

## KENT COUNTY COUNCIL

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### **SUPERANNUATION FUND COMMITTEE**

MINUTES of a meeting of the Superannuation Fund Committee held via Microsoft Teams on Friday, 4 September 2020.

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

ALSO PRESENT: Mr P J Oakford, Mrs M E Crabtree, Mr T English, Mr N Page and Mr R Sinnott

IN ATTENDANCE: Mrs A Mings (Treasury and Investments Manager, and Acting Business Partner for the Kent Pension Fund), Mr D Shipton (Head of Finance - Planning, Policy & Strategy), Mrs B Cheatle (Pensions Manager), Ms S Surana (Principal Accountant - Investments), Mr S Tagg (Senior Accountant - Pension Fund), Miss T A Grayell (Democratic Services Officer) and Miss E West (Democratic Services Officer).

### **UNRESTRICTED ITEMS**

#### **12. Apologies and Substitutes**

*(Item 1)*

Apologies for absence had been received from Cllr Clokie, Mr D S Daley and Mrs M Wiggins.

#### **13. Declarations of interest by Members in items on the agenda for this meeting.**

*(Item 2)*

1. Mr P Bartlett declared an interest in item 11 as he was employed by the Bank of New York Mellon, which shared business premises with, and was part of the same family of companies as, the company selected by the working group as a manager for the proposed equity downside protection programme.

2. Mrs M Crabtree declared an interest in item 12 as part of her personal pension was invested with Woodford.

#### **14. Minutes of the meeting held on 26 June 2020**

*(Item 3)*

It was RESOLVED that the minutes of the meeting held on 26 June 2020 are correctly recorded and a paper copy be signed by the Chairman as soon as this can be done safely. There were no matters arising.

## **15. Pension Fund business plan**

*(Item 4)*

1. Mrs Mings introduced the report and highlighted that progress had been made on a number of issues and, in particular, despite some disruption caused by covid-19, all benefit illustration statements had been issued on time. Mrs Mings, Mrs Cheatle and Ms Surana responded to comments and questions from the committee, including the following:-

- a) the McCloud judgement was still at the consultation stage and its potential impact would be known once the requirements had been fully scoped and any staffing and cost implications identified. Kent's response to the consultation, was submitted on 8 October and noted that the remedy could be very costly;
- b) audit fees had increased from £50,000 to £70,000 as some areas of work now had to be charged separately and Grant Thornton was required to undertake additional scrutiny of the Fund's investments. An update on audit fees would be provided to the committee's November meeting;
- c) fees paid to Mercer Ltd had increased due to the extra work they had been doing in relation to EDP; and
- d) the consultation on the RI policy had been extended due to the covid-19 crisis and a report would be brought to the November meeting.

2. It was RESOLVED that:-

- a) the updated business plan and the related budget for 2020 -21 be noted;
- b) a further report on audit fees and Kent's response to the RI policy consultation be made to November meeting; and
- c) thanks and congratulations be recorded to Mrs Cheatle and the Pensions team for their work in getting all benefit illustration statements out on time, despite disruptions caused by covid-19.

## **16. Internal audit review update (verbal report)**

*(Item 5)*

1. Mr D Shipton gave a brief verbal update on work on the action plan prepared in response to the Internal Audit report. Out of the 16 actions, 14 had now been completed and 2 more would be addressed by the governance review which was about to start, once a governance consultant had been appointed. A fuller update would be made to the committee at its November meeting.

2. It was RESOLVED that the information set out in the report be noted, with thanks.

## **17. Fund employer and governance matters**

*(Item 6)*

1. Mrs Mings introduced the report and responded to comments and questions from the committee, including the following:-

- a) the McCloud judgement could potentially have a substantial administrative impact on the Firefighters' Pension Scheme. Asked if the Firefighters' Pension Scheme Board would be able to see the County Council's response before it was sent, the Chairman undertook to ensure that this was sent to that board as well as to the County Council's Superannuation Fund Committee and Pension Board. Mrs Mings added that the County Council response would be based on advice from its actuary, Barnett Waddingham.

It was RESOLVED that:-

- a) the employer report and the updates on McCloud, the £95,000 exit cap, Hadlow College, West Kent and Ashford Colleges be noted, and that the committee agree:
- b) to the admission to the Kent County Council Superannuation Fund of Churchill Contract Services Ltd re Lordswood School;
- c) that officers may return a surplus, if any, having regard to any relevant considerations and the LGPS (Amendment) Regulations 2020 to: -

Ashford Leisure Trust

Sopra Steria Ltd

East Kent Housing (EKH)

GEN2 Property Ltd

- d) that the Chairman may approve the minute relating to resolutions a) to c) at the end of today's meeting; and
- e) that, once legal agreements have been prepared for these matters, the Kent County Council seal can be affixed to the legal documents.

## **18. Fund position**

*(Item 7)*

1. Mrs Mings introduced the report and highlighted that the Fund was performing ahead of benchmark.

2. It was RESOLVED that the information set out in the report be noted, with thanks.

## **19. Date of next meeting**

*(Item 8)*

It was NOTED that the next meeting of the committee would take place on Friday 13 November 2020, commencing at 10.00 am.

## **20. Motion to Exclude the Press and Public for Exempt items**

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

### **SUMMARY OF EXEMPT MINUTES** (where access remains restricted)

## **21. Pension Fund cashflow**

*(Item 9)*

1. The Chairman summarised recent activity and advised that the cash flow would continue to be monitored to minimise risk. The Fund was obliged to produce a forecast of possible options to cover any shortfall; there was no commitment to any action listed. Reports on cashflow were a regular item on the agenda so the committee would be kept up to date.

2. It was RESOLVED that the information set out in the report be noted, with thanks.

## **22. Manager presentation - Fidelity**

*(Item 10)*

*David Barber, Relationship Director, UK Institutional, Alison Puhar, Director, UK Real Estate, and Ewan Montgomery, Portfolio Manager, UK Real Estate, from Fidelity were present for this item at the invitation of the committee.*

1. The Chairman welcomed Mr Barber, Ms Puhar and Mr Montgomery and thanked them for joining the meeting.

1. Mr Barber, Ms Puhar and Mr Montgomery updated the committee on the property fund. They gave an overview of the fund, its holdings, income sustainability and details and performance of the property portfolio. They then responded to comments and questions of detail from the committee.

2. It was RESOLVED that the information set out in the presentation be noted, with thanks.

## **23. Investment Strategy**

*(Item 11)*

*Mr T English, Mr R Sinnott and Mr N Page from Mercer Ltd were present for this item at the invitation of the committee.*

*Mr P Bartlett declared an interest in item 11 as he was employed by the Bank of New York Mellon, which shared business premises with, and was part of the same family of companies as, the company selected by the working group as a manager for the proposed equity downside protection programme.*

1. Mr English introduced Mercer's quarter 2, 2020 report on manager ratings and news updates. This included ratings for the additional managers which had been completed since the previous report. Mr Sinnott explained the rationale behind each rating and the discussions Mercer had had with managers in relation to these ratings.
2. The Chairman advised that the Fund had received a further payment from the Woodford fund.
3. Mrs Mings advised that, since the committee's July meeting, the Fund's equity had performed well compared to the benchmark.
4. The Chairman reminded the committee that it had agreed to recommence work on equity downside protection (EDP), including the selection of the manager for the programme. The committee had delegated the selection to the working group, who had interviewed three prospective managers and selected one, and this choice was supported by Mercer. The committee was being asked to note the appointment and the project's next steps.
5. Mr Shipton added that the governance issues relating to EDP would be included in the pension fund governance review which was about to begin.
6. Mr English advised that a rebalancing framework had been developed, which allowed scrutiny and ensured good governance. He presented three options for a policy and recommended one of them. The Chairman reminded the committee that it needed to review the Fund's asset allocation at every meeting.
7. It was RESOLVED that the information set out in the report, including the progress made on the set up of an equity downside protection (EDP) programme, be noted, and that:-
  - a) the recommended option for a formal rebalancing process be agreed; and
  - b) no change be made to the Fund's asset allocation.

## **24. ACCESS update** (Item 12)

*Mrs M Crabtree declared that part of her personal pension was invested with Woodford.*

1. Mrs Mings introduced the report, of which there was no discussion.
2. It was RESOLVED that the information set out in the report be noted, with thanks.

## **25. Pension Fund risk register** (Item 13)

1. Mrs Mings introduced the report and advised that the risk register would be reviewed again at the committee's November meeting.
2. It was RESOLVED that the Fund risk register be noted, with thanks.