measures in place for financial, demographic, regulatory, and employer risks are included in the Fund's Funding Strategy Statement (FSS). The FSS is reviewed annually.

#### Operational risks

Kent County Council's Internal Audit Section conducts regular audits on the management of risk in the Pension Fund.

Third party risk such as that relating to employers in the Fund is managed through monitoring the timeliness of receipts of contributions as well as the annual review of guarantees / bonds provided by Admitted bodies.

#### Investment risk management

Further details of the Fund's policy on investment risk management are disclosed in the Fund's Investment Strategy Statement (ISS). The Superannuation Fund Committee formally considers investment risk at four of its five planned meetings during the year.

Assurance over third party operations is provided by investment managers who are required to provide annual AAF 01/06 reports and ISAE 3402 reports.

## Fund Overview

### Financial Performance

#### Forecast vs. actual income and expenditure analysis

The table below compares actual income and expenditure with that projected at the 2013 triennial valuations.

	2015-16 £m	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m
<b>Forecast</b>					
Contributions net of pension payments	(11)	(24)	(1)	(6)	(18)
Investment Income net of expenses	89	94	96	100	104
<b>Net income</b>	<b>78</b>	<b>70</b>	<b>95</b>	<b>94</b>	<b>86</b>
<b>Actual</b>					
Contributions net of pension payments	8	16	11	n/a	n/a
Investment Income net of expenses	90	85	94	n/a	n/a
<b>Net income</b>	<b>98</b>	<b>101</b>	<b>105</b>	<b>n/a</b>	<b>n/a</b>

#### 2016 Triennial Valuation

The Triennial valuation as at 31 March 2016 calculated a funding level of 89%. (2013 - 83%).

The funding level as a percentage has increased due to good investment returns and employer contributions although it has been partly offset due to changes in the financial assumptions used.

The increase in the funding level would normally result in lower employer contributions being required going forward however the lower expected long term return on investments (discount rate) has resulted in higher long term pension liabilities. This, coupled with a shorter recovery period of 17 years as compared to 20 years previously, has resulted in slightly higher contribution rates for employers and a general increase in Payroll has resulted in higher contributions overall. Pension payments are projected to go up in line with CPI and a marginal increase in number of members retiring.

Details of the Actuary's assumptions used are included in the Barnett Waddingham report on page 37.

## 2017-18 performance

During 2017-18 the Fund increased in value by £264m (4.7%) as the result of a net return on investments of £253m, and net inflow in respect of dealings with members, taking account of transfers-out, of £11m.

Contributions from Employers and Members increased by £3.8m from 2016-17 mainly as the result of higher Employer contribution rates following the 2016 Triennial valuation which came into effect from 1 April 2017 as well as the increase in contributing members and increase in salaries. Benefits Payable also increased in 2017-18 by £6m mainly due to the higher number of pensioner members and increase in value of the pensions paid.

In 2017-18 management costs, including investment management expenses, were £23.3m, a modest increase on 2016-17 (£22.7m). The increase in investment management fees reflecting the increased value of assets under management was offset by lower administration and other costs.

## Management Expenses

The following table compares actual Administration, Governance and Oversight costs against the budget for 2017-18.

	Actual £000's	Budget £000's
Pensions Administration	2,274	2,370
Fund Administration	393	373
<b>Administration expenses</b>	<b>2,667</b>	<b>2,743</b>
Actuarial Fees	271	283
Actuarial fees directly recovered from employers	-247	-236
Investments and Accounting	288	283
ACCESS pooling costs	78	50
Tax consultants	4	18
Investment Consultants	32	14
FRC Levy	4	0
Performance Measurement Fees	17	32
Audit fee	31	31
<b>Governance and Oversight Expenses</b>	<b>478</b>	<b>475</b>

## Amounts due from Employers

Of the total employer and employee contributions received by the Fund the majority are paid monthly by employers and during 2017-18 we collected 98%, (99% in 2016-17) of total contribution income by the due date of the 19th of the month following. The option to levy interest on overdue contributions was not exercised. At 31 March 2018 contributions in respect of the March salaries totalling £16.6m (31 March 2017 £16m) due by 19 April had not been received.

## Employers

At 31 March 2018 there were 432 Employers in the Fund. During the year a number of organisations joined the Fund as admitted bodies following the transfer of staff from existing employers, schools converted to academies, and multi academy trusts, local authorities and other public bodies joined the Fund. There was also a consolidation of academy trusts and employers exiting the Fund as their last active member left or retired.

The following table shows a summary of the number of employers in the Fund analysed by scheduled bodies and admitted bodies which are active (i.e. with contributing members) and ceased (i.e. with no active members but with some outstanding liabilities).

### Number of employers

	Active	Ceased	Total
Scheduled Body	250	58	308
Admitted Body	71	55	126
<b>Total</b>	<b>321</b>	<b>113</b>	<b>432</b>

### Fund Trends

A summary of the Fund's key trends is shown below:

	2013/14	2014/15	2015/16	2016/17	2017/18
<b>Net Assets @ 31 March (£000's)</b>	<b>4,137,259</b>	<b>4,539,037</b>	<b>4,597,540</b>	<b>5,565,175</b>	<b>5,828,846</b>
<b>No of Contributors</b>	<b>44,917</b>	<b>48,668</b>	<b>49,816</b>	<b>50,834</b>	<b>52,775</b>
Contributions (£000's)	209,749	217,714	220,961	228,285	232,037
<b>Number of Pensioners</b>	<b>34,841</b>	<b>35,917</b>	<b>37,260</b>	<b>38,648</b>	<b>39,813</b>
Benefits Paid (£000's)	195,377	207,356	210,281	214,895	220,876



## Financial Summary

A brief summary for the last 5 years is shown below:

	<b>2013/14</b> <b>£000's</b>	<b>2014/15</b> <b>£000's</b>	<b>2015/16</b> <b>£000's</b>	<b>2016/17</b> <b>£000's</b>	<b>2017/18</b> <b>£000's</b>
Value of Fund at start of year	<b>3,812,698</b>	<b>4,137,259</b>	<b>4,539,037</b>	<b>4,597,540</b>	<b>5,565,175</b>
Revenue account for year					
- Contributions and transfers in	216,637	222,177	224,366	238,851	243,299
- Investment (net) and other income net of expenditure	72,853	74,113	90,449	84,792	93,503
- Benefits and transfers out	-203,495	-277,358	-216,314	-222,949	-232,373
<b>Net Revenue</b>	<b>85,995</b>	<b>18,932</b>	<b>98,501</b>	<b>100,694</b>	<b>104,429</b>
Increase (Decrease) in market value of investments in year	238,566	382,846	-39,998	866,941	159,242
<b>Increase (decrease) in Fund during year</b>	<b>324,561</b>	<b>401,778</b>	<b>58,503</b>	<b>967,635</b>	<b>263,671</b>
<b>Value of Fund at end of year</b>	<b>4,137,259</b>	<b>4,539,037</b>	<b>4,597,540</b>	<b>5,565,175</b>	<b>5,828,846</b>

**Fund Assets as at 31 March 2018**

	<b>UK £000's</b>	<b>Non-UK £000's</b>	<b>Global £000's</b>	<b>Total £000's</b>
Equities	1,574,198	1,267,432	1,331,382	4,173,012
Bonds	271,206	328,877		600,083
Property	730,441	1,001		731,442
Alternatives	22,855	5,593	106,040	134,488
Cash and cash equivalents	132,151	16,363		148,514
Other investment balances	1,669	1,722		3,391
<b>Total</b>	<b>2,732,520</b>	<b>1,620,988</b>	<b>1,437,422</b>	<b>5,790,930</b>

**Investment Income**

Investment income accrued during 2017-18 is analysed as follows:

	<b>UK £000's</b>	<b>Non-UK £000's</b>	<b>Global £000's</b>	<b>Total £000's</b>
Equities	38,797	24,302	10,765	73,864
Bonds	1,045	14,190		15,235
Property (direct holdings)	17,107			17,107
Alternatives	639	13,078		13,717
Cash and cash equivalents	630			630
Stock Lending			1,164	1,164
<b>Total</b>	<b>58,218</b>	<b>51,570</b>	<b>11,929</b>	<b>121,717</b>

## Five year analysis of the Fund's membership

Five year analysis of the Fund's membership

Type of Members	31 March 14	31 March 15	31 March 16	31 March 17	31 March 2018
Contributors	44,917	48,668	49,816	50,834	52,775
Pensioners	34,841	35,917	37,260	38,648	39,813
Deferred Pensioners	39,777	41,534	42,476	42,352	42,376
<b>Total</b>	<b>119,535</b>	<b>126,119</b>	<b>129,552</b>	<b>131,834</b>	<b>134,964</b>

## Member Age Profile

The following table shows that at 31 March 2018 the age profile of the contributing membership was:

Age	Members
Under 20	558
20 – 25	3,792
26 – 30	4,051
31 – 35	4,473
36 – 40	5,622
41 – 45	6,754
46 – 50	8,663
51 – 55	8,472
56 – 60	6,348
61 – 65	3,294
66 – 70	600
Over 70	148

## Five year analysis of pension overpayments, recoveries and write-offs

### Overpayments

The overpayments identified over the last 5 years as the result of the Fund's participation in the National Fraud Initiative are:

Year	No	Value £	Action
2015	2	17,692	Recovered
	1	2,906	No response therefore put forward for write off
	1	2,040	No response - write-off
<b>Total</b>	<b>4</b>	<b>22,638</b>	
2017	1	537.83	Seeking recovery
<b>Total</b>	<b>1</b>	<b>537.83</b>	

Note: the number of cases has decreased as a mortality screening service is now used on a monthly basis to identify registered deaths.

## Pension overpayments write-offs

Details of the write-offs made in the last 5 years:

Year	No of cases	Value £
2013-14	15	3,154
2014-15	10	2,975
2015-16	15	3,947
2016-17	36	8,135
2017-18	39	53,946*

\* £49,441 of this amount refers to historic overpayments that occurred and all possibilities of recovery have been exhausted.

## Investment Strategy Overview

This report sets out details of the progress made against the Fund's investment strategy during the year.

At its regular meetings during 2017-18 the Committee reviewed the Fund's actual asset allocation compared to the benchmark, and where the variance was in excess of +/- 2%, agreed any action to be taken.

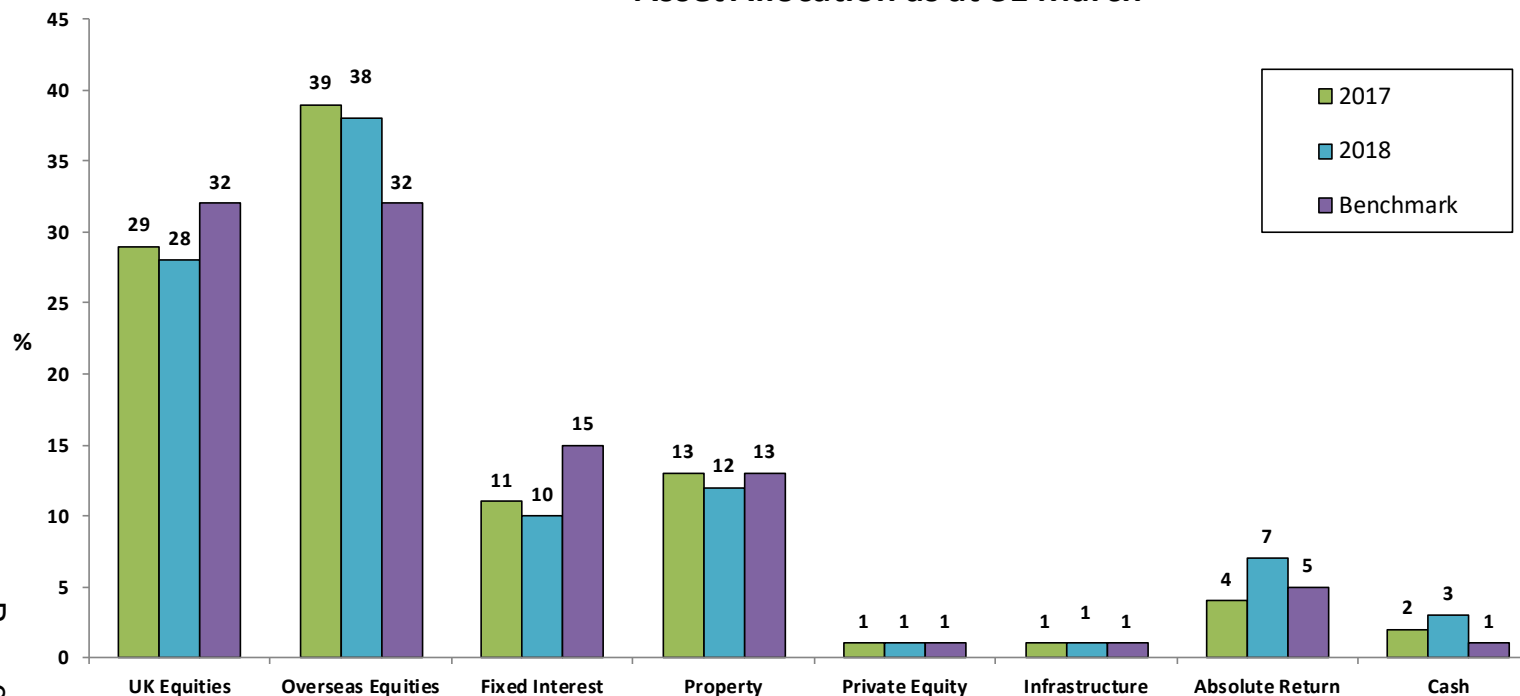
The Fund's strategic asset allocation at 31 March 2018 was as follows:

<b>Asset Class</b>	<b>Allocation</b>	<b>Index</b>
	<b>%</b>	
UK Equities	32	FTSE All Share
Overseas Equities	32	MSCI World Index NDR
Fixed Income	15	BAML GBP Broad Market
Property	13	IPD All Properties Index
Private Equity & Infrastructure	2	GBP 7 Day LIBID
Absolute Return	5	RPI +5%
Cash	1	GBP 7 Day LIBID
<b>Total</b>	<b>100</b>	

## Portfolio Distribution at 31 March

The graph opposite shows the Fund's actual portfolio distribution between the main asset-classes as at 31 March 2017 and 31 March 2018 vs the benchmark.

### Asset Allocation as at 31 March

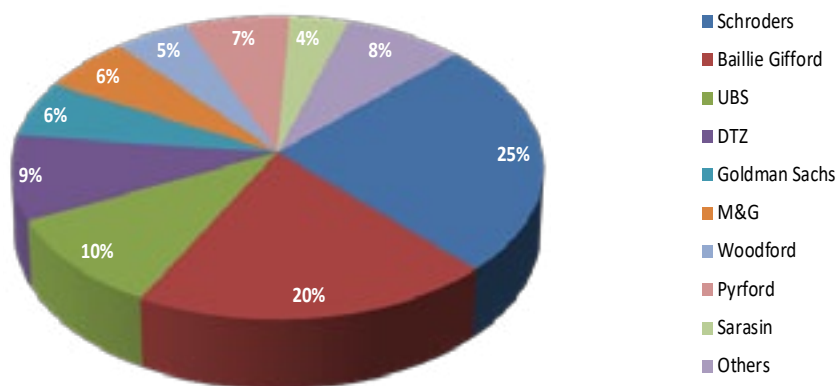


Page 30

### Value of funds under management by Fund Manager

The following graph shows the proportion of the Fund under management by fund manager as at 31 March 2018 and the table lists the Fund's 10 largest equity holdings at that date.

### Assets by Fund Manager



## Equity

### 10 Largest Equity Holdings in the Fund as at 31 March 2018

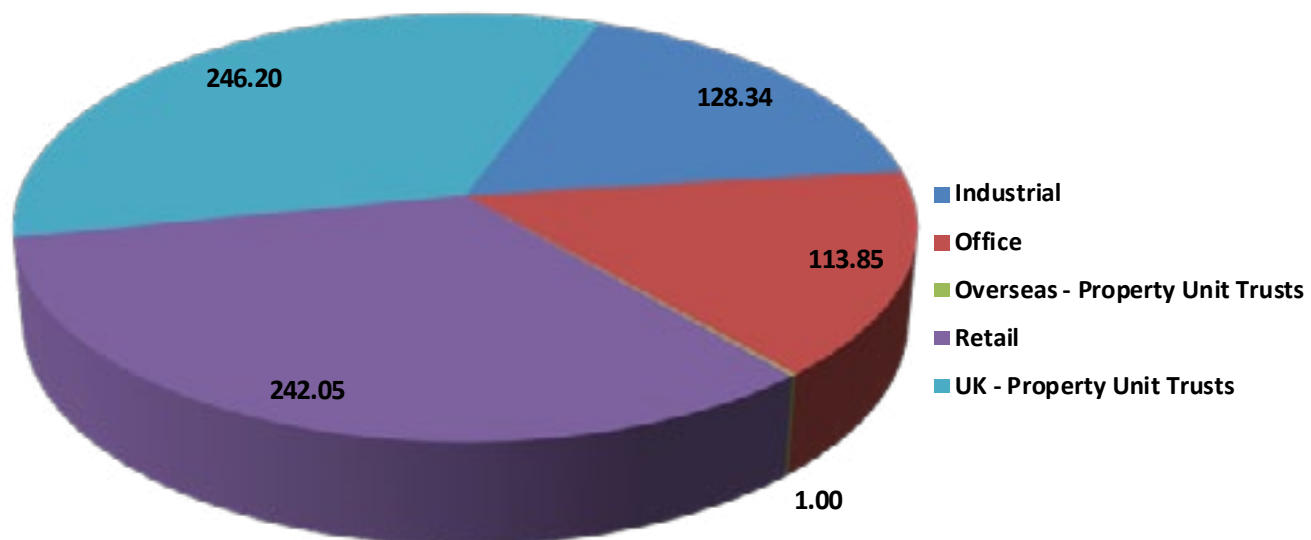
	Market Value £m	% of the Fund's Net Assets
Royal Dutch Shell	76	1.3%
British American Tobacco	45	0.8%
BP	42	0.7%
Rio Tinto	41	0.7%
Glaxo Smith Kline	40	0.7%
Amazon	40	0.7%
HSBC	39	0.7%
Barclays Banking Group	34	0.6%
Prudential	32	0.5%
Vodafone	29	0.5%
<b>Total</b>	<b>418</b>	<b>7.2%</b>

NB. Based on total assets in fund £5,829m.

## Property

The graph opposite provides details of the type of property in which the Fund invests whilst the second table provides details of the Fund's 5 largest direct properties held as at 31 March 2018.

## Property by Sector (£m)



Page 32

Property	Property Type	Market Valuation £m
Battersea Park, London SW8	Industrial	51.50
Drury House, London	Office	41.60
Lakeside Village, Doncaster	Retail	36.40
Colingdale Retail Park, London	Retail	28.80
3-5, Charing Cross Road, London WC2	Retail	28.30

### Investment performance 2017-18

The performance of the Fund's investment managers is reported on a quarterly basis to the Superannuation Fund Committee. The managers submit reports



and valuations for this purpose and managers of the larger mandates meet at least annually with the Committee and / or its officers to make presentations and to answer questions.

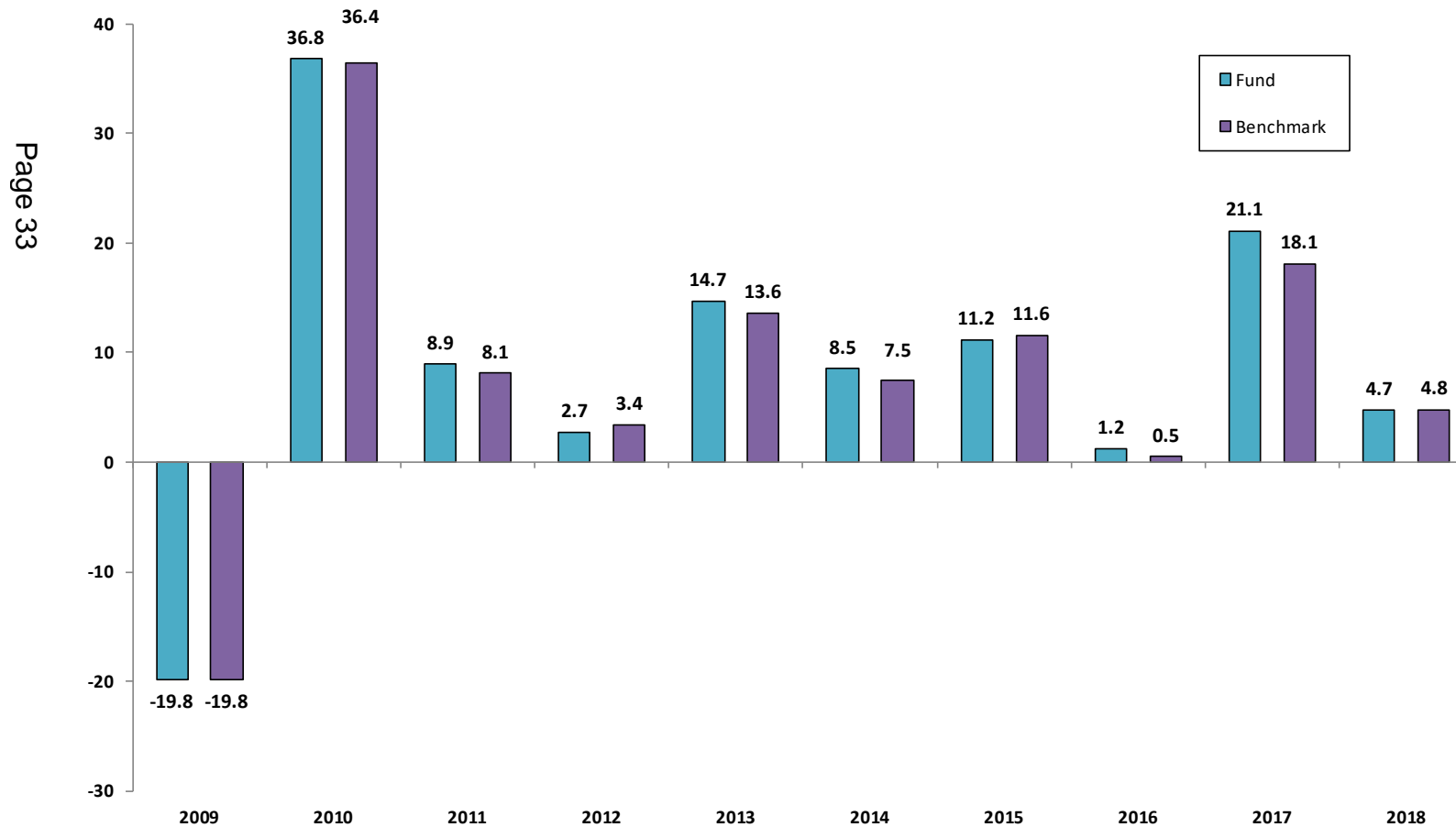
Managers are required to provide valuation information to Northern Trust which assesses the rate of return achieved and provides performance reports that are for consideration by the Committee.

### Total Fund Performance

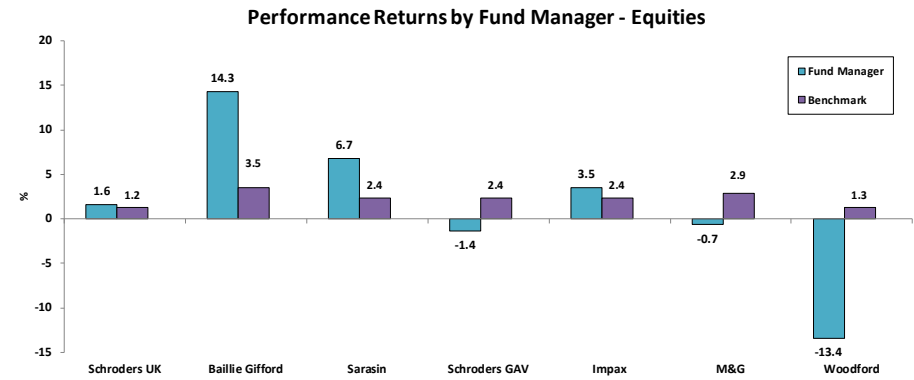
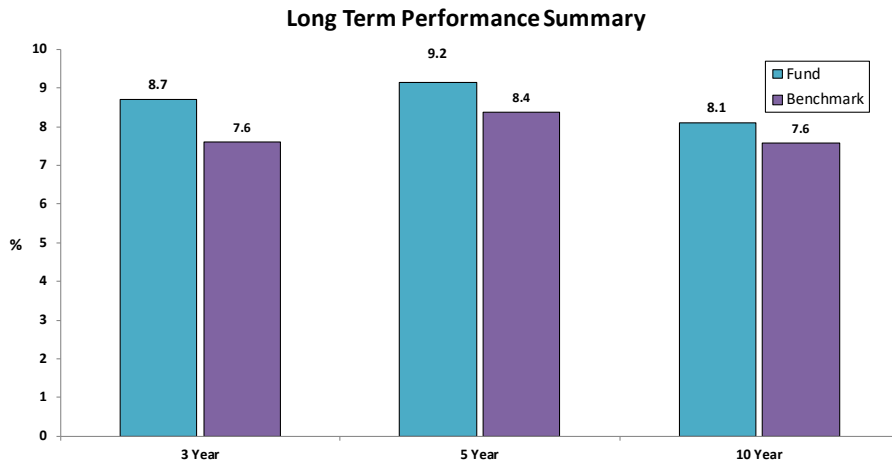
The graph below shows the relative performance of the Kent Fund investments over the last 10 years. The overall return on the Fund investments for 2017-18 was 4.7% compared to the customised Strategic benchmark of 4.8%.

For comparison the PIRC Local Authority Universe average fund return for 2017-18 was 4.5%.

### Annual Investment Returns



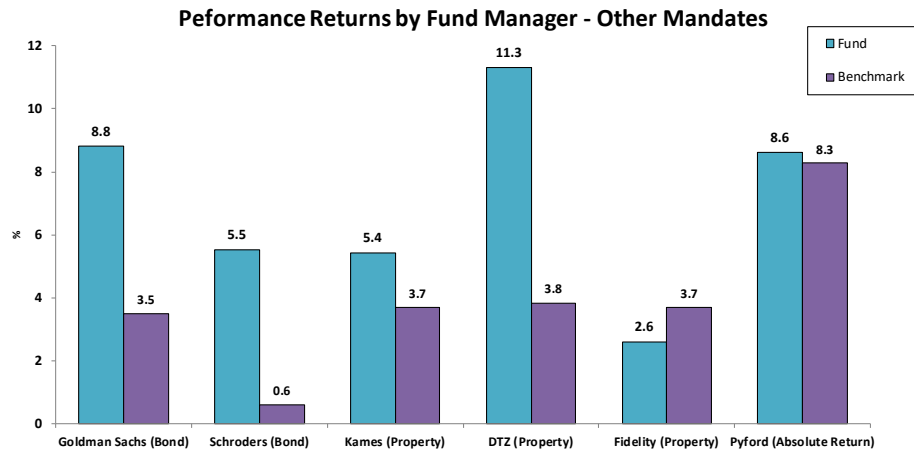
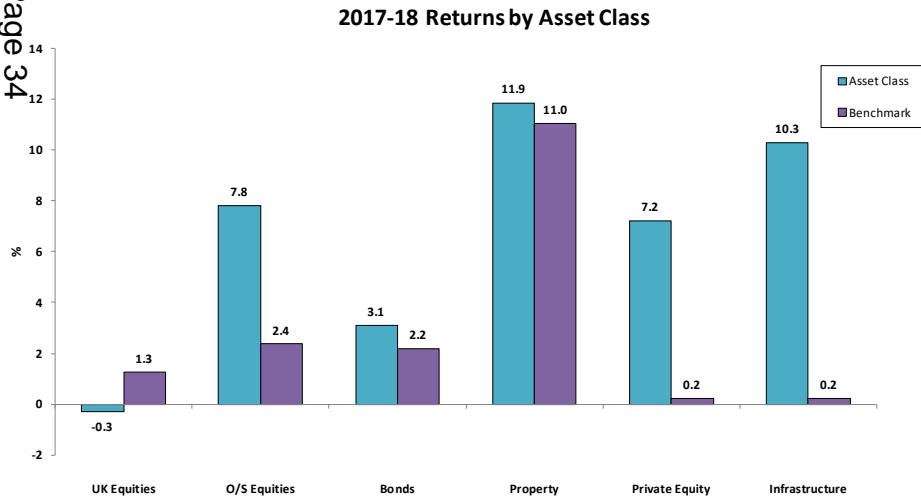
The graph below shows the long term performance of the Fund's investments compared against its Strategic benchmark.



## Returns by Asset Class

The analysis set out below shows the returns by asset class for 2017-18:

Page 34



## Performance by Fund Manager

The following graphs show the performance of the Equity and other Mandates compared to their benchmarks for the year ended 31 March 2018.

## Environmental Social and Governance Investments Policy

Details of the Fund's responsible investment policies and environmental, social and governance issues are included in the Investment Strategy Statement (ISS).

The Fund complies with the UK Stewardship Code through the outsourcing to its external investment managers responsibility for governance, engagement, and voting activity. The Superannuation Fund Committee receives quarterly monitoring reports from the managers.

### Voting by Equity Fund Managers 2017/18

	Number of Resolutions		
	For	Against	Abstain
Baillie Gifford	1,745	154	16
Schroders	987	45	0
Sarasin	514	180	47

The Fund is a member of The Pensions and Lifetime Savings Association (PLSA) and The Institutional Investors Group on Climate Change (IIGCC), and has signed up to the UN Principles for Responsible Investments (UNPRI).

## Administration management performance 2017-18

### Key service standards for Scheme members

Type of case	Target time	Number processed	Processed within target
Calculation and payment of retirement award	20 days from receipt of paperwork	2,008	98%
Calculation and payment of dependants benefit	15 days from receipt of paperwork	377	99%
Provision of estimates	20 days from receipt of paperwork	3,025	72%
Correspondence	Full reply within 15 working days	5,339	99%

### CIPFA Benchmark Survey

The Kent Pension Fund administration section participates in the annual CIPFA Benchmark survey which compares the cost of administration with 30 other local authority administering bodies across the UK. The table below is in respect of the year ending 31 March 2017, which is the most recent survey to be conducted.

	Kent £	All scheme average £
Total cost of administration per scheme member	<b>18.08</b>	<b>20.08</b>
Payroll costs per pensioner (including staff)	<b>1.52</b>	<b>1.34</b>
Staff costs per Scheme member (excluding Payroll)	<b>9.02</b>	<b>8.81</b>
Communication costs per member	<b>0.72</b>	<b>0.87</b>

The results place Kent 13th of 30 authorities (1st being the lowest) in terms of the cost of administration per member.

There are 312 employers actively participating in the Fund and the profile of members is as detailed below:

	Contributors		Pensioners		Deferred pensioners	
	31 Mar 2018	31 Mar 2017	31 Mar 2018	31 Mar 2017	31 Mar 2018	31 Mar 2017
Kent County Council	23,142	22,797	20,865	20,362	22,357	22,595
Other employers	29,633	28,037	18,948	18,286	20,019	19,757
<b>Total</b>	<b>52,775</b>	<b>50,834</b>	<b>39,813</b>	<b>38,648</b>	<b>42,376</b>	<b>42,352</b>

### Internal Dispute Procedure

The Kent Pension Fund has a formal Internal Dispute Procedure to consider a member dispute over a decision made either by a scheme employer or Kent County Council acting as the Administering Authority. An independent person is appointed by each employer to consider an appeal made by a scheme member.

#### 2017/18 Disputes considered

16

#### 2017/18 Appeals upheld

3

The following table lists contributing employers during 2017-18:

<b>Employers</b>	<b>Employer Contributions £</b>	<b>Employee Contributions £</b>
<b>Local Authorities and Other Public Bodies</b>		
Kent County Council including Schools	68,217,589	20,350,250
Ashford Borough Council	3,250,327	812,522
Canterbury City Council	3,876,403	867,336
Dartford Borough Council	2,560,716	463,723
Dover District Council	3,264,579	621,401
Gravesham Borough Council	2,949,431	744,665
Maidstone Borough Council	3,193,471	831,175
Medway Council	11,167,805	3,931,549
Sevenoaks District Council	3,124,673	701,583
Shepway District Council	2,843,876	612,281
Swale Borough Council	2,518,693	542,582
Thanet District Council	3,715,548	659,605
Tonbridge & Malling Borough Council	2,397,707	463,256
Tunbridge Wells Borough Council	2,356,383	612,064
The Chief Constable of Kent	7,320,667	3,884,606
Commercial Services Kent Limited	772,622	276,119
Gen2 Property Limited	301,778	120,227
Invicta Law Limited	435,245	188,282

**Employers****Employer  
Contributions £****Employee  
Contributions £**

Kent & Essex Sea Fisheries Committee	94,717	27,077
Kent and Medway Fire and Rescue Authority	1,120,394	635,029
Kent Magistrates Courts Committee	1,881,000	-
Medway Commercial Group Limited	85,581	44,573
The Police and Crime Commissioner for Kent	66,059	42,446
Medway (Lower) IDB	67,041	13,205
Medway (Upper) IDB	55,993	12,922
East Kent Housing Arms Length Management Organisation (ALMO)	616,223	261,543
EK Services (Thanet)	780,879	377,734
Port of Sheppey Development Corporation	190,176	97,554
Swale Stour IDB	37,287	13,799
Romney Marsh Level IDB	23,827	8,044

**Parish and Town Councils**

Ash Parish Council	1,891	545
Barham Parish Council	1,858	431
Borough Green Parish Council	14,973	3,136
Broadstairs & St Peters Town Council	9,100	-
Chestfield Parish Council	5,936	1,762
Chiddingstone Parish Council	1,722	740
Cranbrook Parish Council	13,973	3,562

**Employers****Employer  
Contributions £****Employee  
Contributions £**

Darenth Parish Council	12,125	2,213
Deal Town Council	21,389	9,470
Ditton Parish Council	22,791	7,465
Dover Town Council	52,274	17,138
Downswood Parish Council	2,635	609
Eastry Parish Council	2,081	587
Edenbridge Town Council	41,762	12,947
Eynsford Parish Council	2,586	1,534
Eythorne Parish Council	2,134	917
Gravesham Parish Council	3,709	664
Haversham Town Council	15,525	4,797
Folkestone Town Council	44,139	18,309
Great Chart with Singleton Parish Council	2,960	1,603
Great Mongeham Parish Council	706	199
Harrietsham Parish Council	5,644	2,063
Hartley Parish Council	8,214	3,370
Hawkinge Parish Council	16,451	5,006
Herne & Broomfield Parish Council	10,562	2,304
Hever Parish Council	1,736	620
Higham Parish Council	3,926	1,009
Hythe Town Council	25,187	7,120

<b>Employers</b>	<b>Employer Contributions £</b>	<b>Employee Contributions £</b>
Kings Hill Parish Council	11,139	4,600
Leigh Parish Council	2,690	798
Lydd Town Council	9,646	2,640
Margate Charter Trustees	8,533	2,677
Meopham Parish Council	6,030	1,645
Minster-on-sea Parish Council	7,842	3,762
New Romney Town Council	18,057	3,628
Oxford Parish Council	7,243	1,906
Otham Parish Council	1,176	277
Pembury Parish Council	15,585	5,629
Platt Parish Council	2,509	645
Ramsgate Charter Trustees	26,368	8,532
Sandwich Town Council	34,134	9,438
Seal Parish Council	4,044	966
Sevenoaks Town Council	164,094	12,076
Sholden Parish Council	3,552	737
Smeeth Parish Council	3,496	970
Snodland Town Council	17,243	5,180
Southborough Town Council	55,580	13,212
Stone Parish Council	42,003	11,288
Swanley Town Council	75,350	29,810



**Employers****Employer  
Contributions £****Employee  
Contributions £**

Swanscombe & Greenhithe Town Council	15,489	6,914
Swingfield Parish Council	1,720	471
Temple Ewell Parish Council	2,259	600
Tenterden Town Council	27,439	9,737
Walmer Parish Council	6,477	2,100
West Kingsdown Parish Council	3,964	1,562
Westbere Parish Council	1,288	356
Westerham Parish Council	14,986	4,418
Woodnesborough Parish Council	743	209
Wrotham Parish Council	4,000	1,079

Page 41

**Further Education Colleges**

Canterbury College	785,748	321,053
East Kent College (Thanet College)	1,175,998	485,270
Hadlow College	621,706	282,823
Hilderstone College	33,376	13,327
Mid Kent College	950,579	391,340
North Kent College	590,224	243,539
West Kent & Ashford College	550,479	219,478

**Voluntary and Charitable Entities, and Private Contractors**

Active Life Limited	212,476	68,712
---------------------	---------	--------

<b>Employers</b>	<b>Employer Contributions £</b>	<b>Employee Contributions £</b>
Agilisys Limited	142,060	62,351
Amey Community Limited	125,620	36,419
Amicus Horizon	282,175	28,666
APCOA Parking UK Limited	5,653	2,388
Ashford Leisure Trust	65,550	23,214
Avante Partnership	64,581	8,764
Biffa Municipal Limited (Mid Kent Joint Waste)	38,200	11,132
Birkin Cleaning Services Limited	5,149	1,637
Caldecott Community	99,160	35,236
Canterbury Archaeological Trust	23,375	4,675
Canterbury Christ Church University College	3,953,034	1,495,835
Capita Managed IT Solutions Limited	5,162	1,583
Cater Link Limited	8,492	2,750
Churchill Contract Services Limited	8,112	1,932
Circle 33 Housing Trust Limited (Epic Trust)	18,434	6,032
Circle 33 Housing Trust Limited (Russet Homes)	123,163	27,193
Civica UK Limited	148,719	50,274
Compass Contract Service (UK Ltd)	5,722	1,405
Enterprise (AOL) Limited	73,646	24,185
Fusion Lifestyle	26,300	9,779
Golding Homes	352,590	163,100

<b>Employers</b>	<b>Employer Contributions £</b>	<b>Employee Contributions £</b>
Gravesham Community Leisure	112,996	36,888
Hyde Housing Association	100,000	-
Invicta Telecare Limited	65,850	21,994
Kent College, Canterbury	7,757	1,683
Kent Music School	11,000	-
Kier Facilities Services Limited	32,736	9,192
Kier Limited	6,302	1,183
Medway Community Healthcare CIC	49,427	14,015
Medway Norse Limited	237,093	82,986
MHS Homes	363,256	102,252
Mitie PFI Limited	27,837	10,529
Mitie Security Limited	12,632	3,859
Mytime Active	4,169	2,037
Norwest Holst Limited	7,967	3,286
NSL Limited	27,246	10,323
Orbit South	13,681	4,260
Orchard Theatre Dartford Limited	29,030	11,452
Pathways to Independence Limited	21,176	4,611
Principal Catering Consultants Ltd	22,534	5,643
Project Salus	33,128	17,881
Rochester Bridge Trust	75,738	23,058

<b>Employers</b>	<b>Employer Contributions £</b>	<b>Employee Contributions £</b>
Rochester Care Home Ltd	1,997	626
Sevenoaks Leisure Limited	213,144	96,462
Sevenoaks School	314,383	104,569
Shaw Healthcare (FM Services)	2,077	568
Skanska Construction UK Limited	36,682	10,691
Sodexo Catering	5,577	1,920
Sopra Steria Limited	42,999	17,036
Strode Park Foundation for People with Disabilities	96,492	22,674
Tascor Services Limited	30,823	5,913
PCS (Independent) Limited	1,575	405
Thanet Leisure Force	51,102	14,842
Tonbridge & Malling Leisure Trust	269,744	120,655
Tourism South East	29,639	2,068
Town & Country Group	230,974	64,974
Veolia Limited	21,049	5,524
West Kent Housing Association	1,092,847	289,199
Westgate Community Trust	2,426	1,038
YBC Cleaning Services Limited	13,377	3,358
<b>Academy Trusts</b>		
Academies Enterprise Trust (St James the Great Academy)	32,826	9,158

**Employers****Employer  
Contributions £****Employee  
Contributions £**

ACE Learning Trust	179,028	51,249
Aletheia Anglican Academies Trust	375,420	156,723
Amherst School Trust	71,508	21,364
Barnsole Primary Trust	197,594	55,840
Barton Court Academy Trust	238,150	73,139
Borden Grammar School Trust	86,890	25,619
Bradfields Academy Trust	247,500	74,658
Brockhill Park Performing Arts College Trust	165,085	49,089
Brompton Academy Trust	117,074	38,067
Brook Learning Trust	300,928	94,912
Castle Trust (Delce Junior Academy)	101,571	31,054
Chatham & Clarendon Grammar School Trust	191,927	58,236
Chatham Grammar School for Girls Trust	33,626	10,029
Chiddingstone Church of England School Trust	31,839	9,105
Christ Church CE Junior School Ramsgate	50,413	14,268
Christ Church CEP Academy (Folkestone)	78,950	23,679
Cliffe Woods Primary School Trust	50,081	14,406
Coastal Academies Trust	524,261	158,309
Cranbrook School Trust	311,141	95,535
Cygnus Academies Trust	213,649	61,436
Dartford Grammar School Trust	204,531	61,424

**Employers****Employer  
Contributions £****Employee  
Contributions £**

Dover Christ Church Academy Trust	163,307	51,617
DYRMS - An Academy with Military Traditions Trust	355,684	114,830
Education for the 21st Century (E21C)	41,921	12,405
Endeavour MAT	242,895	73,523
Fort Pitt Thomas Aveling Academies Trust	642,436	193,101
Fulston Manor Academies Trust	354,688	101,130
Future Schools Trust	453,215	134,738
Godinton Academy Trust	69,422	19,805
Graveney Primary School Trust	23,314	6,694
Gravesend Grammar School Academies Trust	326,041	96,468
Greenacre Academy Trust	347,981	100,967
Griffin Schools Trust	155,241	44,860
Grove Park Academies Trust	114,717	32,185
Hadlow Rural Community School Limited	31,758	9,054
Hampton Primary School Academy Trust	133,848	38,431
Herne Bay High School Trust	309,977	94,039
Highsted Academy Trust	68,085	20,966
Highworth Grammar School Trust	129,827	39,122
Hillview School for Girls Academy Trust	166,452	53,218
Inspire Partnership Academy Trust	15,364	4,279
Joydens Wood Infant School Trust	57,808	16,636

<b>Employers</b>	<b>Employer Contributions £</b>	<b>Employee Contributions £</b>
Joydens Wood Junior School Trust	42,443	11,890
Jubilee Primary School Trust	33,780	9,248
Kent Catholic School's Partnership	1,641,159	494,070
Knole Academy Trust	154,072	45,954
Leigh Academies Trust	2,176,435	653,371
Luddenham School Trust	41,452	11,667
Maritime Academy Trust	70,865	20,813
Mayfield Grammar School Trust	103,615	30,021
Medway Anglican School Trust	155,774	45,722
Medway UTC (University Technology College)	34,913	10,655
Meopham Community Academies Trust	63,957	18,558
Oakwood Park Grammar School Trust	119,442	39,709
Oasis Community Learning	484,881	146,426
Orchard Academy Trust	115,502	32,292
Parallel Learning Trust	59,022	18,752
Pathway Academy Trust	144,971	46,113
Peninsula Gateway Academy Trust (Chattenden Primary School)	40,595	12,107
Potential in Everyone Academy Trust	148,830	42,031
Queen Elizabeth's Grammar School Trust (Faversham)	113,643	35,605
Rainham Mark Education Trust	351,167	102,650
REAch2 Academy Trust	354,237	101,255

**Employers****Employer  
Contributions £****Employee  
Contributions £**

Rochester Diocesan Multi-Academy Education Trust Limited (Rosherville Church of England Academy)	22,019	6,154
Sandwich Technology School Trust	180,119	52,585
Schools Company Trust	224,337	69,056
Sheldwich Primary School Trust	53,383	15,520
Sir Roger Manwood's School Trust	120,413	36,723
Spires Academy Trust	112,311	34,142
St. Eanswythe's CE Primary School	44,378	12,528
St. James' Church of England Primary Academy	41,034	11,685
St. John's Church of England Primary School Maidstone Trust	73,039	20,436
St. Laurence-in-Thanel Church of England Junior Academy	57,147	16,505
St. Marys COE Primary Academy (Folkestone)	99,216	28,513
St. Stephen's Academy Trust	115,440	40,418
Swale Academies Trust	1,183,220	348,266
Temple Grove Academy Trust	57,714	16,637
Tenterden School Trust	453,361	138,701
The Abbey School Trust	188,311	54,845
The Academy of Woodlands Trust	192,145	55,336
The Areté Trust	100,141	30,626
The Argent Trust (Danecourt School Academy)	189,094	54,266
The Brent Primary School Trust	96,593	27,491



**Employers****Employer  
Contributions £****Employee  
Contributions £**

The Canterbury Academy Trust	417,996	127,807
The Diocese of Canterbury Academies Trust	649,792	188,402
The Dover Federation for the Arts	321,299	94,962
The Folkestone Academy Trust	311,814	90,985
The Folkestone School for Girls Academy Trust	155,255	45,474
The Galaxy Trust	294,086	80,632
The Gateway Primary Academy Trust	28,778	8,003
The Harvey Academy Trust	100,642	31,887
The Howard Academy Trust	419,196	120,684
The Inspiring Change Multi-Academy Trust	50,836	15,229
The Island Learning Trust	263,231	74,353
The John Wallis Church of England Academy, Ashford Trust	290,961	87,974
The Kemnal Academies Trust	1,161,410	349,182
The Maplesden Noakes School Trust	160,016	48,127
The Marsh Academy Trust	243,186	76,606
The Norton Knatchbull School Academy Trust	128,541	41,235
The Pilgrim Multi Academy Trust	90,718	25,992
The Primary First Trust	181,756	49,885
The Rivermead Inclusive Trust	348,095	99,629
The Skinners' Kent Academy Trust	187,978	61,471
The Skinners' School Academy Trust	99,513	32,932

<b>Employers</b>	<b>Employer Contributions £</b>	<b>Employee Contributions £</b>
The Stour Academy Trust	353,215	100,235
The Tenax Schools Trust	299,492	90,430
The Thinking Schools Trust	783,082	231,690
The Village Academy Trust	287,400	80,240
The Wells Free School Trust	24,128	6,468
The Westbrook Trust	164,966	114,699
The Williamson Trust	590,556	178,533
The Woodland Academy Trust	75,811	21,385
TIMU Academy Trust	138,589	38,484
Donbridge Grammar School Trust	137,405	44,316
Bowers School Academy Trust	187,428	57,636
Trinity School and College	85,789	27,328
Turner Schools	292,531	89,253
United Learning Trust (Wye Free School)	47,999	14,294
University of Kent Academies Trust (UKAT)	208,025	66,888
Valley Invicta Academies Trust	613,678	189,171
Viking Academy Trust	162,045	45,917
Walderslade Girls' School Trust	128,445	37,980
Warden House Primary School Trust	99,416	28,337
Weald of Kent Grammar School Academy Trust	153,104	46,979
Wentworth Primary School Trust	78,374	22,289

**Employers**

	<b>Employer Contributions £</b>	<b>Employee Contributions £</b>
West Malling CEP Academy Trust	21,861	6,016
Whinless Down Academy Trust	176,618	49,727
Wilmington Primary School Academy	20,508	5,824
Woodard Academies Trust (St Augustine Academy)	144,668	44,054
Wrotham School Trust	96,407	29,425

## Introduction

The last full triennial valuation of the Kent County Council Pension Fund was carried out as at 31 March 2016 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated 31 March 2017.

## Asset value and funding level

At 31 March 2016, the smoothed value of assets was £4,556m which was 89% of the liabilities valued on an ongoing basis. This corresponded to a deficit of £547m.

## Contribution rates

The contribution rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet:

- Page 52
- The annual accrual of benefits allowing for future pay increases and increases to pensions in payment when these fall due (the primary rate)
- plus an amount to reflect each participating employer's notional share of the Fund's assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date (the secondary rate).

Each employer body participating in the Fund has to pay a contribution rate consisting of the employer's individual primary rate and a secondary rate reflecting the employer's particular circumstances and funding position within the Fund. The secondary contribution is as required under Regulation 62(7).

The primary rate of contribution at a whole Fund level was 14.9% of payroll p.a.

Details of each employer's primary and secondary contribution rates are contained in the Rates and Adjustment Certificate in the triennial

valuation report dated 31 March 2017.

## Assumptions

The assumptions used to value the liabilities at 31 March 2016 are summarised below:

Assumption	31 March 16
Discount rate	5.4% p.a.
Pension increases (CPI)	2.4% p.a.
Salary increases	In line with CPI until 31 March 2020 and 3.9% p.a. thereafter
Pension increases on GMP	Funds will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we have assumed that Funds will be required to pay the entire inflationary increases.
Mortality	The post retirement mortality assumptions adopted are as follows: <ul style="list-style-type: none"><li>• For members, the S2PA series with a multiplier of 95%, making allowance for CMI 2015 projected improvements and a long-term rate of improvement of 1.5% p.a.</li><li>• For dependants, 115% of the S2PMA tables for male dependants and 110% of the S2DFA tables for female dependants, making allowance for CMI 2015 projected improvements and a long-term rate of improvement of 1.5% p.a.</li></ul>

## Assumption

### 31 March 16

Retirement	Each member retires at a single age, weighted based on when each part of their pension is payable unreduced.
Commutation	Members will convert 50% of the maximum possible amount of pension into cash.

Further details of these assumptions can be found in the relevant actuarial valuation report.

## Updated position since the 2016 Valuation

Since 31 March 2016, investment returns have been higher than assumed at the 2016 triennial valuation. The value placed on the liabilities will, however, have also increased due to the accrual of new benefits as well as a decrease in the real discount rate underlying the valuation funding model. Overall, we expect that the funding level should be slightly higher than at 31 March 2016 although the ongoing cost is likely to have increased due to lower real discount rates.

The next actuarial valuation is due as at 31 March 2019 and the resulting contribution rates required by the employers will take effect from 1 April 2020.



**Graeme Muir FFA**  
Partner, Barnett Waddingham LLP

## Statement of responsibilities for the Statement of Accounts Kent County Council's responsibilities

The Council is required:

- to make arrangements for the proper administration of the Superannuation Fund's financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Corporate Director of Finance.
- to manage the Fund's affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the statement of accounts.

I confirm that these Accounts were approved by the Governance and Audit Committee at its meeting on 25 July 2018 on behalf of Kent County Council.

**Councillor Nick Chard**  
**Chairman of the Governance and Audit Committee**  
**25 July 2018**

## Corporate Director of Finance's Responsibilities

The Corporate Director of Finance is responsible for the preparation of the Superannuation Fund's Statement of Accounts in accordance with proper practices as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code); and is required to give a true and fair view of the financial position of the Superannuation Fund at the accounting date and its income and expenditure for the year ended 31 March 2018.

In preparing this Statement of Accounts the Corporate Director of Finance has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Code.

The Corporate Director of Finance has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I confirm that these accounts give a true and fair view of the financial position of the Superannuation Fund at the reporting date and its income and expenditure for the year ended 31 March 2018.

## Certificate of the Corporate Director of Finance

**Cath Head**  
**Interim Corporate Director of Finance /**  
**Head of Finance (Operations)**  
**25 July 2018**

## Fund Account for the year ended 31 March

	Notes	2017-18 £000's	2016-17 £000's
<b>Dealings with members, employers and others directly involved in the Fund</b>			
Contributions	7	232,037	228,285
Transfers in from other pension funds	8	11,262	10,566
		<u>243,299</u>	<u>238,851</u>
Benefits	9	-220,876	-214,895
Payments to and on account of leavers	10	-11,497	-8,054
		<u>-232,373</u>	<u>-222,949</u>
<b>Net additions from dealings with members</b>		<b>10,926</b>	<b>15,902</b>
Management expenses	11	-23,285	-22,738
<b>Net additions/withdrawals including fund management expenses</b>		<b>-12,359</b>	<b>-6,836</b>
<b>Returns on investments</b>			
Investment income	12	121,717	111,574
Taxes on income		-4,929	-4,044
Profits and losses on disposal of investments and changes in the market value of investments	15a	159,242	866,941
		<u>276,030</u>	<u>974,471</u>
<b>Net return on investments</b>		<b>276,030</b>	<b>974,471</b>
<b>Net increase in the net assets available for benefits during the year</b>		<b>263,671</b>	<b>967,635</b>

## Net assets statement as at 31 March

	Notes	2017-18 £000's	2016-17 £000's
Investment assets		5,807,787	5,554,683
Investment liabilities		<u>-16,857</u>	<u>-12,905</u>
<b>Net investment assets</b>	<b>15</b>	<b>5,790,930</b>	<b>5,541,778</b>
Current assets	24	56,409	37,755
Current liabilities	25	-18,493	-14,358
		<u>5,828,846</u>	<u>5,565,175</u>
<b>Net assets available to fund benefits at the period end</b>		<b>5,828,846</b>	<b>5,565,175</b>

## Notes to the Pension Fund Account

### 1. Description of the Fund

The Kent County Council Superannuation Fund (Kent Pension Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Kent County Council (KCC) for the purpose of providing pensions and other benefits for the pensionable employees of KCC, Medway Council, the district and borough councils in Kent and a number of other employers within the county area. The Pension Fund is a reporting entity and KCC as the Administering Authority is required to include the Fund's accounts as a note in its Report and Accounts. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The LGPS is a contributory defined benefit pension scheme.

The Scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013 (as amended)
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendments) Regulations 2014 (as amended)
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The Fund is overseen by the Kent County Council Superannuation Fund Committee (the Scheme manager). The Local Pension Board which was established in 2015 assists the Scheme manager to ensure the effective and efficient governance and administration of the Scheme.

### Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join or remain in the Scheme or to make personal arrangements outside the Scheme. Employers in the Fund include Scheduled Bodies which are Local Authorities and similar entities whose staff are automatically entitled to be members of the Scheme;

and Admitted Bodies which participate in the Fund by virtue of an admission agreement made between the Authority and the relevant body. Admitted bodies include voluntary, charitable and similar entities or private contractors undertaking a local authority function following a specific business transfer to the private sector.

There are 321 employers actively participating in the Fund and the profile of members is as detailed below:

	Contributors		Pensioners		Deferred pensioners	
	31 Mar 2018	31 Mar 2017	31 Mar 2018	31 Mar 2017	31 Mar 2018	31 Mar 2017
Kent County Council	23,142	22,797	20,865	20,362	22,357	22,595
Other employers	29,633	28,037	18,948	18,286	20,019	19,757
Total	52,775	50,834	39,813	38,648	42,376	42,352

### Funding

The 2016 valuation certified a common contribution rate of 20.9% of pensionable pay to be paid by each employer participating in the Kent Pension Fund. In addition to this, each employer has to pay an individual adjustment to reflect its own particular circumstances and funding position within the Fund. Details of each employer's contribution rate are contained in the Statement to the Rates and Adjustment Certificate in the triennial valuation report. These rates came into effect from 1 April 2017.



## Benefits

Pension benefits under the LGPS are based on the following:

	Service pre 1 April 2008	Membership from 1 April 2008 – 31 March 2014	Membership from 1 April 2014
<b>Pension</b>	1/80 x final pensionable salary	1/60 x final pensionable salary	1/49 (or 1/98 if opted for 50/50 section) x career average revalued salary
<b>Lump Sum</b>	Automatic lump sum of 3/80 x final pensionable salary.	No automatic lump sum.	No automatic lump sum.
	In addition part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

There is a range of other benefits provided under the Scheme including early retirement, ill health pensions and death benefits. For more details, please refer to the Kent Pension Fund website:

[www.kentpensionfund.co.uk](http://www.kentpensionfund.co.uk)

## 2. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2017-18 financial year and its position at 31 March 2018.

The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 which is based upon International Financial Reporting Standards, as amended for the UK public sector. The accounts are prepared on a going concern basis.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS)19 basis is disclosed at note 23 of these accounts.

## 3. Summary of significant accounting policies

### Fund account - revenue recognition

#### a) Contribution income

Normal contributions, both from the members and from the employers, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate. Employers Deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

#### b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government

Pension Scheme Regulations. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in 'transfers in'. Bulk transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

#### **c) Investment income**

Dividends, interest, and stock lending income on securities have been accounted for on an accruals basis and where appropriate from the date quoted as ex-dividend (XD). Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year. A large number of the Fund's investments are held in income accumulating funds that do not distribute income. The accumulated income on such investments is reflected in the unit market price at the end of the year and is included in the realised and unrealised gains and losses during the year. Property related income mainly comprises of rental income which is recognised when it becomes due.

#### **Fund account - expense items**

#### **d) Benefits payable**

Pensions and lump-sum benefits payable include all amounts known to be due as at the year end. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

#### **e) Taxation**

The Fund has been accepted by the HM Revenue and Customs as a registered pension scheme in accordance with paragraph 1(1) of Schedule 36 to the Finance Act 2004 and, as such, qualifies for exemption from tax on interest received and from capital gains tax on proceeds of investments sold. Tax is therefore only applicable to dividend income from equity investments. Income arising from overseas investments is subject to deduction of withholding tax unless exemption is permitted by and obtained from the country of origin. Investment income is shown net of non-recoverable tax, and any recoverable tax at the end of the year

is included in accrued investment income.

By virtue of Kent County Council being the administering authority, VAT input tax is recoverable on all Fund activities including investment and property expenses.

#### **f) Investment management, administrative, governance and oversight expenses**

All expenses are accounted for on an accruals basis. Costs relating to Kent County Council staff involved in the administration, governance and oversight of the Fund, and overheads are incurred by the County Council and recharged to the Fund at the end of the year. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

#### **Net Assets Statement**

#### **g) Financial and non financial assets**

Financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. Any purchase or sale of securities is recognised upon trade and any unsettled transactions at the year-end are recorded as amounts receivable for sales and amounts payable for purchases. From the trade date any gains or losses arising from changes in the fair value of the asset are recognised by the Fund. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 and IFRS 9. For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

The values of investments as shown in the Net Assets Statement have been determined as follows:

- Quoted investments are stated at market value based on the closing

bid price quoted on the relevant stock exchange on the final day of the accounting period.

- Fixed interest securities are recorded at net market value based on their current yields.
- Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.
- Investments in private equity funds and unquoted listed partnerships are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers. The valuation standards followed by the managers are in accordance with the industry guidelines and the constituent management agreements. Such investments may not always be valued based on year end valuation as information may not be available, and therefore will be valued based on the latest valuation provided by the managers adjusted for cash movements to the year end.

Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, the change in market value also includes income which is reinvested in the fund.

- The Freehold and Leasehold properties were valued at open market prices in accordance with the valuation standards laid down by the Royal Institution of Chartered Surveyors. The last valuation was undertaken by Colliers International, as at 31 December 2017. The valuer's opinion of market value and existing use value was primarily derived using comparable recent market transactions on arm's length terms. The results of the valuation have then been indexed in line with the Investment Property Databank Monthly Index movement to 31 March 2018.
- Debtors / receivables being short duration receivables with no stated interest rate are measured at original invoice amount.

#### **h) Derivatives**

The Fund uses derivative instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes. At the reporting date the Fund only held forward currency contracts. The future value of the forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract. Under the European Market Infrastructure Regulations the Fund's forward currency contracts are required to be covered by margin cash. These amounts are included in cash or cash equivalents held by the Fund and reflected in a corresponding margin cash liability under investment liabilities.

#### **i) Foreign currency transactions**

Assets and liabilities in foreign currency are translated into sterling at spot market exchange rates ruling at the year-end. All foreign currency transactions including income are translated into sterling at spot market exchange rates ruling at the transaction date. All realised currency exchange gains or losses are included in change in market value of assets.

#### **j) Cash and cash equivalents**

Cash comprises cash at bank and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value. Cash and cash equivalents managed by fund managers and cash equivalents managed by Kent County Council are included in investments. All other cash is included in Current Assets.

#### **k) Financial liabilities**

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the Net Assets Statement on the date the fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

#### **l) Actuarial present value of promised retirement benefits**

The actuarial present value of promised retirement benefits is assessed every three years by the scheme actuary and the methodology used is in line with accepted guidelines and in accordance with IAS 19. To assess the value of the Fund's liabilities as at 31 March 2018 the actuary has rolled forward the value of the Fund's liabilities calculated for the funding valuation as at 31 March 2016. As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 23).

#### **m) Contingent assets and liabilities and contractual commitments**

A contingent asset/liability arises where an event has taken place that gives the Fund a possible right/obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Fund. Contingent assets/liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an inflow/outflow of resources will be required or the amount of the right/obligation cannot be measured reliably. Contingent assets/liabilities are not recognised in the balance sheet but disclosed in a note to the accounts.

#### **n) Pooling expenses**

The Fund is part of ACCESS, a group of 11 LGPS Administering Authorities who, as part of a Government initiative, have agreed to pool their investments to achieve cost and scale benefits. Pooling costs included in the Fund's accounts reflect the Fund's proportion of the cost of setting up the governance arrangements of the Pool and the initial costs of establishing an Authorised Contractual Scheme (ACS) to hold the pooled assets. Currently these are initial project costs and are expected to be replaced and supplemented by ongoing governance costs once the investments are migrated into the ACS.

#### **o) Stock lending**

The Fund has a conservative programme of stock lending operated by its custodian. The programme lends directly held global equities and bonds to approved borrowers against a collateral of Government and Supranational fixed interest securities of developed countries, which is marked to market on a daily basis. Securities on loan are included at

market value in net assets on the basis that they will be returned to the Fund at the end of the loan term. Net income from securities lending received from the custodian is shown as income from investments in the Fund Account.

#### **4. Critical judgements in applying accounting policy**

The net pension fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 22.

These actuarial revaluations are used to set future contribution rates and underpin the fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

## 5. Assumptions made about future and other major sources of estimation uncertainty

Item	Uncertainties	Effect if actual results differ from assumption
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £168m. A 0.1% increase in assumed earning inflation would increase the value of liabilities by approx. £16m, and a one year increase to the life expectancy assumptions would increase the liability by approx. £339m.
Private Equity	Valuation of unquoted private equity including infrastructure investments is highly subjective and inherently based on forward looking estimates and judgements involving many factors. They are valued by the investment managers using guidelines set out in the British Venture Capital Association.	The total private equity including infrastructure investments on the financial statements are £129m. There is a risk that this investment may be under-or-over stated in the accounts. Potential change in valuation due to change in these factors is estimated in Note 20.

Page 61

Item	Uncertainties	Effect if actual results differ from assumption
Freehold and Leasehold Property and Pooled Property Funds	Valuation techniques are used to determine the fair values of directly held property and pooled property funds. Where possible these valuation techniques are based on observable data, but where this is not possible management uses the best available data. Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property.	The effect of variations in the factors supporting the valuation would be an increase or decrease in the value of directly held property of £48m on a fair value of £484m.

## 6. Events after the balance sheet date

There have been no events since 31 March 2018, up to the date when these accounts were authorised, that require any adjustment to these accounts.

## 7. Contributions receivable

	2017-18 £000's	2016-17 £000's
<b>By Category</b>		
Employers	179,165	176,603
Members	52,872	51,682
	<b>232,037</b>	<b>228,285</b>

	2017-18 £000's	2016-17 £000's
<b>By authority</b>		
Kent County Council	92,591	91,649
Scheduled Bodies	126,629	122,789
Admitted Bodies	12,817	13,847
	<b>232,037</b>	<b>228,285</b>
<b>By type</b>		
Employees	52,872	51,682
- normal contributions		
Employers	123,336	109,564
- normal contributions		
Employers	50,546	61,226
deficit recovery contributions		
Employers	5,283	5,813
augmentation contributions		
	<b>232,037</b>	<b>228,285</b>

## 8. Transfers in from other pension funds

	2017-18 £000's	2016-17 £000's
Individual	11,262	10,566
Group	0	0
	<b>11,262</b>	<b>10,566</b>

## 9. Benefits payable

	2017-18 £000's	2016-17 £000's
<b>By Category</b>		
Pensions	184,721	176,065

	2017-18 £000's	2016-17 £000's
Retirement commutation and lump sum benefits	32,003	34,194
Death benefits	4,152	4,636
	<b>220,876</b>	<b>214,895</b>

## By authority

Kent County Council	103,583	101,829
Scheduled Bodies	104,529	101,253
Admitted Bodies	12,764	11,813
	<b>220,876</b>	<b>214,895</b>

## 10. Payments to and on account of leavers

	2017-18 £000's	2016-17 £000's
Group transfers	0	0
Individual transfers	10,269	6,568
Payments for members joining state scheme	73	273
Refunds of contributions	1,155	1,213
	<b>11,497</b>	<b>8,054</b>

## 11. Management expenses

	Notes	2017-18 £000's	2016-17 £000's
Administration costs		2,667	2,752
Governance and oversight costs		369	378
Investment management expenses	14	20,140	19,485
Audit Fees		31	31
Pooling expenses		78	92
		<b>23,285</b>	<b>22,738</b>

## 12. Summary of income from Investments

	Notes	2017-18		2016-17	
		£000's	%	£000's	%
Bonds		15,235	12.5	15,694	14.1
Equities		61,986	50.9	57,164	51.2
Pooled Investments		11,878	9.7	10,351	9.3
Private Equity / Infrastructure		7,444	6.1	5,976	5.4
Property	13	17,107	14.1	13,549	12.1
Pooled Property Investments		6,273	5.2	7,480	6.7
Cash and cash equivalents		630	0.5	315	0.3
Stock Lending		1,164	1.0	1,045	0.9
<b>Total</b>		<b>121,717</b>	<b>100.0</b>	<b>111,574</b>	<b>100.0</b>

## 13. Property income and expenditure

	2017-18 £000's	2016-17 £000's
Rental income from investment properties	21,419	20,995
Direct operating expenses	-4,312	-7,446
<b>Net operating income from property</b>	<b>17,107</b>	<b>13,549</b>

## 14. Investment management expenses

	2017-18 £000's	2016-17 £000's
Investment Managers fees	18,573	18,170
Transaction costs	1,491	1,232
Custody fees	76	83
<b>Total</b>	<b>20,140</b>	<b>19,485</b>

The management fees disclosed above include all investment management fees directly incurred by the fund including those charged on pooled fund investments.

In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Pension Fund.

**15. Investments**

	<b>Market Value as at 31 March 18 £000's</b>	<b>Market Value as at 31 March 17 £000's</b>
<b>Investment Assets</b>		
Bonds	353,090	339,752
Equities	2,224,616	2,192,637
Pooled Investments	2,195,389	2,030,342
Private Equity/Infrastructure	128,895	137,717
Property	484,241	468,827
Pooled Property Investments	247,201	230,129
Derivative contracts		
Forward Currency contracts	5,593	2,905
Investment Cash and cash equivalents	148,514	121,323
Investment Income due	17,995	16,948
Amounts receivable for sales	2,253	14,103
<b>Total Investment Assets</b>	<b>5,807,787</b>	<b>5,554,683</b>
<b>Investment Liabilities</b>		
Amounts payable for purchases	-8,864	-12,905
Margin cash liability	-7,993	0
<b>Total Investment Liabilities</b>	<b>-16,857</b>	<b>-12,905</b>
<b>Net Investment Assets</b>	<b>5,790,930</b>	<b>5,541,778</b>



## 15a. Reconciliation of movements in investments and derivatives

	Market Value as at 31 Mar 17 £000's	Purchases at cost £000's	Sales proceeds £000's	Change in market value £000's	Market value as at 31 Mar 18 £000's
Bonds	339,752	96,357	-51,109	-31,910	353,090
Equities	2,192,637	462,950	-569,918	138,947	2,224,616
Pooled Investments	2,030,342	822,973	-615,671	-42,255	2,195,389
Private Equity/Infrastructure	137,717	13,891	-33,963	11,250	128,895
Property	468,827	0	-19,728	35,142	484,241
Pooled Property Investments	230,129	14,236	-16,157	18,993	247,201
	<b>5,399,404</b>	<b>1,410,407</b>	<b>-1,306,546</b>	<b>130,167</b>	<b>5,633,432</b>
Derivative contracts					
Forward Currency contracts	2,905	7,540,507	-7,567,732	29,913	5,593
	<b>5,402,309</b>	<b>8,950,914</b>	<b>-8,874,278</b>	<b>160,080</b>	<b>5,639,025</b>
Other Investment balances					
- Investment cash and cash equivalents	121,323			-838	148,514
- Amounts receivable for sales	14,103				2,253
- Amounts payable for purchases	-12,905				-8,864
- Margin cash liability	0				-7,993
- Investment Income due	16,948				17,995
<b>Net Investment Assets</b>	<b>5,541,778</b>			<b>159,242</b>	<b>5,790,930</b>

	Market Value as at 31 Mar 16 £000's	Purchases at cost £000's	Sales proceeds £000's	Change in market value £000's	Market value as at 31 Mar 17 £000's
Bonds	310,896	51,750	-75,882	52,988	339,752
Equities	1,732,669	335,891	-312,898	436,975	2,192,637
Pooled Investments	1,664,750	67,233	-67,189	365,548	2,030,342
Private Equity/Infrastructure	114,699	17,732	-12,677	17,963	137,717
Property	438,105	314	0	30,408	468,827
Pooled Property Investments	226,697	0	-269	3,701	230,129
	<b>4,487,816</b>	<b>472,920</b>	<b>-468,915</b>	<b>907,583</b>	<b>5,399,404</b>
Derivative contracts					
Forward Currency contracts	7,607	7,149,625	-7,112,846	-41,481	2,905
	<b>4,495,423</b>	<b>7,622,545</b>	<b>-7,581,761</b>	<b>866,102</b>	<b>5,402,309</b>
Other Investment balances					
- Investment Cash and cash equivalents	70,117			839	121,323
- Amounts receivable for sales	4,214				14,103
- Amounts payable for purchases	-5,300				-12,905
- Margin cash liability	0				0
- Investment Income due	12,702				16,948
<b>Net Investment Assets</b>	<b>4,577,156</b>			<b>866,941</b>	<b>5,541,778</b>

## 16. Analysis of Investments

	Market Value as at 31 Mar 18 £000's	Market Value as at 31 Mar17 £000's		Market Value as at 31 Mar 18 £000's	Market Value as at 31 Mar17 £000's
<b>Bonds</b>					
<b>UK</b>			Property	484,241	468,827
Corporate Quoted	24,213	17,301	Property Unit Trusts	247,201	230,129
<b>Overseas</b>			Private Equity Funds/Infrastructure	128,895	137,717
Public Sector Quoted	42,724	40,223		<b>860,337</b>	<b>836,673</b>
Corporate Quoted	286,153	282,228	Derivatives	5,593	2,905
	<b>353,090</b>	<b>339,752</b>	Cash and cash equivalents	148,514	121,323
<b>Equities</b>			Investment income due	17,995	16,948
<b>UK</b>			Amounts receivable for sales	2,253	14,103
Quoted	957,184	957,638		<b>174,355</b>	<b>155,279</b>
<b>Overseas</b>			<b>Total Investment Assets</b>	<b>5,807,787</b>	<b>5,554,683</b>
Quoted	1,267,432	1,234,999	<b>Investment Liabilities</b>		
	<b>2,224,616</b>	<b>2,192,637</b>	Amounts payable for purchases	-8,864	-12,905
<b>Pooled Funds</b>			Margin cash liability	-7,993	0
<b>UK</b>			<b>Total Investment Liabilities</b>	<b>-16,857</b>	<b>-12,905</b>
Fixed Income Unit Trusts	246,993	241,654			
Unit Trusts	617,014	651,716	<b>Net investment assets</b>	<b>5,790,930</b>	<b>5,541,778</b>
<b>Overseas</b>					
Unit Trusts	1,331,382	1,136,972			
	<b>2,195,389</b>	<b>2,030,342</b>			

## 16a. Analysis of Derivative Contracts

### Objectives and policy for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and the investment manager.

### Open forward currency contracts

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant portion of the Fund's fixed income portfolio managed by Goldman Sachs Asset Management is invested in overseas securities. To reduce the volatility associated with fluctuating currency rates, the investment manager fully hedges the overseas, excluding emerging markets, exposure of the portfolio. This is approximately 75% of the portfolio managed by Goldman Sachs.

Settlement	Currency bought	Local value £000's	Currency sold	Local value £000's	Asset value £000's	Liability value £000's
Up to one month	CHF	1,000	GBP	742	2	
Up to one month	USD	203,803	GBP	145,012	258	
Up to one month	USD	203,803	GBP	144,983	287	
Up to one month	EUR	17,106	GBP	14,973	26	
Up to one month	USD	508	GBP	359	3	
Up to one month	USD	392	GBP	278	1	
Up to one month	USD	777	GBP	552	2	
Up to one month	USD	2,102	GBP	1,497	1	
Up to one month	USD	2,226	GBP	1,606		-19
Up to one month	USD	1,890	GBP	1,360		-13
Up to one month	USD	958	GBP	690		-7
Up to one month	GBP	359	USD	508		-3
Up to one month	GBP	689	USD	975		-6
Up to one month	GBP	745	CHF	1,000	0	
Up to one month	GBP	1,433	USD	2,033		-16

Settlement	Currency bought	Local value £000's	Currency sold	Local value £000's	Asset value £000's	Liability value £000's
Up to one month	GBP	386	USD	539	2	
Up to one month	GBP	1,198	USD	1,674	5	
Up to one month	GBP	500	USD	696	4	
Up to one month	GBP	1,363	USD	1,886	19	
Up to one month	GBP	1,358	USD	1,886	14	
Up to one month	GBP	630	USD	875	6	
One to Six months	GBP	1,015	USD	1,398	18	
One to Six months	GBP	15,201	EUR	17,128	183	
One to Six months	GBP	146,901	USD	202,275	2,719	
One to Six months	GBP	146,859	USD	202,275	2,677	
One to Six months	GBP	144,811	USD	203,803		-287
One to Six months	GBP	144,843	USD	203,803		-255
One to Six months	GBP	743	CHF	1,000		-2
One to Six months	GBP	14,984	EUR	17,106		-26
					6,227	-634
<b>Net forward currency contracts at 31 March 2018</b>						<b>5,593</b>
Prior year comparative						
Open forward currency contracts at 31 March 2017					2,973	-68
<b>Net forward currency contracts at 31 March 2017</b>						<b>2,905</b>

## 16b. Property Holdings

	Year ending 31 March 18	Year ending 31 March 17
	£000's	£000's
<b>Opening Balance</b>	468,827	438,105
Additions	0	314
Disposals	-19,728	0
Net increase in market value	35,142	30,408
<b>Closing Balance</b>	<b>484,241</b>	<b>468,827</b>

There are no restrictions on the realisability of the property or the remittance of income or proceeds on disposal and the Fund is not under any contractual obligation to purchase, construct or develop these properties. As at 31 March 2018, the Fund had exchanged contracts for the purchase of a property at Trafford Park Manchester, which was completed on 3 April 2018 at a purchase price of £11.5m.

The future minimum lease payments receivable by the Fund are as follows:

	Year ending 31 March 18	Year ending 31 March 17
	£000's	£000's
Within one year	19,928	20,547
Between one and five years	58,943	63,622
Later than five years	65,086	88,650
	<b>143,957</b>	<b>172,819</b>

## 17. Investments analysed by Fund Manager

	Market value as at 31 March 2018		Market value as at 31 March 2017	
	£000's	%	£000's	%
Baillie Gifford	1,169,875	20.1	1,201,818	21.7
DTZ	539,450	9.3	520,265	9.4
Fidelity	121,047	2.1	109,577	2.0
Goldman Sachs	368,217	6.4	354,877	6.4
HarbourVest	67,867	1.1	65,469	1.2
Impax	44,550	0.8	42,993	0.8
Kames	52,615	0.9	60,596	1.1
M&G	338,730	5.9	330,157	6.0
Partners Group	38,173	0.7	57,191	1.0
BMO (Pyrford)	409,629	7.1	218,498	3.9
Sarasin	230,105	4.0	215,589	3.9
Schroders	1,423,802	24.6	1,408,560	25.4
State Street	0	0.0	589,586	10.6
UBS	602,911	10.4	0	0.0
YFM	22,855	0.4	15,056	0.3
Kent County Council Investment Team	86,799	1.5	34,939	0.6
Woodford	274,305	4.7	316,607	5.7
	<b>5,790,930</b>	<b>100</b>	<b>5,541,778</b>	<b>100</b>

All the external fund managers above are registered in the United Kingdom. During the year the Fund's passive equity investments with State Street were transferred to UBS as part of the ACCESS Pooling project. £200m was also transferred from Baillie Gifford to Pyrford.

## 17a. Single investments exceeding 5% of net assets available for benefits

Investments	31 March 2018	
	£000's	% (of net assets)
UBS Life UK Equity Tracker Fund	315,980	5.4
M&G Global Dividend Fund	315,095	5.4
BMO Investments Ireland (Plc) Global Total Return Fund	409,629	7

Page 71

Investments	31 March 2017	
	£000's	% (of net assets)
MPF UK Equity Index Sub-Fund	311,495	5.6
CF Woodford Equity Income Fund	316,607	5.7
M&G Global Dividend Fund	316,673	5.7
Schroder GAV Unit Trust	280,716	5

## 18. Stock lending

The Custodians undertake a conservative programme of stock lending to approved UK counterparties against non-cash collateral mainly comprising of Sovereigns and Treasury Bonds.

The amount of securities on loan at year end, analysed by asset class and a description of the collateral is set out in the table below.

Loan type	31 March 2018		Collateral type
	Market value £000's	Collateral value £000's	
Equities	214,815	226,963	Treasury Notes and other Government debt
Bonds	18,042	19,062	Treasury Notes and other Government debt
	<b>232,857</b>	<b>246,025</b>	

Loan type	31 March 2017		Collateral type
	Market value £000's	Collateral value £000's	
Equities	156,014	165,118	Treasury Notes and other Government debt
Bonds	12,460	13,187	Treasury Notes and other Government debt
	<b>168,474</b>	<b>178,305</b>	

## 19. Financial Instruments

### 19a. Classification of Financial Instruments

The following table analyses the carrying amounts of financial assets and liabilities by category and Net Assets Statement heading.

	31 March 2018			31 March 2017		
	Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
	£000's	£000's	£000's	£000's	£000's	£000's
<b>Financial Assets</b>						
Bonds	353,090			339,752		
Equities	2,224,616			2,192,637		
Pooled Investments	2,195,389			2,030,342		
Property Pooled Investments	247,201			230,129		
Private Equity/Infrastructure	128,895			137,717		
Derivative contracts	5,593			2,905		
Cash & Cash equivalents		176,232			132,102	
Other Investment Balances		20,248			31,051	
Debtors/ Receivables		28,692			26,975	
	<b>5,154,784</b>	<b>225,172</b>	<b>0</b>	<b>4,933,482</b>	<b>190,128</b>	<b>0</b>
<b>Financial Liabilities</b>						
Other Investment balances			-16,857			-12,905
Creditors			-18,493			-14,358
	<b>0</b>	<b>0</b>	<b>-35,350</b>	<b>0</b>	<b>0</b>	<b>-27,263</b>
<b>Total</b>	<b>5,154,784</b>	<b>225,172</b>	<b>-35,350</b>	<b>4,933,482</b>	<b>190,128</b>	<b>-27,263</b>



**19b. Net Gains and Losses on Financial Instruments**

	31 March 18	31 March 17
	£000's	£000's
<b>Financial assets</b>		
Fair value through profit and loss	124,938	835,694
Loans and Receivables	(838)	839
<b>Total</b>	<b>124,100</b>	<b>836,533</b>

**20. Valuation of assets and liabilities carried at Fair Value**

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuation provided
Quoted Equities	1	Bid Market price on last day of accounting period	Not required	Not required
Quoted Bonds	1	Market value on last day of accounting period	Not required	Not required
Quoted Pooled Investments	1	Net Asset Value/Bid prices on last day of accounting period	Net Asset Values	Not required
Unquoted Pooled Investments	2	Net Asset Value/Bid prices on last day of accounting period	Net Asset Values	Not required
Private Equity and Infrastructure Funds	3	Fair values as per International Private equity and venture capital guidelines (2012)	Valuation of underlying investment/ assets/ companies/EBITDA multiples	Estimation techniques used in valuations, changes in market conditions, industry specific conditions
Property	2	Independent valuation by Colliers using RICS valuation standards	Market values of similar properties, existing lease terms estimated rental growth, estimated vacancies	Not required
Forward exchange contracts	2	Market forward exchange rates on the last day of accounting period	Exchange rate risk	Not required

### Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation methods described above, are likely to be accurate to within the following ranges, and has set out overleaf the consequent potential impact on the closing value of investments held at 31 March 2018.

	Assessed valuation range (+/-)	Value as at 31 March 2018 £000's	Value on increase £000's	Value on decrease £000's
Private Equity	20%	90,722	108,866	75,602
Infrastructure	20%	38,173	45,808	31,811
Private Equity	20%	80,526	96,630	64,420
Infrastructure	20%	57,191	68,629	47,659

### 20a. Fair Value Hierarchy

#### Level 1

Assets and Liabilities at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Investments include quoted equities, quoted fixed interest securities, quoted index linked securities and quoted unit trusts.

#### Level 2

Assets and Liabilities at Level 2 are those where quoted market prices are not available or where valuation techniques are used to determine fair value. These techniques use inputs that are based significantly on observable market data. Investments include Derivatives, Direct Property Investments and Property Unit Trusts.

#### Level 3

Assets and Liabilities at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data and are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. They include private equity and infrastructure investments the values of which are based on valuations provided by the General Partners to the funds in which the Pension Fund has invested. Assurances over the valuation are gained from the independent audit of the accounts.

These valuations are prepared by the fund managers in accordance with generally accepted accounting principles and the requirements of the law where these companies are incorporated. Valuations are usually undertaken periodically by the fund managers, who provide a detailed breakdown of the valuations

of underlying assets as well as a reconciliation of movements in fair values. Cash flow adjustments are used to roll forward the valuations where the latest valuation information is not available at the time of reporting.

The table overleaf provides an analysis of the assets and liabilities of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

#### Values at 31 March 2018

	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1 £000's	Level 2 £000's	Level 3 £000's	£000's
<b>Assets</b>				
Financial assets at fair value through profit and loss	4,773,095	252,794	128,895	5,154,784
Non-Financial assets at fair value through profit and loss	0	484,241	0	484,241
Financial liabilities at fair value through profit and loss	0	0	0	0
<b>Net Investment Assets</b>	<b>4,773,095</b>	<b>737,035</b>	<b>128,895</b>	<b>5,639,025</b>

#### Values at 31 March 2017

	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1 £000's	Level 2 £000's	Level 3 £000's	£000's
<b>Assets</b>				
Financial assets at fair value through profit and loss	4,562,731	233,034	137,717	4,933,482
Non- Financial assets at fair value through profit and loss	0	468,827	0	468,827
Financial liabilities at fair value through profit and loss	0	0	0	0
<b>Net Investment Assets</b>	<b>4,562,731</b>	<b>701,861</b>	<b>137,717</b>	<b>5,402,309</b>

**Reconciliation of fair value measurements within level 3**

	<b>Total £000's</b>
Market Value 1 April 2017	137,717
Transfers into level 3	0
Transfers out of level 3	0
Purchases during the year	13,891
Sales during the year	-33,963
Unrealised gains / losses	4,407
Realised gains/losses	6,843
Market Value 31 March 2018	<b>128,895</b>

**21. Nature and extent of risks arising from financial instruments****Risk and risk management**

The Fund's primary long-term risk is that the value of its assets will fall short that of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Council manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Superannuation Fund Committee. Risk management policies are established to identify and analyse the risks faced by the Council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

**a) Market risk**

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk. In general, excessive volatility in market risk is managed through diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risks, the Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

**Other price risk**

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market. The Fund is exposed to security and derivative price risks. This arises from investments held by the Fund for which the future price is uncertain. All security investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The possible loss from shares sold short is unlimited. The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments and their activity is monitored by the Council to ensure it is within limits specified in the Fund Investment Strategy.

**Other price risk - sensitivity analysis**

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisors, the Council has determined that the following movements in market price risk are reasonably possible for the 2018-19 reporting period.

Asset type	Potential market movements (+/-)
UK Equities	4.96%
Overseas Equities	13.60%
Global Pooled Equities inc UK	9.71%
Bonds	2.88%
Property	11.03%
Infrastructure	19.91%
Private Equity	18.71%

The potential price changes disclosed above are based on predicted volatilities calculated based on our experience of market returns of our investments over a period of 3 years. The analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same. Had the market price of the Fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits would have been as follows (the prior year comparator is shown below):

Asset type	Value as at 31 Mar 18 £000's	Percentage change %	Value on increase £000's	Value on decrease £000's
<b>Cash and cash equivalents</b>	176,232	0.00	176,232	176,232
<b>Investment portfolio assets:</b>				
UK Equities	957,184	4.96	1,004,660	911,951
Overseas Equities	1,267,432	13.60	1,439,803	1,115,697
Global Pooled Equities inc UK	1,948,396	9.71	2,137,585	1,775,951
Bonds incl Bond Funds	600,083	2.88	617,365	583,284
Property Pooled Funds	247,201	11.03	274,467	222,643
Private Equity	90,722	18.71	107,696	76,423

Asset type	Value as at 31 Mar 18 £000's	Percentage change %	Value on increase £000's	Value on decrease £000's
Infrastructure Funds	38,173	19.91	45,773	31,835
Net derivative assets	5,593	0.00	5,593	5,593
Investment income due	17,995	0.00	17,995	17,995
Amounts receivable for sales	2,253	0.00	2,253	2,253
Amounts payable for purchases	-8,864	0.00	-8,864	-8,864
Margin Cash Liability	-7,993	0.00	-7,993	-7,993
<b>Total</b>	<b>5,334,407</b>		<b>5,812,565</b>	<b>4,903,000</b>

Asset type	Value as at 31 Mar 17 £000's	Percentage change %	Value on increase £000's	Value on decrease £000's
<b>Cash and cash equivalents</b>	132,102	0.00	132,102	132,102
<b>Investment portfolio assets:</b>				
UK Equities	957,638	4.96	1,005,137	912,384
Overseas Equities	1,234,999	13.60	1,402,959	1,087,147
Global Pooled Equities inc UK	1,788,688	9.71	1,962,370	1,630,378
Bonds incl Bond Funds	581,407	2.88	598,152	565,131
Property Pooled Funds	230,129	11.03	255,512	207,267
Private Equity	80,525	18.71	95,591	67,833

Asset type	Value as at 31 Mar 17 £000's	Percentage change %	Value on increase £000's	Value on decrease £000's
Infrastructure Funds	57,191	19.91	68,578	47,695
Net derivative assets	2,905	0.00	2,905	2,905
Investment income due	16,948	0.00	16,948	16,948
Amounts receivable for sales	14,103	0.00	14,103	14,103
Amounts payable for purchases	-12,905	0.00	-12,905	-12,905
Margin Cash Liability	0.00	0.00	0.00	0.00
<b>Total</b>	<b>5,083,730</b>		<b>5,541,452</b>	<b>4,670,988</b>

Asset type	31 March 18 £000's	31 March 17 £000's
Cash and cash equivalents	149,724	121,323
Cash Balances	26,508	10,779
Bonds		
- Directly held securities	353,090	339,752
- Pooled Funds	246,992	241,654
<b>Total</b>	<b>776,314</b>	<b>713,508</b>

#### Interest rate risk - sensitivity analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A one percent movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy. The Fund's investment advisor has advised that long-term average rates are expected to move less than one percent from one year to the next and experience suggests that such movements are likely. The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- one percent change in interest rates:

#### Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest rate risk is routinely monitored by the Council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks. The Fund's direct exposures to interest rate movements as at 31 March 2018 and 31 March 2017 are set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset type	Carrying amount as at 31 Mar 18	Change in the net assets available to pay benefits	
		+1%	-1%
	£000's	£000's	£000's
Cash and cash equivalents	149,724	1,497	-1,497
Cash Balances	26,508	265	-265
Bonds			
- Directly held securities	353,090	-3,351	3,351
- Pooled Funds	246,992	-2,470	2,470
<b>Total change in assets available</b>	<b>776,314</b>	<b>-4,059</b>	<b>4,059</b>

Asset type	Carrying amount as at 31 Mar 17	Change in the net assets available to pay benefits	
		+1%	-1%
	£000's	£000's	£000's
Cash and cash equivalents	121,323	1,213	-1,213
Cash Balances	10,779	108	-108
Bonds			
- Directly held securities	339,752	-3,398	3,398
- Pooled Funds	241,654	-2,417	2,417
<b>Total change in assets available</b>	<b>713,508</b>	<b>-4,494</b>	<b>4,494</b>

Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits. The analysis demonstrates that a 100 bps increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value and vice versa. Changes in interest rates do not impact on

the value of cash/cash equivalent balances but they will affect interest income received on those balances.

### Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Through their investment managers, the Fund holds both monetary and non-monetary assets denominated in currencies other than GBP, the functional currency of the Fund. Most of these assets are not hedged for currency risk. The Fund is exposed to currency risk on these financial instruments. However, a large part (£286m) of the assets managed by Goldman Sachs Asset Management held in non GBP currencies is hedged for currency risk through forward currency contracts. The Fund's currency rate risk is routinely monitored by the Council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the range of exposure to current fluctuations. The following table summarises the Fund's currency exposure excluding the hedged investments as at 31 March 2018 and 2017:

Currency exposure - asset type	Asset value as at 31 March 18	Asset value as at 31 March 17
	£000's	£000's
Overseas Equities	1,267,432	1,234,999
Overseas Pooled Funds	1,331,382	1,136,971
Overseas Bonds	42,724	40,223
Overseas Private Equity, Infrastructure and Property funds	107,041	125,388
Non GBP Cash	38,240	14,125
<b>Total overseas assets</b>	<b>2,786,819</b>	<b>2,551,706</b>

### Currency risk - sensitivity analysis

Following analysis of historical data and expected currency movement during the financial year, in consultation with the fund's investment

advisors, the Council has determined that the following movements in the values of financial assets denominated in foreign currency are reasonably possible for the 2018-19 reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant. A relevant strengthening/weakening of the pound against various currencies in which the Fund holds investments would increase /decrease the net assets available to pay benefits as follows:

Currency exposure - asset type	Asset value as at 31 March 18	Change to net assets available to pay benefits	Change to net assets available to pay benefits
	£000's	+9.0% £000's	-9.0% £000's
Overseas Equities	1,267,432	1,381,501	1,162,782
Overseas Pooled Funds	1,331,382	1,451,206	1,221,451
Overseas Bonds	42,724	46,569	39,196
Overseas Private Equity, Infrastructure and Property funds	107,041	116,675	98,203
Non GBP Cash	38,240	41,682	35,083
<b>Total change in assets available</b>	<b>2,786,819</b>	<b>3,037,633</b>	<b>2,556,715</b>

Currency exposure - asset type	Asset value as at 31 March 17	Change to net assets available to pay benefits	Change to net assets available to pay benefits
	£000's	+9.0% £000's	-9.0% £000's
Overseas Equities	1,234,999	1,346,149	1,133,026
Overseas Pooled Funds	1,136,971	1,239,298	1,043,093
Overseas Bonds	40,223	43,843	36,902
Overseas Private Equity, Infrastructure and Property funds	125,388	136,673	115,035
Non GBP Cash	14,125	15,396	12,959
<b>Total change in assets available</b>	<b>2,551,706</b>	<b>2,781,359</b>	<b>2,341,015</b>

## b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.



In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment of a receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties. Derivative contracts are also covered by margins which provide collateral against risk of default by the counterparties.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Council has also set limits as to the maximum amount that may be placed with any one financial institution. The Fund's cash was held with the following institutions:

	Rating	Balance as at 31 March 18 £000's	Balance as at 31 March 17 £000's
<b>Money Market Funds</b>			
Northern Trust Sterling Fund	<b>AAAm</b>	40,386	75,918
FSSGA Liquidity Fund	<b>AAAm</b>	6,497	28
Blackrock USD Government Liquidity Fund	<b>AAAm</b>	6,519	3,302
Aberdeen Sterling Liquidity Fund	<b>AAAm</b>	39	6,870
Goldman Sachs Liquid Reserve Government Fund	<b>AAAm</b>	15,085	8,187
Aviva Investors Sterling Liquidity Fund	<b>AAAm</b>	8,184	6,931
Deutsche Managed Sterling Fund	<b>AAAm</b>	8,210	33
HSBC Global Liquidity Fund	<b>AAAm</b>	85	4,943
LGIM Liquidity Fund	<b>AAAm</b>	7,447	9,795
Insight Sterling Liquidity Fund	<b>AAAm</b>	7,414	95
		<b>99,866</b>	<b>116,102</b>
<b>Cash Plus Funds</b>			
Royal London Cash Plus Fund	<b>AAAf</b>	14,996	0
Payden Sterling Reserve Fund	<b>AAAf</b>	14,941	0

	Rating	Balance as at 31 March 18 £000's	Balance as at 31 March 17 £000's
Aberdeen Ultra Short Duration Sterling Fund	AAAf	10,017	0
		<b>39,954</b>	<b>0</b>
<b>Bank Deposit Accounts</b>			
HSBC BIBCA	AA-	2,435	2,435
NatWest SIBA	BBB+	12	508
		<b>2,447</b>	<b>2,943</b>
<b>Bank current accounts</b>			
Natwest Current Account	BBB+	91	87
NatWest Current Account - Euro	BBB+	26,416	8,893
NatWest Current Account - USD	BBB+	1	1,800
Northern Trust - Current Accounts	AA-	5,695	178
Barclays - DTZ client monies account	A	1,762	2,099
		<b>33,965</b>	<b>13,057</b>
<b>Total</b>		<b>176,232</b>	<b>132,102</b>

### c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Fund has adequate cash resources to meet its commitments. The Council has immediate access to the Fund's money market fund and current account holdings.

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund investment strategy.

All financial liabilities at 31 March 2018 are due within one year.

### Refinancing risk

The key risk is that the Council will be bound to replenish a significant proportion of its Pension Fund financial instruments at a time of unfavourable interest rates. The Council does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

## 22. Funding arrangements

In line with Local Government Pension Scheme (Administration) Regulations 2013 (as amended), the Fund is required to obtain an actuary's funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2016.

The key elements of the funding policy are:

- To ensure the long-term solvency of the Fund and ensure that sufficient funds are available to meet all the benefits as they fall due for payment
- To ensure employer contribution rates are as stable as possible
- To minimise the long term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- To reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so.

At the 2016 valuation a maximum deficit recovery period of 17 years (2013 - 20 years) is used for all employers. Shorter recovery periods have been used where affordable. This will provide a buffer for future adverse experience and reduce the interest cost paid by employers. For Transferee Admission Bodies the deficit recovery period is set equal to the future working life of current employees or the remaining contract period, whichever is the shorter.

At the 2016 triennial valuation, the smoothed value of the Fund's assets at the valuation date was £4,556m and the liabilities were £5,103m. The assets therefore, represented 89% (2013 - 83%) of the Fund's accrued liabilities, allowing for future pay increases.

The contribution rate for the average employer, including payments to target full funding has increased from 20% to 20.9% of pensionable salaries in 2017-18 and to 21% in 2018-19 and 2019-20. The funding level as a percentage has increased (due to good investment returns and employer contributions) although this has been partly offset by the changes in the financial assumptions used to calculate the liabilities.

The actuarial valuation has been undertaken on the projected unit method. At individual employer level the projected unit funding method has been used where there is an expectation that new employees will be admitted to the Fund. The attained age method has been used for employers who do not allow new entrants. These methods assess the costs of benefits accruing to existing members during the remaining working lifetime, allowing for future salary increases. The resulting contribution rate is adjusted to allow for any differences in the value of accrued liabilities and the market value of assets.

## The 2016 actuarial assumptions were as follows:

### Valuation of Assets:

assets have been valued  
at a 6 month smoothed  
market rate

Rate of return on investments (discount rate)		5.4% p.a.
Rate of general pay increases:	Long term	3.9% p.a.
	Short term	CPI for period 31 March 2016 to 31 March 2020
Rate of increases to pensions payment (in excess of guaranteed minimum pension):		2.4% p.a.

### 23. Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation, every year the fund's actuary undertakes a valuation of the Fund's liabilities on an IAS 19 basis, using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year.

### Actuarial present value of promised retirement benefits

	31 March 18 £000's	31 March 17 £000's
Present value of promised retirement benefits	(9,029.1)	(9,062.3)
Fair value of scheme assets at bid value	5,828.8	5,565.2
Net liability	(3,200.3)	(3,497.1)

The Fund accounts do not take account of liabilities to pay pensions and other benefits in the future. Based on the latest valuation, the fair value of net assets of the Fund represents 64.6% of the actuarial valuation of the promised retirement benefits. Future liabilities will be funded from future contributions from employers.

The liability above being calculated on an IAS 19 basis and differs from the results of the 2016 triennial funding valuation because IAS 19 stipulates a discount rate rather than a rate which reflects a market rate.

### Assumptions used:

	% p.a.
Salary increase rate	3.8%
Inflation/Pensions increase rate	2.3%
Discount rate	2.6%

## 24. Current Assets

	31 March 2018	31 March 2017
	£000's	£000's
<b>Debtors</b>		
- Contributions due - Employees	4,040	3,816
- Contributions due - Employers	12,592	11,974
- Sundry debtors	12,060	9,982
Total External Debtors	28,692	25,772
Amounts due from Kent County Council	0	1,203
Cash	27,717	10,780
	<b>56,409</b>	<b>37,755</b>
<b>Analysis of External Debtors</b>		
Other Local Authorities	24,911	22,437
Other Entities and individuals	3,781	3,335
	<b>28,692</b>	<b>25,772</b>

## 25. Current Liabilities

	31 March 2018	31 March 2017
	£000's	£000's
<b>Creditors</b>		
- Benefits Payable	11,320	7,018
- Sundry Creditors	4,079	3,406
Total External Creditors	15,399	10,424
Owing to Kent County Council	3,094	3,934
<b>Total</b>	<b>18,493</b>	<b>14,358</b>
<b>Analysis of External Creditors</b>		
Other Local Authorities	10,934	5,790
Other Entities and individuals	4,465	4,634
<b>Total</b>	<b>15,399</b>	<b>10,424</b>

## 26. Additional Voluntary Contributions

Scheme members have the option to make additional voluntary contributions to enhance their pension benefits. In accordance with regulation 4(2)(b) of the LGPS (Management and Investment of Funds) Regulations 2009, these AVC contributions are not included within the Pension Fund Accounts. These contributions are paid to the AVC provider directly by the employer and are invested separately from the Pension Fund, with either Equitable Life Assurance Company, Prudential Assurance Company or Standard Life Assurance Company. These amounts are included within the disclosure note figures below.

	Prudential		Standard Life		Equitable Life	
	2017-18 £000's	2016-17 £000's	2017-18 £000's	2016-17 £000's	2017-18 £000's	2016-17 £000's
Value at 1 April	7,591	6,371	2,373	2,049	614	628
Value at 31 March	8,480	7,591	2,087	2,373	534	614
Contributions paid	1641	1,438	124	166	1	6

## 27. Related party transactions

The Kent Pension Fund is required to disclose material transactions with related parties, not disclosed elsewhere, in a note to the financial statements. During the year each member of the Kent County Council Superannuation Fund Committee is required to declare their interests at each meeting. None of the members of the Committee or senior officers undertook any material transactions with the Kent Pension Fund.

	2017-18 £000's	2016-17 £000's
Kent County Council is the largest single employer of members of the Pension Fund and during the year contributed:	71,592	70,822
A list of all contributing employers and amount of contributions received is included in the Fund's annual report available on the pension fund website		
Charges from Kent County Council to the Kent Pension Fund in respect of pension administration, governance arrangements, investment monitoring, legal and other services	3,022	2,940
Year end balance due to Kent County Council arising out of transactions between Kent County Council and the Pension Fund	-3,094	-2,731

## Key management personnel

The employees of Kent County Council who held key positions in the financial management of the Kent Pension Fund during 2017-18 was the Corporate Director of Finance.

Total remuneration payable to key management personnel is set out below:

	31 March 18 £000's	31 March 17 £000's
Salary	141	139
Allowances	8	
Other	5	6
Employer's pension contributions	32	30
<b>Total</b>	<b>186</b>	<b>175</b>

## 28. Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) as at 31 March 2018 totalled £89.3m (31 March 2017: £102.3m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over the life of each fund. The amount includes a commitment on the purchase of a property which was settled in April 2018.

## 29. Contingent Assets

37 admitted body employers in the Kent Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Fund and payment will only be triggered in the event of employer default.

# Independent auditor's report to the members of Kent County Council on the consistency of the pension fund financial statements included in the Pension Fund Annual Report

## Opinion

The pension fund financial statements of Kent County Council (the "Authority") for the year ended 31 March 2018 which comprise the Fund Account, the Net assets statement and the notes to the financial statements, including a summary of significant accounting policies, of the Kent Pension Fund are derived from the audited pension fund financial statements for the year ended 31 March 2018 included in the Authority's Statement of Accounts (the "Statement of Accounts").

In our opinion, the accompanying pension fund financial statements are consistent, in all material respects, with the audited financial statements in accordance with proper practices as defined in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18 and applicable law.

## Pension Fund Annual Report - Pension fund financial statements

The Pension Fund Annual Report and the pension fund financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the Statement of Accounts. Reading the pension fund financial statements and the auditor's report thereon is not a substitute for reading the audited Statement of Accounts and the auditor's report thereon.

## Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our work has been undertaken so that we might state to the members of the Authority those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or

assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

## The audited financial statements and our Report thereon

We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated 25 July 2018.

## Interim Corporate Director of Finance and Head of Finance Operations' responsibilities for the pension fund financial statements in the Pension Fund Annual Report

Under the Local Government Pension Scheme Regulations 2013 the Chief Financial Officer of the Authority is responsible for the preparation of the pension fund financial statements, which must include the Fund Account, the Net Asset Statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension fund financial statements in both the Statement of Accounts and the Pension Fund Annual Report are set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

## Auditor's responsibility

Our responsibility is to express an opinion on whether the pension fund financial statements in the Pension Fund Annual Report are consistent, in all material respects, with the audited pension fund financial statements in the Statement of Accounts based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), Engagements to Report on Summary Financial Statements.

## Paul Dossett

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton UK LLP  
30 Finsbury Square  
London, EC2P 2YU

26 July 2018



# Audit Findings Report

*Year ending 31 March 2018*

---

**Kent Superannuation Fund**

25 July 2018

Page 89



# Contents



## Your key Grant Thornton team members are:

Page 90

Paul Dossett

Engagement Lead

T: 020 7728 3180

E: paul.dossett@uk.gt.com

Matt Dean

Engagement Manager

T: 020 7728 3181

E: matthew.dean@uk.gt.com

Onyi Aguma

In-Charge Accountant

E: onyi.o.aguma@uk.gt.com

## Section

1. Headlines
2. Financial statements
3. Independence and ethics

## Page

- 3  
4  
12

## Appendices

- A. Audit adjustments
- B. Fees
- C. Audit Opinion

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

---

# Headlines

## Introduction

This table summarises the key issues arising from the statutory audit of Kent Superannuation Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2018 for those charged with governance.

---

<b>Financial Statements</b>	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion: <ul style="list-style-type: none"><li>the Pension Fund's financial statements give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year, and have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting;</li></ul>	Our audit work was completed on site during June 2018. Our findings are summarised on pages 4 to 11. We have identified no adjustments affecting the Fund's reported net assets position in the draft financial statements. However we identified several presentation and disclosure adjustments, which are detailed in Appendix A.  Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Governance and Audit Committee meeting on 25 July 2018, as detailed in Appendix C. These outstanding items include: <ul style="list-style-type: none"><li>completion of our internal reviews</li><li>completion of our work on the Fund's Annual Report;</li><li>receipt of the management representation letter; and</li><li>review of the final set of financial statements.</li></ul>
-----------------------------	---	--

Page 91

---

## Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

# Summary

## Overview of the scope of our audit

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

## Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls;
- Controls testing of the Contributions, Benefits Payable and Member Data systems; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

## Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Governance and Audit Committee meeting on 25 July 2018, as detailed in Appendix C. These outstanding items include:

- completion of our internal reviews
- completion of our work on the Fund's Annual Report;
- receipt of management representation letter; and
- review of the final set of financial statements.

## Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Our assessment of the value of all levels of materiality has been adjusted to reflect the change in the Fund's Net Asset Value during the course of the year. We detail in the table below our assessment of materiality for Kent Superannuation Fund.

	Amount (£) – Planning Stage	Amount (£) – Final Accounts Stage	Qualitative factors considered
<b>Materiality for the financial statements</b>	£50.087m	£52.460m	As mentioned above, the value of our overall Materiality threshold increased from the planning stage to the final Accounts stage due to the increase in the Fund's Net Assets during the course of the year.
<b>Performance materiality</b>	£37.565m	£39.345m	Performance Materiality is based on a percentage of the overall materiality, hence an increase in this value has increased Performance Materiality in line with this.
<b>Trivial matters</b>	£2.504m	£2.623m	As above, Triviality is based on a percentage of the overall materiality, hence an increase in this value has increased Triviality in line with this.
<b>Materiality for specific transactions, balances or disclosures</b>	n/a	n/a	As at the Planning Stage, no specific materialities have been set for the purposes of our work in 2017-18.

# Going concern

## Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

## Going concern commentary

### Management's assessment process

### Auditor commentary

- Management's Assessment of the Going Concern of the Pension Fund is largely supported by the Triennial Valuations provided by the Fund's independent Actuary, Barnett Waddingham. The most recent Triennial Valuation took place as at the 31 March 2016, and has provided Contribution Rates for the period to 31 March 2020.
- Also the Fund monitors future demands in respect of its Cash balances, such as to pay a large bulk transfer. However the Fund can easily liquidate resource from its Investments to ensure it is able to make these payments as they fall due.

### Work performed

Detail audit work performed on management's assessment

### Auditor commentary

- As mentioned above, the main support to the Fund's assessment that it remains a Going Concern is the assurance provided by the Fund's independent Actuary, Barnett Waddingham. On a triennial basis they are required to value to net asset/liability position of the Fund. On the back of this, they will then set a contribution rate that will enable the Fund to return to a fully funded position by a certain date in the future.
- The most recent Triennial Valuation for the Fund was undertaken as at 31 March 2016, and details of this can be seen within the Accounts and Annual Report. The results of this Valuation confirmed that the Fund was 89% funded, which compared to 83% as at 31 March 2013. This shows that the Fund is in a relatively strong position, and contribution rates have been set for the next 17 years to return the Fund back to 100% funding.
- This position is monitored by the Actuary in the intervening years as well, so that rates can be potentially altered in year if needed, although this hasn't occurred since the 2016 Valuation.
- Other items such as bulk transfers can impact on the Cash position of the Fund, although these are always reviewed by the Actuary to ensure sufficient cash flow is available to fund the transfer if needed. No bulk transfers occurred in 2017-18 and we are not aware of any planned for 2018-19 either.
- Based on the audit work performed, we are satisfied that no additional disclosures relating to going concern are required within the Accounts.

### Concluding comments

### Auditor commentary

- Based on the work performed, we are proposing to issue an unmodified opinion relating to the going concern of the Kent Superannuation Fund.

# Significant audit risks

## Risks identified in our Audit Plan

## Commentary

1

### Improper revenue recognition

Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

### Auditor commentary

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Kent Superannuation Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- The culture and ethical frameworks of local authorities, including Kent Superannuation Fund, mean that all forms of fraud are seen as unacceptable

Therefore we do not consider this to be a significant risk for Kent Superannuation Fund.

2

### Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.

We identified management override of controls as a risk requiring special audit consideration.

### Auditor commentary

We have undertaken the following work in relation to this risk:

- gained an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness
- obtained a full listing of journal entries, identified and tested unusual journal entries for appropriateness
- evaluated the rationale for any changes in accounting policies or significant unusual transactions.

Our audit work has not identified any issues in respect of management override of controls.

# Significant audit risks

## Risks identified in our Audit Plan

## Commentary

### 3 The valuation of Level 3 investments is incorrect Auditor commentary

Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.

We identified the valuation of level 3 investments as a risk requiring special audit consideration.

We have undertaken the following work in relation to this risk:

- gained an understanding of the Fund's process for valuing level 3 investments and evaluated the design of the associated controls
- reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments
- consideration of the competence, expertise and objectivity of any management experts used
- reviewed the qualifications of the Fund Managers to value Level 3 investments at year end and gained an understanding of how the valuation of these investments has been reached
- for a sample of investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. We also reconciled those values to the values at 31 March 2018 with reference to known movements in the intervening period

Our audit work has not identified any issues in respect of this risk.

# Reasonably possible audit risks

## Risks identified in our Audit Plan

## Commentary

5

### Contributions

Contributions from employers and employees' represents a significant percentage (64%) of the Fund's revenue.

We therefore identified occurrence and accuracy of contributions as a risk requiring particular audit attention

### Auditor commentary

We have undertaken the following work in relation to this risk:

- evaluate the Fund's accounting policy for recognition of contributions for appropriateness;
- gain an understanding of the Fund's system for accounting for contribution income and evaluate the design of the associated controls;
- test a sample of contributions to source data to gain assurance over their accuracy and occurrence;
- rationalise contributions received with reference to changes in member body payrolls and the number of contributing pensioners to ensure that any unusual trends are satisfactorily explained.
- test a sample of contributions payments to obtain assurance on timeliness of payments.

Our audit work has not identified any issues in respect of this risk.

Page 96

### Pension Benefits Payable

Pension benefits payable represents a significant percentage (85%) of the Fund's expenditure.

We identified completeness of pension benefits payable as a risk requiring particular audit attention:

### Auditor commentary

We have undertaken the following work in relation to this risk:

- evaluated the Fund's accounting policy for recognition of pension benefits expenditure for appropriateness;
- gained an understanding of the Fund's system for accounting for pension benefits expenditure and evaluated the design of the associated controls;
- tested a sample of individual pensions in payment by reference to member files;
- rationalised pensions paid with reference to changes in pensioner numbers and increases applied in year to ensure that any unusual trends are satisfactorily explained.

Our audit work has not identified any issues in respect of this risk.



# Reasonably possible audit risks

## Risks identified in our Audit Plan

## Commentary

7

### The valuation of Level 2 investments is incorrect

While level 2 investments do not carry the same level of inherent risks associated with level 3 investments, there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly.

We identified valuation of level 2 investments as a risk requiring particular audit attention.




### Auditor commentary

We have undertaken the following work in relation to this risk:

- gain an understanding of the Fund's process for valuing Level 2 investments and evaluate the design of the associated controls.
- review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments.
- consider the competence, expertise and objectivity of any management experts used.
- review the qualifications of the expert used to value the level 2 investments at year end and gain an understanding of how the valuation of these investment has been reached.
- for a sample of investments, test the valuation by obtaining independent information from custodian/manager on units and unit prices.

Our audit work has not identified any issues in respect of this risk.

# Accounting policies

Accounting area	Summary of policy	Comments	Assessment
<b>Revenue recognition</b>	<p>The financial statements include policies for recognition of the following:</p> <ul style="list-style-type: none"> <li>• Investment income</li> <li>• Contribution income</li> <li>• Transfers in to the scheme</li> </ul> <p>Revenue for the first two categories is recognised on an accruals basis, whilst for the third category it is recognised on a cash basis, with the exception of bulk transfers, which are accounted for on an accruals basis in accordance with the terms of the transfer agreement.</p>	<p>Review of your policies for revenue recognition confirms they are in line with the requirements of the CIPFA Code of Practice and cover all the expected areas in accordance with the Fund's activities.</p> <p>Our testing has confirmed that these policies have been correctly and consistently applied.</p>	 <b>Green</b>
<b>Judgements and estimates</b>	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> <li>• Valuation of private equity, property and infrastructure investments</li> <li>• Present value of future retirement benefits</li> </ul>	<p>Our review of your key judgements disclosed in the draft financial statements has confirmed they are complete in accordance with our understanding of the Fund. Our testing has confirmed that the accounting policies in relation to these areas are in accordance with the CIPFA Code of Practice and have been correctly and consistently applied.</p> <p>The Fund has enhanced its narrative in respect of the estimates included within the Accounts to provide further detail over this area. We are comfortable with the revised disclosure provided by the Fund.</p>	 <b>Green</b>
<b>Other critical policies</b>		<p>We have reviewed the Pension Fund's policies against the requirements of the CIPFA Code of Practice. The Pension Fund's accounting policies are appropriate and consistent with previous years.</p>	 <b>Green</b>

## Assessment

- - **Red** - Marginal accounting policy which could potentially be open to challenge by regulators
- - **Amber** - Accounting policy appropriate but scope for improved disclosure
- - **Green** - Accounting policy appropriate and disclosures sufficient

# Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
① <b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Governance and Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.</li> </ul>
② <b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>We have not identified any related party transactions which have not been disclosed.</li> </ul>
③ <b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.</li> </ul>
④ <b>Written representations</b>	<ul style="list-style-type: none"> <li>A standard letter of representation has been requested from the Pension Fund, which is included within the Governance and Audit Committee Papers as a separate item.</li> </ul>
⑤ <b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We obtained direct confirmations from your fund managers and custodian for investment balances and from your bank for your cash balances (outside of the cash held by your fund managers). All of these requests have been returned with positive confirmation.</li> </ul>
⑥ <b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our work identified some minor presentation improvements, details of which can be seen within Appendix A</li> </ul>
⑦ <b>Matters on which we report by exception</b>	<ul style="list-style-type: none"> <li>We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our 'consistency' opinion on the Pension Funds Annual Report on 26 July 2018, as part of issuing our Opinion on the main financial statements.</li> </ul>

# Independence and ethics

## **Independence and ethics**

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix B

## **Audit and Non-audit services**

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. No non-audit services were identified.

# Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted and unadjusted misstatements

No adjusted or unadjusted misstatements have been identified from the work performed during the course of the audit.

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Value (£000)	Impact on the Accounts	Adjusted?
<b>Note on Critical Judgements</b>	n/a	The draft Accounts did not include a disclosure of the critical judgements included within the Accounts. A new note has now been added to provide this additional information.	✓
<b>Note 15 – Disclosure of Investments over 5% of Net Assets</b>	Various	The draft Accounts included disclosures in line with the previous requirements of the CIPFA Code of Practice, which changed the disclosure requirements in this area for 2017-18. The revised disclosure now complies fully with the updated Code of Practice.	✓
<b>Note 18 – Valuation of Assets and Liabilities carried at Fair Value</b>	Various	The Council has now enhanced its disclosure around Level 3 Assets to provide additional information on the valuation of the underlying assets and liabilities held within these Assets.	✓
<b>Note 25 – Related Party Transactions</b>	Various	Some of the details in relation to the Fund's Related Party Transactions referred to the main Council's Accounts, which meant the Pension Fund Accounts did not stand alone. This has now been included to enable these Accounts to stand as their own document.	✓
<b>Various Notes within the Accounts</b>	Various	A number of other minor presentational and disclosure amendments have been processed by the Fund to enhance the presentation of the final set of Accounts.	✓

# Fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

## Audit Fees

	Proposed fee	Final fee
Pension Fund Audit	30,568	30,568
<b>Total audit fees (excluding VAT)</b>	<b>£30,568</b>	<b>£30,568</b>

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

## No Audit Fees

No non audit services have been provided in respect of the Kent Pension Fund during the course of the 2017-18 financial year.

# Audit Opinion

We anticipate we will provide the Pension Fund with an unmodified audit report

## Independent auditor's report to the members of Kent County Council on the pension fund financial statements

### Opinion

We have audited the pension fund financial statements of Kent County Council (the 'Authority') for the year ended 31 March 2018 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2018 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the pension fund of the Authority in accordance with the ethical requirements that are relevant to our audit of the pension fund financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members

those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Corporate Director of Finance's use of the going concern basis of accounting in the preparation of the pension fund financial statements is not appropriate; or
- the Corporate Director of Finance has not disclosed in the pension fund financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the pension fund financial statements are authorised for issue.

### Other information

The Corporate Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the pension fund financial statements, our auditor's report thereon and our auditor's report on the Authority's financial statements. Our opinion on the pension fund financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the pension fund financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund financial statements or our knowledge of the pension fund of the Authority obtained in the course of our work or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the pension fund financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

# Audit Opinion (continued)

We anticipate we will provide the Pension Fund with an unmodified audit report

## Opinion on other matter required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the pension fund financial statements the other information published together with the pension fund financial statements in the Statement of Accounts, for the financial year for which the pension fund financial statements are prepared is consistent with the pension fund financial statements.

## Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

## Responsibilities of the Authority, the Corporate Director of Finance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Corporate Director of Finance. The Corporate Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Corporate Director of Finance determines is necessary to enable the preparation of pension fund financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund financial statements, the Corporate Director of Finance is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the pension fund lacks funding for its continued existence or when policy decisions have

been made that affect the services provided by the pension fund.

The Governance and Audit Committee is Those Charged with Governance.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the pension fund financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these pension fund financial statements.

A further description of our responsibilities for the audit of the pension fund financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

Paul Dossett  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

30 Finsbury Square  
London  
EC2A 1AG

25 July 2018





© 2018 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

This page is intentionally left blank

By: Acting Corporate Director of Finance  
To: Pensions Board – 19 October 2018  
Subject: **INTERNAL AUDIT REPORT**  
Classification: Unrestricted

---

Summary: To report a recent Internal Audit report

## **FOR INFORMATION**

---

### **INTRODUCTION**

1. The KCC Internal Audit team undertake periodic reviews of the Treasury and Investments work in order to provide assurance to the Pensions Board.
2. Internal Audit recently completed an audit of Pensions Contributions and a copy of their report is attached at appendix 1. The audit opinion is High with Good prospects for improvement.

### **RECOMMENDATION**

3. The Board is asked to note this report.

Alison Mings  
Treasury and Investments Manager  
[Alison.mings@kent.gov.uk](mailto:Alison.mings@kent.gov.uk)  
03000 416488

This page is intentionally left blank