SUPERANNUATION FUND COMMITTEE

Friday, 4th September, 2020

10.00 am

Microsoft Teams

Kent County Council
kent.gov.uk

AGENDA

SUPERANNUATION FUND COMMITTEE

Friday, 4th September, 2020 at 10.00 am		Ask for:	**Theresa Grayell**
Microsoft Teams		Telephone:	**03000 416172**

In response to COVID-19, the Government has legislated to permit remote attendance by Elected Members at formal meetings. This is conditional on other Elected Members and the public being able to hear those participating in the meeting. This meeting will be streamed live and can be watched via the Media link on the Webpage for this meeting. County Councillors who are not Members of the Committee but who wish to ask questions at the meeting are asked to notify the Chairman of their questions in advance

Membership

Conservative (8):	Mr C Simkins (Chairman), Mr N J D Chard (Vice-Chairman), Mr P V Barrington-King, Mr P Bartlett, Mr P C Cooper, Mr P J Homewood, Mr J P McInroy and Mr J Wright
Liberal Democrat (1)	Mr D S Daley
District Council (3)	Cllr J Burden, Cllr P Clokie and Cllr N Eden-Green
Medway Council (1)	Cllr S Tranter
Kent Active Retirement Fellowship (2)	Mrs M Wiggins and Mr D Coupland
UNISON (1)	Mr J Parsons
Staff Representative (1)	Vacancy

UNRESTRICTED ITEMS

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

1 Apologies and Substitutes

2 Declarations of interest by Members in items on the agenda for this meeting.

3 Minutes of the meeting held on 26 June 2020 (Pages 1 - 8)

4 Pension Fund business plan (Pages 9 - 16)

5 Internal audit review update (verbal report)

6 Fund employer and governance matters (Pages 17 - 30)

7 Fund position (Pages 31 - 42)

8 Date of next meeting

The next meeting of the committee will be held on Friday 13 November 2020, commencing at 10.00 am.

Motion to exclude the press and public for exempt business

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

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

EXEMPT ITEMS

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

9 Pension Fund cashflow (Pages 43 - 46)

10 Manager presentation - Fidelity

11 Investment Strategy (Pages 47 - 114)

12 ACCESS update (Pages 115 - 128)

13 Pension Fund risk register (Pages 129 - 134)

Benjamin Watts
General Counsel
03000 416814

Wednesday, 26 August 2020

In accordance with the current arrangements for meetings, representatives of the Managers have been given notice of the meeting and will be in attendance for their items.

KENT COUNTY COUNCIL

SUPERANNUATION FUND COMMITTEE

MINUTES of a meeting of the Superannuation Fund Committee held in the Microsoft Teams on Friday, 26 June 2020.

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

ALSO PRESENT: Mr P J Oakford, Ms C Arbuckle and Mr T English

IN ATTENDANCE: Ms Z Cooke (Corporate Director of Finance), Mr B Watts (General Counsel), Mrs A Mings (Treasury and Investments Manager, and Acting Business Partner for the Kent Pension Fund), Ms S Surana (Principal Accountant - Investments), Mrs B Cheatle (Pensions Manager), Ms K Gray (Senior Accountant Investments), Mrs A Hunter (Principal Democratic Services Officer), Miss T A Grayell (Democratic Services Officer) and Mr M Evans (Press Officer).

UNRESTRICTED ITEMS

1. Apologies and Substitutes
(Item 1)

Apologies for absence had been received from Mr D S Daley and Cllr S Tranter, although Mr Daley was able to join later, in the closed part of the meeting. The Deputy Cabinet Member for Finance, Mrs M Crabtree, was also unable to attend.

There were no substitutes.

2. Declarations of interest by Members in items on the agenda for this meeting.
(Item 2)

Mr P Bartlett declared an interest in agenda item 4, Fund Employer Matters, as an elected Member of Ashford Borough Council, which had a financial interest in the West Kent and Ashford College.

Mr P Bartlett also declared an interest in agenda item 8, Investment Strategy, as he worked for the Bank of New York Mellon, which shared offices with an asset manager company mentioned in the report.

3. Minutes of the meeting held on 13 March 2020
(Item 3)

It was RESOLVED that the minutes of the meeting held on13 March 2020 are correctly recorded and they be signed by the Chairman. There were no matters arising.

4. Fund Employer Matters

(Item 4)

Mr P Bartlett declared an interest as an elected Member of Ashford Borough Council, which had a financial interest in the West Kent and Ashford College.

1. Mrs Mings introduced the report and responded to a question about the departure of employers from the scheme and if this would have any negative impact on the Fund's cashflow. Mrs Mings advised that, as the number of companies was small, the impact would be insignificant, but advised that the picture would continue to be monitored. An update report on the Fund's cashflow would be made to the committee's September meeting.

2. It was RESOLVED that:-

a) the report and updates on Hadlow College and the West Kent and Ashford College be noted, with thanks; and

b) the employer contributions policy and the exit credits policy relating to admission employers be agreed.

5. Report on the Pension Board meeting on 12 June 2020

(Item 5)

1. Mrs Crabtree was unable to attend to present the report but Mr J Parsons, the Board's Vice-Chairman, confirmed that he had nothing to add to it. There were no questions.

2. It was RESOLVED that the report be noted, with thanks.

6. Supreme Court decision on Local Government Pension Scheme (LGPS) investment guidance

(Item 6)

1. Mrs Mings introduced the report and advised that the LGPS guidance had been re-issued, omitting the disputed passages. She emphasised that the fundamental duties and responsibilities of administering authorities were unaltered by the judgement, and the committee retained its responsibility for investment decisions relating to the Kent Pension Fund. Mr English added that Mercer Ltd had welcomed the judgment and would continue to give the committee investment advice when required.

2. The committee made the following comments:

a) the judgement and the clarification it gave were both welcomed; and

b) the committee should have uppermost in its mind its responsibility to the scheme members of the Kent Pension Fund but should also remember its responsibility to Kent's taxpayers.

3. It was RESOLVED that the report be noted, with thanks.

7. Date of next meeting
(Item 7)

It was NOTED that the next meeting of the committee would take place on Friday 4 September 2020 at 10.00 am.

8. Chairman's thanks

The Chairman thanked officers for all the work they had continued to undertake during the Covid-19 outbreak, while coping with remote working arrangements. The duties and obligations of the committee had become much more complex in recent months and had created much more work. He also thanked the team for the help and support they had given to him as Chairman.

9. Motion to exclude 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)

10. Investment Strategy
(Item 8)

A supplementary report with a revised recommendation had been issued since publication of the agenda pack.

Mr P B Bartlett declared an interest in this item as he worked for the Bank of New York Mellon, which shared offices with an asset management company mentioned in the report.

1. The Chairman introduced the report and invited Ms Arbuckle to introduce Mercer's Manager Ratings and News Update. Ms Arbuckle responded to questions of detail from the committee, including the allocation of ratings to companies, types of investment and the risks associated with them. She reassured the committee that they retained control over the mandates of the fund managers and the investments the latter made on its behalf. Mr English then introduced Mercer's Market Update to the end of May and the forecast for June, which was positive.

2. The Chairman then referred to the supplementary Investment Strategy report which recommended changes to the Fund's asset allocation in response to the recent growth in the value of the fund's investments since drafting the original report. Mr English responded to questions of detail from the committee, including types of investment and temporary cash holdings and how these would be reviewed.

3. During the discussion of Equity Downside Protection, the committee commented that, to help them to understand how equity protection would work, it would be very helpful

to have a fully worked-out example. The committee supported the resumption of the work on establishing an equity protection programme for the Committee's consideration.

4. The Chairman proposed and the Vice-Chairman seconded recommendations a) to d) in the supplementary report and these were all agreed without a vote.

5. It was RESOLVED to note the report and that:

a) recommendation a) of the original report be agreed without a vote. Recommendation b) had been superseded by recommendations a) to d) in the supplementary report*;* and

b) recommendations a) to d) in the supplementary report be agreed without a vote.

11. Woodford update
(Item 9)

1. Mr Watts updated the committee on recent discussions about Woodford's investments and he and Ms Cooke responded to questions of detail from the committee.

2. It was RESOLVED that the Woodford update be noted, with thanks.

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

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By:	Chairman Superannuation Fund Committee Corporate Director, Finance
To:	Superannuation Fund Committee – 4 September 2020
Subject:	**Pension Fund Business Plan**
Classification:	Unrestricted

Summary: To advise the Committee of the progress made to date on the 2020-21 business plan and related forecast outturn for 2020-21.

FOR INFORMATION

INTRODUCTION

1. The Committee is asked to note the updated business plan and forecast costs required to deliver the plan in 2020-21.

2020-21 BUSINESS PLAN

2. The Fund's business plan has been updated to reflect progress made to date, see attached at appendix 1.

3. Members are asked to particularly note the following:

    i) work completed on the implementation of the investment strategy in particular in relation to an equity protection programme
    ii) the Fund's annual accounts have been completed though final sign off has been deferred to October
    iii) the governance consultancy procurement has been launched
    iv) despite delays caused by Covid-19 members' ABIs were issued by 31 August

4. In addition two new scheme administration activities have commenced:

    i) MHCLG have launched a consultation on the changes to the LGPS following the McCloud judgement with a deadline of 8 October and a project will be established to implement the changes necessary
    ii) Regulations were published in July re the £95k exit payments cap and their impact will need to be managed

2020-21 FORECAST

5. At its March meeting the Committee approved a budget of £4.693m to support the 2020-21 business plan. Details are included in the table below.

6. At the current time it is anticipated that additional costs will be incurred in relation to investment consultancy provided by Mercer in particular for the establishment of an equity protection programme. We are also forecasting higher audit costs due to the additional work requiring to be undertaken in relation to the annual audit of the Fund.

7. Total forecast costs are now £4.809m.

Pension Fund Management Costs

	Agreed Budget 2020-21 £	Forecast costs 2020-21 £	(Overspend) / underspend £
Pensions Administration	3,411,900	3,411,900	-
Pension Payroll Services	225,973	225,973	-
Payment services	17,340	17,340	-
Financial Services	68,340	68,340	-
Administration Expenses	**3,723,553**	**3,723,553**	**-**
Actuarial Fee including cost of valuation	260,000	260,000	-
Legal Fees	125,000	125,000	-
Direct recovery of actuary, legal fees and admin costs	(225,000)	(225,000)	-
Subscriptions	46,000	46,000	-
ACCESS pooling costs	100,000	100,000	-
Investment Accounting and Oversight costs	400,000	400,000	-
Performance Measurement Fees	10,000	10,000	-
Investment Consultancy	160,000	160,000	
Equity Protection consultancy		100,000	(100,000)
Governance consultancy	50,000	50,000	-
Other professional advice	20,000	20,000	-
Governance and Oversight Expenses	**946,000**	**1,046,000**	**(100,000)**
Audit fee	24,000	40,000	(16,000)
Total	**4,693,553**	**4,809,553**	**(116,000)**

RECOMMENDATION

8. The Committee is recommended to note the updated Business Plan and the related budget for 2020-21.

Alison Mings
Acting Business Partner – Kent Pension Fund
Alison.mings@kent.gov.uk
03000 416488

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Kent Pension Fund Business Plan

Action No.	Description	Accountable Officer(s)	2020-21 Plan	2020-21 Update Sept 2020
1.	**Investment Strategy**			
1.1	Implement the revised asset allocation agreed by Superannuation Fund Committee on 9 February 2018.	Zena Cooke / Alison Mings	Implementation of the equity downside protection programme Funding of private equity / infrastructure investments	Committee agreed at its June meeting to recommence the establishment of the equity downside protection programme. The working group appointed a manager in August and this will be reported to the 4 September meeting. Work is in hand on contract arrangements and proposed strategy. Further funding anticipated in 2020 – 21 of £66m
1.2	Manage the transition of investments including to the ACCESS pooled funds	Alison Mings / Sangeeta Surana	Global Value Equity fund transition planned June 2020	Timing of GAV sub-fund launch likely October 2020. Discussions ongoing re set up of M&G Fixed Income sub-fund
1.3	Report to the Superannuation Fund Committee on new investment options.	Zena Cooke / Alison Mings	Ongoing.	Ongoing Mercer to bring proposals to September meeting for an allocation framework
1.4	Monitoring the performance of investment managers and funds.	Zena Cooke / Alison Mings / Sangeeta Surana	Mercer attending every committee meeting. Providing quarterly manager reviews Quarterly performance reporting to Committee undertaken by officers	Mercer quarterly report for September meeting to cover all managers
1.5	Develop enhanced RI / ESG policy / reporting	Alison Mings / Sangeeta Surana / Katherine Gray	Agreement of revised policy and implementation of reporting required	Draft policy agreed by the committee at its March meeting now available on the Fund website and comments requested from stakeholders as well as investment managers. Results of the consultation to be reported to the November committee meeting ahead of the agreement of the final policy
1.6	Investment Consultant procurement	Sangeeta Surana	Undertake procurement for long term contract for investment advice to the committee	Procurement to be undertaken after the completion of the governance review – likely to be late Q4 2020
1.7	Review of asset allocation taking account of results of the 2019 valuation	Zena Cooke / Alison Mings / Sangeeta Surana	Engage investment consultant	Timing revised, see point 1.6
1.8	Update investment strategy statement reflecting CIPFA guidance and best practice	Alison Mings /Sangeeta Surana	ISS to be updated with assistance from the investment consultant	See point 1.6
1.9	Custody contract	Sangeeta Surana / Katherine Gray	Current contract expires 1/11/20, procurement using LGPS frameworks	Timeframe to be discussed with procurement team

Action No.	Description	Accountable Officer(s)	Plan	Update Sept 2020
2.	**ACCESS Pool**			
2.1	Support the Chairman in his role on the Joint Committee.	Alison Mings	Ongoing	Next JC meeting 7 September
2.2	Membership of the Officer working group (OWG) Participate in working groups to set up ACCESS ACS sub-funds and other CIVs as required for pooling alternative assets	Alison Mings / Sangeeta Surana	Selection of fund managers, set up and launch of ACS sub-funds Finalisation of arrangements for alternative assets platform Finalisation of reporting framework	Timetable for launch of agreed sub-funds delayed, tranche 5a planned Sept / Oct 2020 Work in hand with bfinance on set up of pooling solution Work on Reporting framework including cost transparency in progress

Kent Pension Fund Business Plan

Action No.	Description	Accountable Officer(s)	2020-21	
			Plan	Update Sept 2020
				Work on the IAA review close to completion Ongoing review of Link and fund managers
2.3	Support the role of host authority and ASU - business planning - budget - ASU technical lead	Alison Mings / Sangeeta Surana	Transfer of clerking role to Essex CC	Kent democratic services continuing to provide clerking services and transfer to Essex deferred to 2021.
2.4	Ensure the Superannuation Fund Committee is kept fully informed on ACCESS issues.	Alison Mings	Ongoing	ongoing
3.	**Governance and employer matters**			
3.1	Support the Superannuation Fund Committee and the Pension Board members to effectively undertake their roles and ensure that appropriate training is available.	Zena Cooke / Alison Mings	Implementation of revised committee work programme Planned procurement of external governance training provider	Role of business partner being covered by Alison Mings. Procurement process in hand. Plan to include a review of Fund governance, KCC finance support, and resources and organisation of the Treasury and Investments team. Also include requirement for provision of training to members and advice as required.
3.2	Prepare the Fund's 2020 accounts and report including compliance with cost transparency requirements and with revised reporting guidelines	Sangeeta Surana / Katherine Gray	Accounts completion planned for July 2020	Accounts completed end June but audit deferred to July and sign off by G&A delayed to October meeting. Committee will be asked to approve the publication of the Report and Accounts at its November meeting.
3.3	Implement changes proposed in recent MHCLG consultations including Fair Deal	Alison Mings / Barbara Cheatle	Changes to be implemented as required	Awaiting update on LGPS investment guidance following outcome of the Supreme Court judgement. Regulations published in July following the Exit payments cap consultation in 2019. McCloud consultation responses due by 8 October.
3.4	Complete the March 2019 LGPS triennial valuation and communicate revised employer contribution rates	Barnett Waddingham Alison Mings / Steve Tagg / Barbara Cheatle	Revised employer rates to be implemented 1 April 2020	Employers paying contributions based on new rates – action completed
3.5	Update Funding strategy statement	Alison Mings / Stave Tagg	Update FSS with assistance from Barnett Waddingham taking account of the valuation results	Drafting of revised FSS in hand, to be reviewed by governance consultant
3.6	Fund actuary contract	Alison Mings / Steve Tagg	Procurement of the fund actuary using the LGPS framework	Procurement deferred to Q4 2020
3.7	Review governance arrangements considering internal audit recommendations, SAB good governance recommendation and TPR guidance	Zena Cooke / Alison Mings	Procure governance advice using LGPS framework. Consultant to review fund policies, current role of the board and provide training to board and committee members	See point 3.1 re scope of governance consultancy procurement Procurement launched end July. Responses due end August for evaluation September.
3.8	Undertake review of finance resources considering internal audit recommendations, tPR guidance and good governance review	Zena Cooke / Alison Mings	Complete review and create new team / structure / recruitment	Include in governance review, see above point 3.1

Kent Pension Fund Business Plan

Action No.	Description	Accountable Officer(s)	2020-21	
			Plan	Update Sept 2020
	recommendations			
3.9	Review and update finance procedures and documentation considering internal audit recommendations	Treasury and Investments team	Complete review and update	Update in hand, due for completion end August 2020
4.	**Administration**			
4.1	Roll out i-Connect employer self service	Barbara Cheatle	Further roll out to large payrolls, including KCC and Medway. Presentation to other large employers, such as district councils, colleges etc in preparation for extension of roll out	Progress delayed due to COVID-19 – will look to introduce employers to i-connect via webinars rather than presentations. Looking to progress with the data cleansing part of project and possible use of dedicated resource
4.2	Preparation of annual benefit illustrations for despatch to members by the statutory deadline	Barbara Cheatle	Ongoing	Although year end process delayed due to COVID-19 ABIs issued by the statutory deadline 31 August
4.3	Reduce the backlog of unprocessed leaver cases	Barbara Cheatle	Procurement of a company using the LGPS framework in order to further reduce backlog cases.	Contract signed with ITM 04/08/20 and work has commenced
4.4	Follow up GMP reconciliation exercise	Barbara Cheatle	Stage 2 of reconciliation to be completed. Stage 3 of project will require Procurement of a company using the LGPS framework	HMRC have confirmed errors in previous information supplied for GMP reconciliation and so rework required by external company
4.5	Develop plan for introducing member Self Service (MSS)	Barbara Cheatle	MSS available and communicated to various categories of scheme members throughout the year	Work is progressing well. Instruction webinars provided and MSS now in UAT environment
4.6	Development of workflow system	Barbara Cheatle	Review	Revision of workflow introduced to staff via webinars from Heywood and internal staff. Internal processes changed and auto allocation of tasks introduced at beginning of June.
4.7	McCloud project - changes to LGPS following the McCloud judgement	Barbara Cheatle	see action 3.3 above Set up project for requesting data from employers and recalculation of benefits where necessary, changes to processes, communications etc	
4.8	Exit payments £95k cap	Barbara Cheatle	see action 3.3 above. Will require a significant communication exercise and changes to processes etc Effective date to be advised but we can expect an influx of retirements involving employer costs before this date	

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By:	Chairman Superannuation Fund Committee Corporate Director of Finance
To:	Superannuation Fund Committee – 4 September 2020
Subject:	**Fund Employer and Governance Matters**
Classification:	Unrestricted

Summary: To report on employer and governance matters.

FOR DECISION

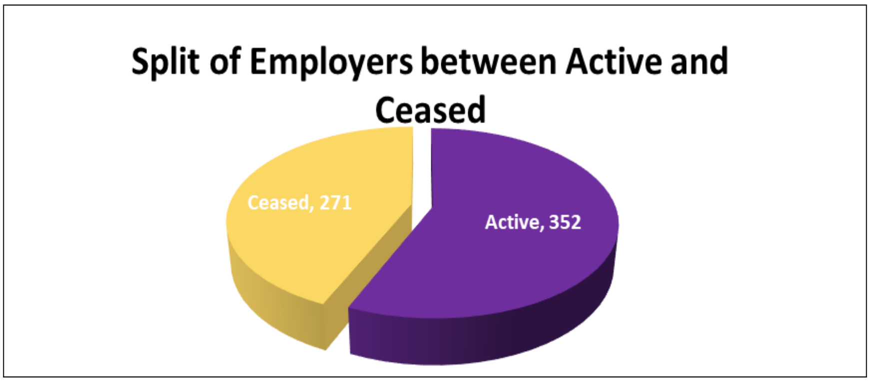
INTRODUCTION

1. This report sets out information on employer related matters as well as an update on the McCloud judgement, the £95,000 cap on exit payments in the public sector, progress on the administration of Hadlow College, West Kent and Ashford College and an application from an organisation for admission to the Superannuation Fund.The Committee's approval is sought to enter into this agreement**.** It also reports on four exiting employers.

2. The Committee is advised that the minutes for this item are to be signed at the end of today's meeting.

EMPLOYER UPDATE

3. There was a total of 623 employers in the Kent Pension Fund at 30 June 2020, no change from 31 March 2020.



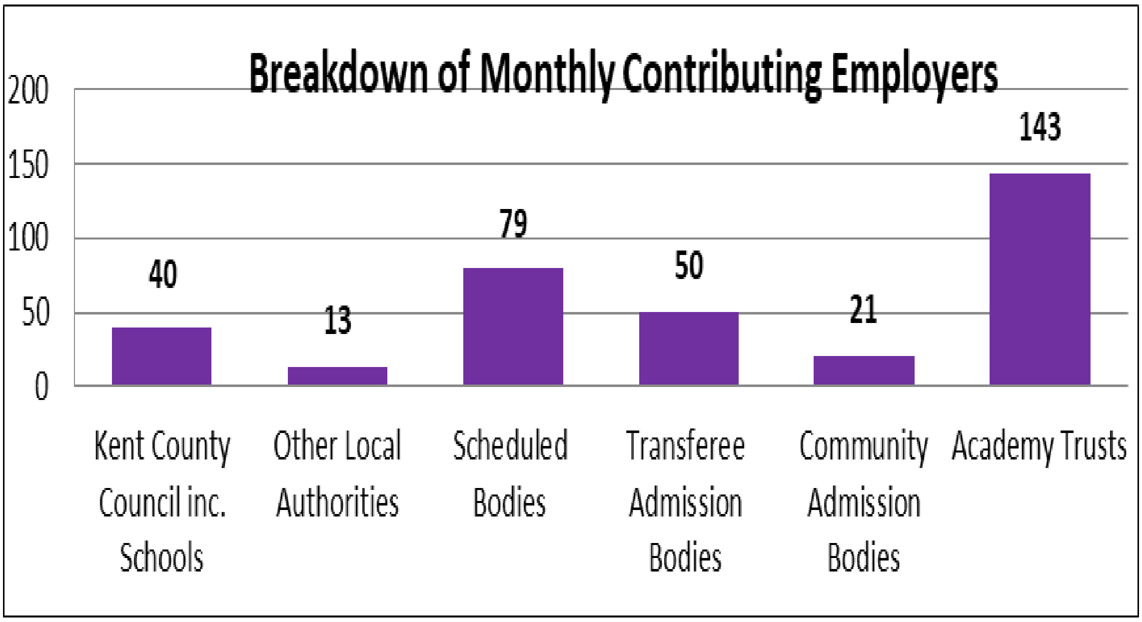
4. The number of active employers regularly paying contributions decreased by 4 in the 3 months from the end of March, 3 employers ceased to have active members in the Local Government Pension Scheme (LGPS) and 1 changed their payroll from in house to KCC schools.The ceased employers no longer

have active contributing members in the LGPS and the Fund has an existing or future liability to pay any pensions.

5. The following table lists employers who ceased to have active members in the Fund during the first 3 months of 20-21.

Ceased	Effective date
Admission Bodies	
Sopra Steria Limited	31 March 2020
Scheduled Bodies	
Gen2 Property Limited	02 April 2020
Eythorne Parish Council	20 April 2020

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



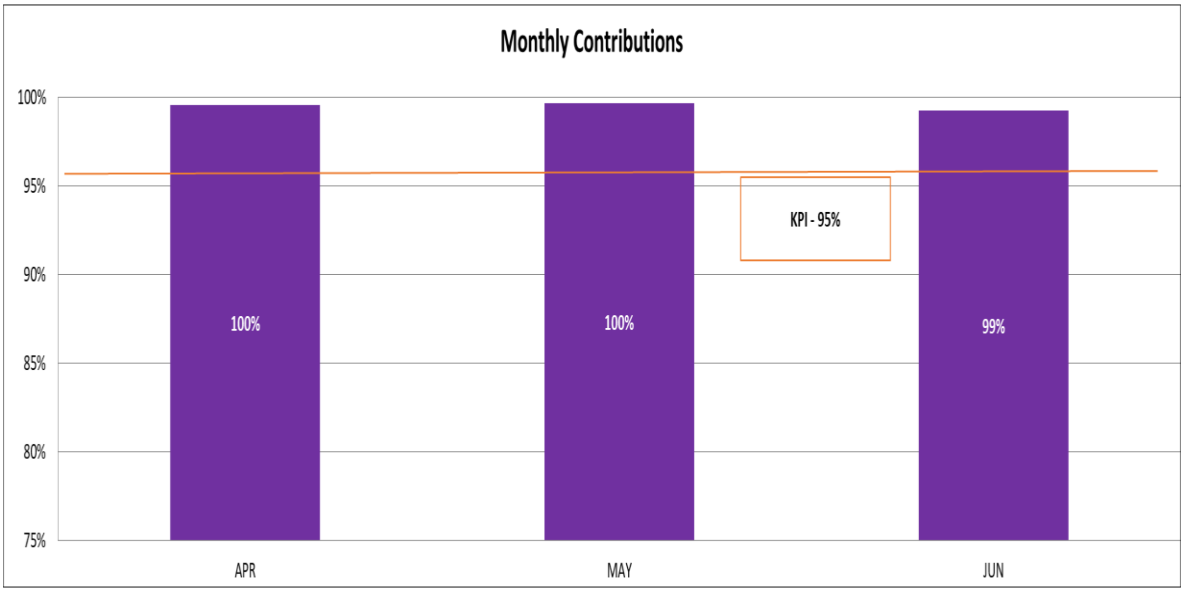
CONTRIBUTIONS FROM EMPLOYERS

7. In the first 3 months of 2020-21 the Fund received £62.7m from employers in respect of their monthly contributions (employer and employee) as follows:

	Received Early	Cash on 19th	Received Late	Total
	£	£	£	£
April	14,994,163	6,003,509	92,977	21,090,649
May	12,089,398	8,523,449	64,359	20,677,206
June	10,733,126	10,084,330	152,719	20,970,175
Total	**37,816,687**	**24,611,288**	**310,055**	**62,738,030**

8. KCC monitors the timing of receipt of these contributions compared to a KPI of 95%. The following chart shows that the KPI was exceeded in all 3 months.

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



<u>MCCLOUD JUDGEMENT UPDATE - PROPOSED REMEDY</u>

10. On 16 July 2020 the Government issued the anticipated consultation on the remedy of age discrimination cases, known as McCloud and Sargeant, which came about as a result of the transitional protections adopted as part of the public service pension scheme reforms in 2014 and 2015.

11. The deadline for responses to the consultation is 8 October 2020.

12. The remedy proposes that the transitional underpin protections will extend to all members active on 31 March 2012 and who have accrued benefits since 1 April 2014 in the career average (CARE) scheme and amends how the underpin works.

13. Members will get the higher amount of pension accrued under either the 2014 Scheme (CARE) or that would have been accrued under the 2008 Scheme

(final salary) in the underpin period while retaining the final salary link into the future.

14. From 1 April 2022, all members will accrue benefits in the 2014 Scheme and there will be no underpin applied to membership from that date.

15. Administration of the extension of the underpin is going to be onerous for Kent as the administering authority, requiring exercises in communications, data collection and options to amalgamate memberships. It will also require the review of records going back to 1 April 2014 and for many members the underpin will need to be calculated twice.

16. There will be an impact on funding and contributions. At whole fund level this should be relatively small, although there could be a larger impact on some (generally smaller and/or less mature) employers.

17. The Government also announced the unpausing of the 2016 cost cap process, which will now take into account McCloud, although this could lead to even further benefit changes.

18. Barnett Waddingham have produced the briefing note at appendix 1. As they allowed for the cost of McCloud in the valuation, they do not intend to revisit the 2019 valuation results and any employer contributions. However, there may be some employers that they will want to look at more closely.

19. They do not believe that accounting reports need to be revised either as their approach, based on analysis by the Government Actuary's Department (GAD), closely replicates the proposed remedy.

20. This issue has been added to the Pension Fund Risk Register given the potential impact on the administration.

21. We will be responding to the consultation taking account of the Barnett Waddingham response and this will be shared at the next meetings of the Committee and Pension Board.

£95,000 CAP ON EXIT PAYMENTS IN THE PUBLIC SECTOR INCLUDING EARLY RETIREMENT PAYMENTS

22. The government published a consultation on 10 April 2019 seeking views on regulations implementing a £95,000 cap on exit payments in the public sector. The consultation closed on 3 July 2019 having received around 600 responses including from the Council.

23. The Government published its response to the consultation on 21 July 2020 and amending regulations are now expected although the date of the change is yet unknown.

24. In their response the government expressed its view that the cap of £95,000 will apply to the aggregate sum of payments related to exit including employer-funded early retirement payments as these are ultimately funded by the taxpayer.

25. The intention is to implement the cap in one stage across the public sector as soon as possible, with few exceptions, and pension schemes will be expected to be amended to reflect the introduction of the cap.

26. For the Kent LGPS it is expected this change will require more administrative resource and give employers new challenges as they seek to manage their workforce, particularly as the effective date becomes clear.

27. The £95,000 exit cap has been added to the Pension Fund Risk Register.

28. A further update will be given to Committee and the Pension Board when more information is available.

HADLOW COLLEGE

29. Since the last report we have responded to the consultation on Capel Manor College (CMC) joining the Kent Pension Fund as well as remaining in the London Borough of Enfield, and the Secretary of State Direction Order was issued on 24 July 2020.This now allows CMC to participate in the Kent Pension Fund from 1 January 2020, taking an agreed share of the active, deferred and pensioner liabilities of Hadlow College, as calculated by Barnett Waddingham.

30. As previously reported, some LGPS members transferred to East Kent College on 1 April 2020 and since then, on 15 August, some of the active LGPS members transferred to North Kent College. Both colleges have taken a share of deferred and pensioner member liabilities.

WEST KENT AND ASHFORD COLLEGE

31. As previously reported, on 1 April 2020 some of the active LGPS members transferred to East Kent College and on 15 August some of the active LGPS members transferred to North Kent College. Both colleges have taken a share of deferred and pensioner member liabilities.

NEW ADMISSION

Churchill Contract Services Ltd (Churchill) re Lordswood School

32. Medway Council awarded a 3-year contract for cleaning services from 1 August 2014 which was extended for a further 3 years to 31 July 2020. The contract has been extended again to 31 July 2021 and involved the transfer of two employees to Churchill.

33. Officers have only recently been made aware of this contract and the need for the admission. The delayed application was an oversight on the part of Churchill and officers have reported the matter to the Pensions Regulator. The regulator has responded saying they do not propose to take any action at this time as they understand this matter is being resolved.

34. Churchill has therefore made a retrospective application for admission to the Superannuation Fund from 1 August 2014 to ensure the continuity of pension arrangements for staff.

35. The admission application has been made under Schedule 2 Part 3 1(d) (i) of the LGPS Regulations 2013, as amended, and under this regulation the admitted body is required to provide a form of bond or indemnity.

36. The completed questionnaire and supporting documents provided by the applicant has been examined by Officers to ensure compliance with the LGPS Regulations, and Invicta Law have given a favourable opinion.

37. The Fund Actuary has assessed the employer contribution rate as 28.3% for a closed agreement, and currently arrears of £14,000 are due from Churchill in respect of employee and employer contributions for the period 1 August 2014 to 31 March 2020, which will be paid within 28 days of completing the admission agreement. The level of the bond has been set at £6,000 for the first year following completing the admission agreement.

EXITING EMPLOYERS

38. The following employers have become exiting employers in the Fund as the result of their last active employees leaving, and cessation reports will be commissioned from Barnett Waddingham.

39. **Ashford Leisure Trust** - on 1 September 2020 the employees transferred to Wealden Leisure t/a Freedom Leisure whose application to join the Fund was agreed by Committee at their meeting on 13 March 2020.

40. **Sopra Steria Ltd** - as their contract ended on 31 March 2020, they have become an exiting employer. The staff have been transferring back to Folkestone and Hythe District Council.

41. **East Kent Housing (EKH)** - on 30 September 2020 EKH will be disbanded and the employees will transfer to the local authorities involved, being Canterbury City Council, Dover District Council, Folkestone & Hythe District Council and Shepway District Council. It is understood these local authorities will be responsible for any LGPS deficit or surplus.

42. **GEN2 Property Limited -** on 2 April 2020 staff were transferred back to KCC so GEN2 became an exiting employer. It is understood KCC will be responsible for any LGPS deficit or surplus.

RECOMMENDATION

43. Members are asked to note the employer report and the updates on McCloud, the £95,000 exit cap, Hadlow College, West Kent and Ashford Colleges and to resolve to agree:

a) to the admission to the Kent County Council Superannuation Fund of Churchill Contract Services Ltd re Lordswood School

b) 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

c) that the Chairman may sign the minute relating to recommendation (a) to (b) at the end of today's meeting; and

d) that once legal agreements have been prepared for these matters the Kent County Council seal can be affixed to the legal documents.

Steven Tagg
Treasury and Investments
03000 416747

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BARNETT WADDINGHAM
beyond the expected

Briefing

The LGPS McCloud consultation

RISK | PENSIONS | INVESTMENT | INSURANCE

The Government has issued the eagerly anticipated consultations to remedy the age discrimination cases, known as McCloud and Sargeant, which came about as a result of the transitional protections adopted as part of the public service pension scheme reforms in 2014 and 2015.

This briefing note summarises the LGPS (England and Wales) consultation only and considers the impact on funding, administration, accounting and other related issues. The full consultation is here. Scotland and Northern Ireland are to be dealt with separately. The consultation runs until 8 October 2020 and we will be responding to the consultation. We would be happy to share our more detailed response with you ahead of the deadline.

A quick summary

- The remedy proposes that the transitional underpin protections will extend to all members active on 31 March 2012 and who have accrued benefits since 1 April 2014 in the career average (CARE) scheme and also amends how the underpin works
- The underpin period will apply from 1 April 2014 to 31 March 2022 and ceases on reaching the 2008 Scheme normal pension age, retirement, leaving or death in service, if earlier
- Members will get the higher amount of pension accrued under either the 2014 Scheme (CARE) or that would have been accrued under the 2008 Scheme (final salary) in the underpin period while retaining the final salary link into the future (but of course it's more complicated than that!)
- From 1 April 2022, all members will accrue benefits in the 2014 Scheme and there will be no underpin applied to membership from that date
- Administration of the extension of the underpin is going to be onerous for administering authorities, requiring, for example, exercises in communications, data collection, option to amalgamate memberships and review of records back to 1 April 2014, and for many members the underpin will need to be calculated twice
- There will be an impact on funding and contributions. At whole fund level this should be relatively small, although there could be a larger impact on some (generally smaller and/or less mature) employers

BARRY MCKAY
Partner and Actuary

- We do not intend to revisit the 2019 valuation results and any employer contributions as we allowed for the cost of McCloud in the valuation process, but there may be some employers that funds will want to look at more closely
- We do not believe that accounting reports produced by us need to be revised as our approach, based on analysis by the Government Actuary's Department (GAD), closely replicates the proposed remedy
- The Government also announced the unpausing of the 2016 cost cap process, which will now take into account McCloud, but could lead to even further benefit changes

The consultation

As a reminder the current underpin was originally provided to protect members within ten years of normal retirement age when reform to the Scheme was announced. The proposed remedy is to extend this underpin to all active members as described in the summary. Other key elements are as follows.

The proposed remedy is a two-stage process with the underpin being calculated at the underpin date and recalculated and applied at the underpin crystallisation date. The underpin date is the earliest date at which the member leaves active service with an immediate or deferred pension, reaches their 2008 Scheme normal pension age (NPA), or dies. The crystallisation date is the date the member starts to receive benefits. The underpin date will be used to inform and communicate benefits to members but there will be no change in accrued benefits at this stage. This only applies at the crystallisation date.

Qualifying members will receive the higher of CARE and final salary pension in respect of the underpin period. Importantly, the final salary link has been retained and so the underpin test will be based on the member's final salary at date of leaving service or the 2008 Scheme NPA. Note that the NPAs of the 2008 Scheme and the 2014 Scheme may be different and so the underpin will also take this into account. This could mean that the benefit accrued under CARE is higher but if a member was to retire at say, age 65, and an early retirement reduction was applied to the CARE pension, then the final salary benefit may then be higher. Where a member remains in active service after their 2008 Scheme NPA, late retirement factors will be applied to the final salary benefit prior to comparison. Where there is a gap between the two underpin calculation dates, cost of living increases will also be applied to both prior to comparison.

> If the 2008 Scheme benefits are higher at the underpin crystallisation date, the additional amount will be added to the CARE annual pension.

Impact on members

This is quite complicated so a couple of examples of how the CARE and final salary benefits compare and work in practice on early, normal and late retirement are given below. The calculated accrued pension under each scheme has been revalued to the appropriate retirement age and then early or late retirement reduction or increase factors applied as appropriate. The tables consider a member aged 50 and aged 30 at 1 April 2020 respectively (so aged 52 and 32 at 1 April 2022 respectively).

For the 50-year-old member, the CARE pension is higher at each retirement age as there is not sufficient time for the higher salary growth under the 2008 Scheme (compared to CPI on CARE) to catch up with the higher accrual rate of the 2014 Scheme (49ths accrual versus 60ths accrual). However, for the 30-year-old member this result is reversed. The 2008 Scheme pension is higher at each retirement age as the higher salary growth outweighs the higher 2014 Scheme accrual rate, as there are over 30 years before the member reaches retirement. Therefore, we could be seeing the effects of McCloud for many years to come!

	Accrued pension 31 March 2022	Pension revalued to age 63	**Early retirement pension at age 63**	Pension revalued to age 65	**"Normal" retirement pension at age 65**	**"Late" retirement pension at age 68**
CARE pension	£5,676	£5,676 x 1.025^11 = £7,447	£7,447 x 0.778 = £5,794	£5,676 x 1.025^13 = £7,824	£7,824 x 0.857 = £6,706	£5,676 x 1.025^16 = £8,426
Final salary pension	£4,241	£4,241 x 1.035^11 = £6,192	£6,192 x 0.901 = £5,579	£4,241 x 1.035^13 = £6,633	£6,633	£4,241 x 1.035^13 x 1.025^3 x 1.12 = £8,003

Based on salary of £25,000 at 1/4/2014, full time service from 1/4/2014 to 31/3/2022 and NRD of 1/4/2035
Assumes CPI of 2.5% p.a., salary growth of CPI+1%, GAD early retirement reduction factors, 2008 Scheme NPA of 65 and 2014 Scheme NPA of 68

	Accrued pension 31 March 2022	Pension revalued to age 63	**Early retirement pension at age 63**	Pension revalued to age 65	**"Normal" retirement pension at age 65**	**"Late" retirement pension at age 68**
CARE pension	£5,676	£5,676 x 1.025^31 = £12,203	£12,204 x 0.778 = £9,494	£5,676 x 1.025^33 = £12,821	£12,821 x 0.857 = £10,988	£5,676 x 1.025^36 = £13,807
Final salary pension	£4,241	£4,241 x 1.035^31 = £12,320	£12,320 x 0.901 = £11,101	£4,241 x 1.035^33 = £13,198	£13,198	£4,241 x 1.035^33 x 1.025^3 x 1.12 = £15,924

Based on salary of £25,000 at 1/4/2014, full time service from 1/4/2014 to 31/3/2022 and NRD of 1/4/2055
Assumes CPI of 2.5% p.a., salary growth of CPI+1%, GAD early retirement reduction factors, 2008 Scheme NPA of 65 and 2014 Scheme NPA of 68

These are, of course, only two examples from a wide range of possibilities and, as ever, the results will be highly dependent on the assumptions and actual experience of each member. For example, increasing salary growth even just a small amount to CPI plus 1.25% results in a range of outcomes for the 50-year-old member – a higher benefit under the 2014 Scheme at age 63 and age 68 but a higher benefit under the 2008 Scheme at age 65. For the 30-year-old member, the 2008 Scheme will always be higher.

Reducing salary growth to CPI plus 0.5%, means that the 2014 Scheme pension is always higher for the 50 year-old while providing very similar benefits for the 30 year-old at all retirement ages. While it is complicated the consultation provides for the underpin to apply to members without the need for any action by them.

Impact on funding and contributions

More work is needed, but across the whole Scheme we estimate that the impact of the remedy might be to increase the liabilities by around 0.3% or around £0.9bn. This will depend on several factors; in particular, assumed salary growth relative to CPI and the level of withdrawals. This is significantly less that the £2.5bn estimated by GAD. This is largely because the salary growth assumption made by GAD is CPI plus 2.2% which is materially higher than our assumption for the 2019 E&W valuations which was typically CPI plus 1% p.a.

The impact of the remedy might be to increase average primary contributions by around 0.2% - 0.3% p.a. of pay and secondary contributions by around the same (with more variability at individual employer level). However, as we have already allowed for McCloud in our 2019 valuation calculations through various mechanisms, such as increased prudence in the discount rate or an explicit asset reserve, we do not intend to revisit the 2019 valuation results (but see below on variability by employer) as our certified contributions will have already anticipated these increases. Any further differences will be captured at the 2022 valuation and of course subsequent valuations, where experience differs from what has been assumed. Details of each fund's McCloud allowance can be found in their Funding Strategy Statement.

Variability by employer

Although the impact is likely to be small at whole fund level it could be significant at individual employer level. The member examples shown above illustrate how the impact on funding and cost could be very variable at member level and therefore at employer level.

For many employers in the LGPS with a mature workforce, like the councils, there is likely to be minimal impact. Although promotional increases could result in a material cost for certain members as the 2008 Scheme pension could exceed the 2014 Scheme pension as where salary increases are higher, the underpin is more likely to bite.

> For employers with a young workforce (e.g. academies and leisure centres) there could be a material impact on costs – the 2008 Scheme pension for the member above is between 15% and 20% higher than the 2014 Scheme pension at retirement ages 63 and 65.

Smaller employers may also be more affected. The change in an individual member's benefits may make up a significant proportion of their current liabilities and therefore the impact on smaller employers is likely to be more volatile.

Where there has been a material change in liabilities, the LGPS Regulations allow for a valuation to be carried out between valuation dates, and the contributions in the rates and adjustment certificate to be revised. Given the examples above, you may want to consider if you have any employers that could fall into this category and request a revised valuation.

Impact on administration

We always knew that, whatever the remedy, there would be a lot for funds to do, particularly in relation to administration. It's important, given the scale of the task, that funds start to plan ahead and think what they can be doing now to get ready for implementation. While the consultation plans for the Scheme Advisory Board (SAB) to continue to produce some centralised guidance and materials to assist and provide consistency across the various funds, administration system providers have estimated that it may take up to twelve months to update their systems to be able to deal with the administrative complexities. It is clear that project planning and additional resources will be required.

Communication to employers and members is a key current area of focus.

- Qualifying members not only need to know that the underpin will be applied to them without the need for any action on their behalf, but to have their expectations managed of when their benefits will be reviewed if necessary.
- Employers need to understand the requirement to provide historic and ongoing data to enable the 2008 Scheme benefits to be calculated. The SAB implementation group have been working on materials to assist with this.

The consultation proposes that the underpin applies only to those who have amalgamated their service and, to avoid members losing out as a result, provides for a reopening of the aggregation window for twelve months for certain members. It also proposes the inclusion of underpin date results on annual benefit statements. Communications will, therefore, continue to be an area of focus.

Ensuring that the data to calculate 2008 benefits is obtained and uploaded onto records will be a huge task ahead of an exercise to review or carry out calculations for the qualifying members since 1 April 2014. With the underpin changing in its operation, this will include not only the additional members covered by the underpin, but those who were previously covered as well.

Where members have retired and their benefits have been put into payment, arrears may be payable, and in general the proposals bring a number of pension tax complications to consider and to respond on.

> Looking forward, staff and employers will need to understand these requirements for some time to come as administering authorities will need to hold final pay data for around 50 years to calculate the final salary when you consider a member who joined in 2012 at age 20, could be retiring at age 68!

Given the scale of the overall task, now is a good time for administering authorities to move forward their planning processes, and to ensure that their pension committees and local pension boards are fully aware of the task ahead.

Impact on the cost cap mechanism

For the avoidance of doubt, this section is talking about the cost cap mechanism relating to the 2016 Scheme valuation carried out by GAD! This, along with the SAB cost cap, had been paused because of the uncertainty surrounding the McCloud costs and their impact on the cost cap calculations.

To recap, initial calculations carried out on behalf of the SAB indicated that the cost of the Scheme had fallen by around 0.9% of pay, due to lower life expectancy at 2016 relative to the assumptions adopted for the 2014 Scheme costings.

Several benefit improvements had been proposed including removal of the Tier 3 ill-health retirement benefit, possible employee contribution reductions at the lower pay bands and a minimum death in service grant.

The Government has now confirmed that the cost of the McCloud remedy will be included in the cost cap calculations and so will impact on any benefit improvements that were previously anticipated. The process is that the SAB carry out their calculations first and suggest changes to HMT. HMT then carry out slightly different calculations and make the required changes to the Regulations to allow for any required benefit changes. We understand that the intention is to have the cost cap calculations concluded by the start of 2021 with any changes applying retrospectively with effect from 1 April 2019 in England and Wales. Although it's possible that the cost of McCloud will mean that there are no other benefit improvements required.

At the same time, the 2020 Scheme valuation in E&W will proceed alongside a review of the cost cap mechanism, with the review taking place before the results of the valuation are finalised.

Impact on accounting disclosures

The SAB, with consent of the Ministry of Housing, Communities and Local Government (MHCLG), commissioned GAD to report on the possible impact of the McCloud judgement on LGPS liabilities, and in particular, those liabilities to be included in local authorities' accounts as at 31 March 2019. This followed an April 2019 CIPFA briefing note which said that local authorities should consider the materiality of the impact. This analysis was to be carried out on a "worst-case" basis, (i.e. what potential remedy would incur the highest increase in costs/liabilities).

We used the analysis provided by GAD to estimate the possible impact of the McCloud remedy. However, as pension fund accounting is a best estimate, we adjusted GAD's analysis to allow for the estimated cost in respect of members that were active as at 31 March 2012 (in line with that proposed in the Government's consultation) and to reflect the employer's salary increase assumption. This adjustment is an estimate of the potential impact on the employer's defined benefit obligations.

An allowance has already been made for McCloud for all employers, unless an employer has specifically requested no allowance to be made. Fortunately for our funds, our approach replicates the proposed remedy.

> So although auditors are being more pedantic in their review, we believe our estimate remains appropriate and avoids the need to revisit accounting reports, saving our funds and their employers the hassle and cost of revisiting reports.

Next steps

There are a number of areas which funds can now be getting on with and others where funds can start to plan for the volume of work that will be required for this project. At Barnett Waddingham we can help funds at each step of the way to prepare for and to deal with the various issues as efficiently as possible.

As noted above, exercises in communications, data collection, the option to amalgamate memberships and a review of records back to 1 April 2014 will be among the work required.

In addition, consider any employers that may be impacted materially as a result of their membership profile and request an updated valuation and contribution rate calculation in advance of the 2022 valuation if necessary.

Project management

There is no doubt that this is a significant project which will require project management. Considerations will therefore need to be made around fund resource as well as the other issues raised in this briefing note. At Barnett Waddingham we have the knowledge and experience to help you with preparing for this project and in managing and delivering it. Please get in touch with Annemarie Allen for more information.

Consultation response

We will be replying to the consultation and would be happy sharing this with you in case it helps to inform your response. In the meantime, if you have any queries please get in touch with your usual Barnett Waddingham contact or via the details below.

Please contact your Barnett Waddingham consultant if you would like to discuss any of the above topics in more detail. Alternatively get in touch via the following:

info@barnett-waddingham.co.uk 0333 11 11 222

www.barnett-waddingham.co.uk

By:	Chairman Superannuation Fund Committee Corporate Director of Finance
To:	Superannuation Fund Committee – 4 September 2020
Subject:	**FUND POSITION**
Classification:	Unrestricted

Summary: To provide a summary of the Fund's asset allocation and performance

FOR INFORMATION

INTRODUCTION

1. This report provides an update on the asset allocation and manager performance.

2. A copy of the Fund Position Statement is at appendix 1.

ASSET ALLOCATION

3. As at 30 June 2020 the fund's value was £6.542bn, an increase of £818m over the quarter and table 1 below compares the actual asset allocation at 30 June 2020 to that set out in the Fund's Investment Strategy.

Table 1 asset allocation

	Fund		Benchmark	Over / (under) weight
Asset Class	**£m**	**%**	**%**	**%**
UK Equity	1,213	18.5	23.5	-5.0
Global Equity *	2,781	42.5	32	10.5
Fixed Income	869	13.3	15	-1.7
Private Equity	139	2.1	4	-1.9
Infrastructure	60	0.9	3.5	-2.6
Property	737	11.3	13	-1.7
Absolute Return	517	7.9	8	-0.1
Cash *	226	3.5	1	2.5
Total	**6,542**	**100**	**100**	

* £100m withdrawn from Baillie Gifford on 29.06.2020 and held as internally managed cash

4. Most asset classes rose in value during the quarter with the exception of property. Global equities rose by some £555m, 25%, resulting in the percentage of the Fund in global equities rising to 42.5%, an increase of 3.6%, despite the withdrawal of £100m from the Baillie Gifford fund at the end of June. The Fund was overweight in equities by some 5.5% at 30 June.

5. The value of the Fund’s property portfolio fell by £30m over the 3 months and our direct property holdings in particular lost some value. The percentage of the Fund now invested in property has fallen to 11.3%, below the benchmark allocation.

6. The value of the Woodford fund fell in the 3 months being valued at £30m at the end of the period.

INVESTMENT PERFORMANCE QUARTER TO 30 JUNE 2020

7. Overall the Fund’s investments performed well in the June quarter achieving a return of 14.31% compared with a benchmark return of 8.31%.

8. Most managers other than property outperformed their benchmarks over the quarter with the best performance being achieved by Baillie Gifford who outperformed the benchmark by 20%.

9. The Fund’s fixed income and absolute return managers’ performances bounced back from significant underperformance in the March quarter. CQS in particular achieved a strong return after struggling in March.

10. The returns on the Fund’s property portfolio were negative in the quarter and, with the exception of the M&G residential fund, managers underperformed reflecting the challenges of that asset class especially in the retail and leisure sectors.

LONGER TERM INVESTMENT RETURNS

11. Over the longer term the Fund has performed ahead of benchmark.

12. The 1-year performance is 1.87% vs the benchmark of -0.91% and the Fund’s improved returns reflect the recovery in the June quarter after a disappointing performance in the run up to the end of March. For the 3-year period the Fund’s return was 4.91% pa against the benchmark of 4.28% pa.

13. The Fund’s positive returns mainly reflect the strong performance of the Baillie Gifford fund as other managers despite strong performances in the June quarter underperformed their benchmarks. Both the Schroders GAV fund and Pyrford significantly lag the benchmark and are giving cause for concern.

14. The returns from property over the 3-year period are positive and ahead of the benchmark due to strong returns being achieved prior to the difficulties of recent months.

RECOMMENDATION

15. Members are asked to note the report.

Alison Mings
Treasury and Investments Manager
Alison.mings@kent.gov.uk

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FUND POSITION STATEMENT

Summary of Fund Asset Allocation and Performance

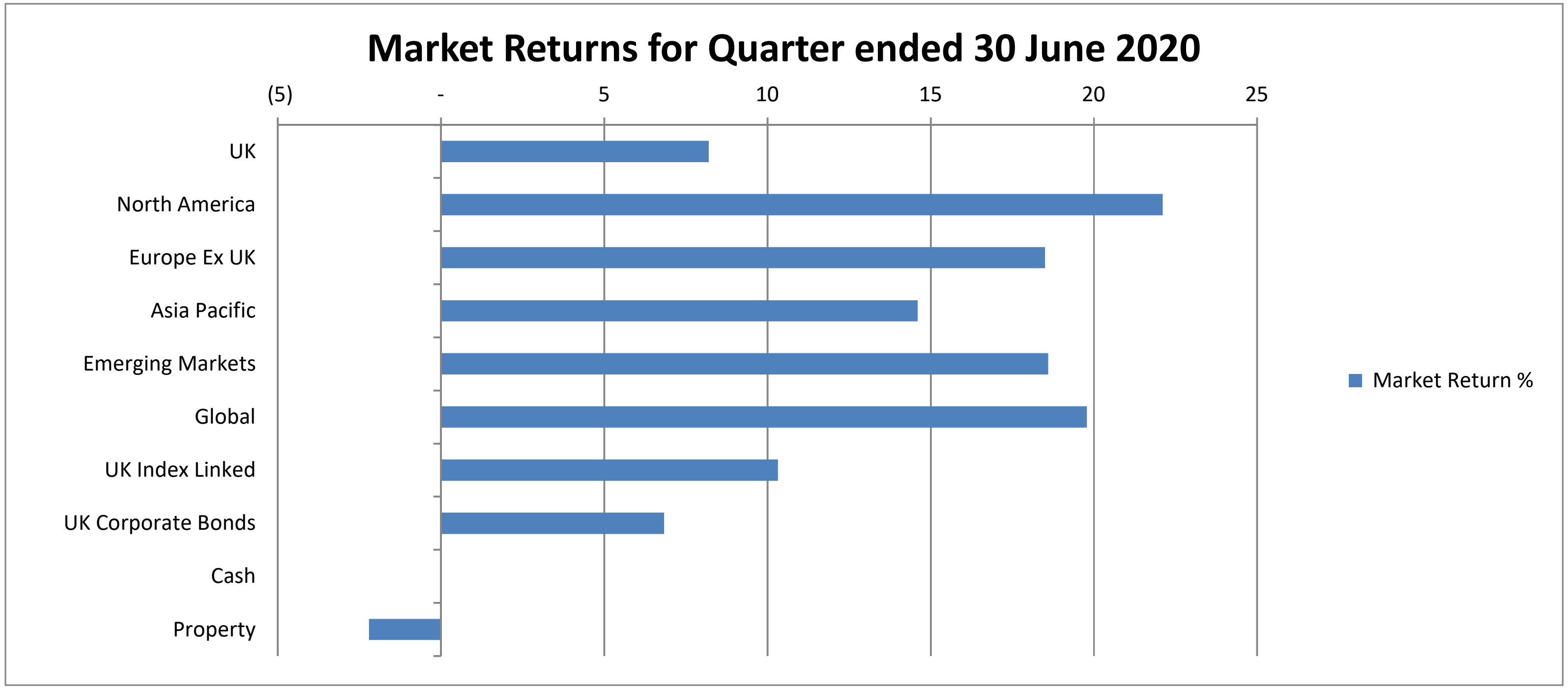
Superannuation Fund Committee

By: Chairman Superannuation Fund Committee
Corporate Director of Finance

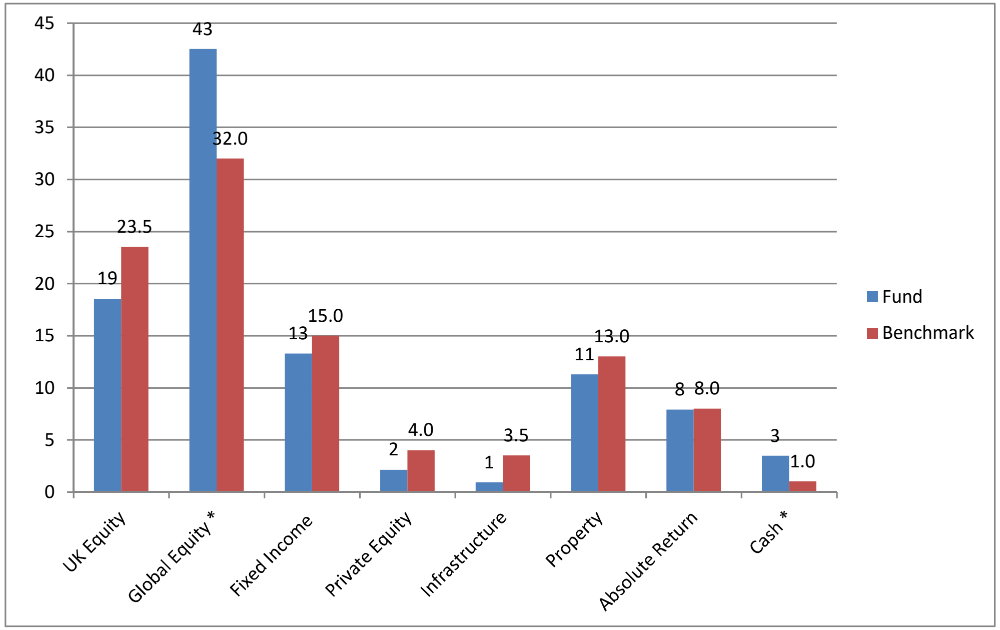
Kent County Council
Superannuation Fund Q1 2020-21

Alison Mings- Acting Business Partner - Kent Pension Fund

Market Returns for Quarter ended 30 June 2020



Fund Asset Allocation vs Benchmark as at 30 June 2020



	Fund		Benchmark	Over / (under) weight
Asset Class	£m	%	%	%
UK Equity	1,213	18.5	23.5	-5.0
Global Equity *	2,781	42.5	32	10.5
Fixed Income	869	13.3	15	-1.7
Private Equity	139	2.1	4	-1.9
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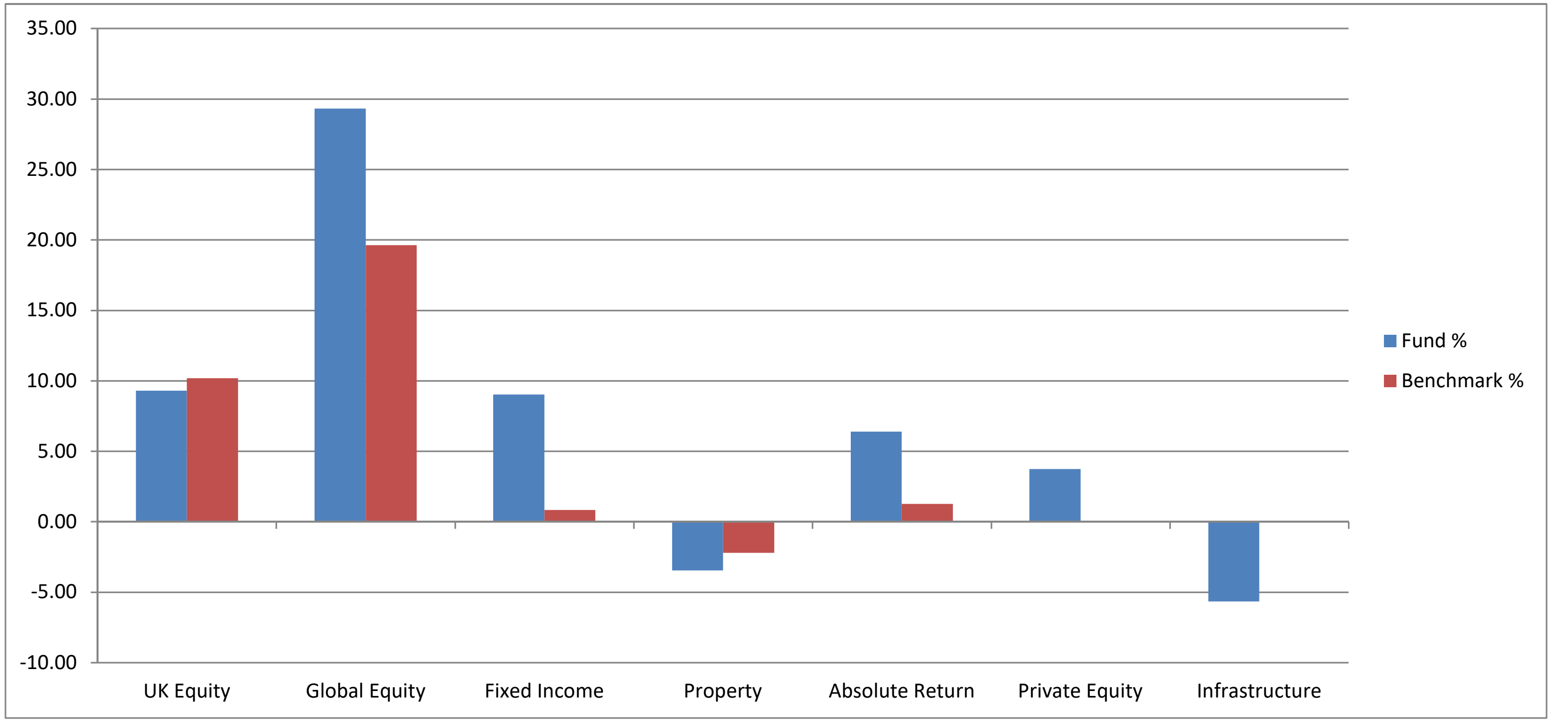
Absolute Return	517	7.9	8	-0.1
Cash *	226	3.5	1	2.5
Total	6,542	100	100	

* £100m withdrawn from Baillie Gifford on 29.06.2020 and held as internally managed cash

Fund Asset Class Performance for Quarter ending 30 June 2020



Asset Class	Fund %	Benchmark %	Outperformance %
UK Equity	9.30	10.17	-0.87
Global Equity	29.31	19.61	9.70
Fixed Income	9.02	0.83	8.19
Property	-3.46	-2.21	-1.25
Absolute Return	6.38	1.26	5.12
Private Equity	3.73	-0.01	3.74
Infrastructure	-5.67	-0.01	-5.66

Market Value Summary by Fund Manager as at 30 June 2020

Fund Manager	Asset Class	Market Value as at 31 March 2020 (£m)	Market Value as at 30 June 2020 (£m)	Change in Market Value (£m)	% of Total Fund 30 June 2020
Baillie Gifford - ACCESS fund *	Global Equity	1,123	1,451	328	22.2%
Schroders - ACCESS fund	UK Equity	770	845	75	12.9%
DTZ	Direct Property	478	459	-19	7.0%
Pyrford	Absolute Return	415	441	26	6.7%
Goldman Sachs	Fixed Interest	369	398	29	6.1%
M&G - ACCESS fund	Global Equity	299	363	64	5.6%
UBS Global - ACCESS fund	Global Equity	289	348	59	5.3%
UBS UK - ACCESS fund	UK Equity	275	304	29	4.6%
Schroders GAV	Global Equity	250	299	48	4.6%
Sarasin	Global Equity	246	293	47	4.5%
Schroders	Fixed Interest	216	237	21	3.6%
M&G Alpha Opportunities	Fixed Interest	120	130	10	2.0%
Fidelity	Pooled Property	131	128	-3	2.0%
CQS	Fixed Interest	108	122	13	1.9%
Harbourvest	Private Equity	100	101	1	1.5%
Ruffer - ACCESS fund	Absolute Return	71	77	5	1.2%
M&G Property	Pooled Property	65	65	0	1.0%
Partners	Infrastructure	60	60	0	0.9%
Impax	Global Equity	43	52	9	0.8%
Kames	Pooled Property	47	44	-3	0.7%
DTZ Pooled Funds	Pooled Property	46	41	-5	0.6%
YFM	Private Equity	35	38	3	0.6%
Woodford	UK Equity	36	30	-6	0.5%
UBS Emerging Markets - ACCESS fund	Global Equity	13	16	2	0.2%
Internally managed cash *	Cash	102	200	99	3.1%
Total Kent Fund		**5,709**	**6,542**	**735**	**100.0%**

* £100m withdrawn from Baillie Gifford on 29.06.2020 and held as internally managed cash

Total investments in ACCESS pooled funds	**2,841**	**3,404**
Percentage of the total Fund	**50%**	**52%**

Performance Returns as at 30 June 2020

	Quarter		1 Year		3 Year (p.a.)	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
Total Fund	14.31	8.31	1.87	-0.91	4.91	4.28
UK Equity						
Schroders UK Equity	9.76	9.15	-14.83	-14.67	-2.17	-2.16
UBS	10.55	10.17	-12.88	-12.99	--	--
Woodford	-16.42	10.17	-35.86	-12.99	-23.85	-4.24
Global Equity						
Baillie Gifford	38.14	17.54	27.59	1.79	18.38	5.77
Sarasin	18.98	19.64	8.75	5.18	9.43	7.92
Schroders GAV	19.25	19.64	-5.65	5.18	1.41	7.92
UBS Emerging Markets	18.64	18.89	-0.89	-0.36	--	--
UBS World Ex UK Equity	20.40	20.43	7.70	7.72	--	--
Impax	21.76	19.64	1.58	5.18	5.77	7.92
M&G	21.46	19.64	-1.23	5.18	4.94	7.92
Fixed Interest						
Goldman Sachs	7.97	0.86	0.84	3.50	3.05	3.50
Schroders Fixed Interest	9.60	0.30	-4.60	1.00	-1.17	0.86
CQS	12.42	1.28	--	--	--	--
M&G Alpha Opportunities	8.14	1.28	--	--	--	--
Property						
DTZ	-4.04	-2.21	-2.78	-2.57	4.58	3.90
Fidelity	-3.00	-2.00	-2.25	-2.59	4.76	3.40
Kames	-2.92	-2.00	-4.37	-2.59	4.08	3.40
M&G Property	-0.21	-2.00	-0.02	-2.59	2.12	3.40
Private Equity						
Harbourvest	0.86	-0.01	6.52	0.40	14.52	0.41
YFM	5.85	-0.01	-1.81	0.40	16.04	0.41
Infrastructure						
Partners	-5.67	-0.01	-6.24	0.40	5.81	0.41
Absolute Return						
Pyrford	6.21	1.26	2.72	6.04	1.61	7.45
Ruffer	7.34	1.26	10.91	6.04	--	--

Fund Manager Benchmarks and Performance Targets

Asset Class / Manager	Performance Benchmark	Performance Target
UK Equities:		
Schroders UK Equity	Customised	+1.5% pa over rolling 3 years
Woodford	FTSE All Share	Unconstrained
UBS UK Equity	FTSE All Share	Match
Global Equities:		
Baillie Gifford	Customised	+1.5% pa over rolling 3 years
Sarasin	MSCI AC World Index NDR	+2.5% over rolling 3 - 5 years
M&G	MSCI AC World Index GDR	+3% pa
Schroders GAV	MSCI AC World Index NDR	+3% - 4% pa over rolling 3 years
Impax	MSCI AC World Index NDR	+2% pa over rolling 3 years
UBS Global Equity	FTSE (Dev) World ex UK	Match
UBS Emerging Market Equities	FTSE Emerging Markets	Match
Fixed Income:		
Schroders Fixed Interest	3 months Sterling Libor	+4% pa over a full market cycle
Goldman Sachs	+3.5% Absolute	+6% Absolute
CQS	Libor + 4%	
M&G Alpha Opprtunities	Libor + 4%	
Property:		
DTZ	IPD Pension Fund Index	≥ 3 year rolling average of benchmark returns
Fidelity	IPD UK PF Property Fund Index	
Kames	IPD UK PF Property Fund Index	
M&G Property	IPD UK PF Property Fund Index	
Alternatives: (Cash / Other Assets)		
Private Equity – YFM	GBP 7 Day LIBID	
Private Equity – HarbourVest	GBP 7 Day LIBID	
Infrastructure – Partners Group	GBP 7 Day LIBID	
Absolute Return – Pyrford	Retail Price Index (RPI)	RPI + 5%
Absolute Return – Ruffer	Retail Price Index (RPI)	
Internally managed cash – KCC Treasury and Investments team	GBP 7 Day LIBID	

Fund Structure as at 30 June 2020

UK Equities	Global Equities	Fixed Interest	Property	Cash/Alternatives
Schroders +1.5% £845 m	Baillie Gifford +1.5% £1,451 m	Goldman Sachs +6.0% Abs. £398 m	DTZ Property £500 m	Internally managed Cash £200 m
UBS 0.0% £304 m	M&G +3.0% £363 m	Schroders +4.0% £237 m	Fidelity Property £128 m	Partners Infrastructure £60 m
Woodford £30 m	Schroders +3.0% - +4% £299 m	CQS £122 m	Kames Property £44 m	YFM Private Equity £38 m
	UBS +0.0% £364 m	M&G Alpha Opps £130 m	M&G Property £65 m	HarbourVest Private Equity £101 m
	Impax +2.0% £52 m			Pyrford Abs. Return RPI + 5% £441 m
	Sarasin +2.5% £293 m			Ruffer Abs. Return RPI £77 m

Total Fund £6.5 bn

ACCESS fund

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