

KENT COUNTY COUNCIL

SUPERANNUATION FUND COMMITTEE

MINUTES of a meeting of the Superannuation Fund Committee held in the Council Chamber, Sessions House, County Hall, Maidstone on Wednesday, 23 June 2021.

PRESENT: Mr C Simkins (Chairman), Mr P Bartlett, Cllr J Burden, Mr N J D Chard, Cllr P Clokie, OBE, Mr P C Cooper, Ms M Dawkins, Cllr N Eden-Green, Mr J P McInroy, Mr J Parsons, Mr P Stepto and Mr J Wright.

ALSO PRESENT: Mr P J Oakford and Mr H Rayner

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

UNRESTRICTED ITEMS

2. Membership - the committee is asked to note its new membership *(Item 1)*

1. The Democratic Services Officer advised that, since publishing the agenda, notice had been received from Medway Council that Cllr Gary Hackwell had replaced Cllr Stuart Tranter as Medway Council's representative on the committee. Cllr Habib Tejan would remain as a substitute, to attend if Cllr Hackwell was unable to.

2. The new Membership was noted and the Chairman welcomed new Members to their first meeting of the Superannuation Fund Committee. He also recorded his sincere thanks to former Members of the committee – Paul Barrington-King, Dan Daley, Peter Homewood, Cllr Stuart Tranter and Mary Wiggins – for their contribution to the work of the committee. Mr Daley, in particular, had served on the committee since 2005.

3. Apologies and Substitutes

Apologies for absence had been received from Mr D Coupland and Cllr S Tranter. There were no substitutes.

4. Election of Vice-Chair *(Item 3)*

The Chairman, Mr C Simkins, nominated and Mr J Wright seconded that Mr N J D Chard be elected Vice-Chair of the committee.

There were no other nominations and it was duly RESOLVED that Mr Chard be elected Vice-Chair of the committee.

5. Declarations of interest by Members in items on the agenda for this meeting. *(Item 4)*

Mr P Bartlett declared an interest in agenda item 16 as he was employed by the Bank of New York Mellon, the parent company of Insight, which was managing the equity downside protection programme.

(discussion of agenda item 16 was subsequently postponed to a later meeting)

6. Minutes of the meetings held on 12 March 2021 and 27 May 2021

(Item 5)

1. It was RESOLVED that the minutes of the meetings held on 12 March 2021 and 27 May 2021 are correctly recorded and that paper copies be signed by the Chairman when this can be done safely. There were no matters arising from the unrestricted minutes.
2. The wording of the exempt minutes of the 12 March 2021 meeting was discussed in the closed session of the meeting and an amendment made to Minute 31 para 2 b).

7. Training Update

(Item 6)

1. Mrs Mings gave a verbal update on training for Members of the committee and the Pension Board. The training programme had been sent to all Members of both in April and sent since to new Members joining after the May elections. All had been invited to a training session arranged for 16 July and were asked to indicate attendance. Training would be given by AnneMarie Van Bochove Allen from Barnett Waddingham. A further session had been arranged for 26 July, to cover issues including risk management and cyber security, to be given by Mrs Van Bochove Allen and Tony English from Mercer Ltd. It was discussed and agreed not to record online training sessions.
2. The verbal update was noted, with thanks.

8. Internal Audit action plan update

(Item 7)

This item was marked as being 'to follow' when the agenda pack was published.

1. Mrs Mings presented a slide which set out the 16 recommendations made by Internal Audit and the progress made so far on most of these. The key points were as follows.
 - Tony English from Mercer attends the committee meetings. The Committee reviews the funds asset allocation at every meeting in accordance with the Fund's rebalancing policy. Mercer has also reviewed the Investment Strategy Statement for the Committee to review in September 2021.
 - Barnett Waddingham's review of the Fund's governance is ensuring all issues raised have been addressed. It is close to completion and a number of recommendations have already been implemented.
 - The Fund's training policy has been reviewed and a training plan was published April 2021 including induction / refresher sessions on the LGPS and the Fund and quarterly training sessions
 - The Funding Strategy Statement has been reviewed and updated for the Committee to review June 2021

- Barnett Waddingham have completed their review of the Finance support for the Fund and KCC is now progressing the establishment of an enhanced Pensions and Treasury Unit reporting to the Corporate Director of Finance aligned with the recommendations of the Scheme Advisory Board Good Governance Review.
2. It was also noted that the reciprocal arrangements between the committee and the Pension Board had worked well, with each other's membership receiving meeting papers and the Chairmen providing updates to each other's meetings.
 3. Ms Cooke explained further that Barnett Waddingham had recommended a review of the capacity and skill mix of the finance team and had recommended the establishment of a senior post of Head of Pensions and Treasury, to oversee both the Pensions and Treasury teams within one unit. This news was welcomed but concern expressed that the specialist skills of staff working in each team would need to be retained. Ms Cooke advised that bringing both teams together within one unit would address general resourcing issues across the teams and would strengthen capacity; each team would retain and update their specialist skills. This was welcomed as a way to deal with the greatly increased workload in recent years.
 4. It was RESOLVED that the information set out in the presentation and given in response to comments and questions be noted, with thanks.

9. Pension Fund Business Plan (Item 8)

1. Mrs Mings introduced the report and highlighted key trends and a comparison between last year and expected costs this year. The Chairman, Ms Cooke and Mrs Mings responded to comments and questions, including the following:-
 - a) asked why ACCESS costs had risen while others had decreased in the last year, Mrs Mings advised that costs were lower than anticipated in 2020-21 as planned work had slipped due to the impact of the pandemic. In 2021-22 progress was being made on establishing the pooling structures for non-listed assets while work had commenced on the agreement of ACCESS ESG guidelines and public relations / communications advisors had been engaged. In response to concern that ACCESS costs may increase even further, the Chairman reassured Members that the benefits to the Pension Fund of the ACCESS arrangements far outweighed the costs incurred;
 - b) asked how Kent compared to other funds in the amount it had invested via the ACCESS arrangements, Ms Cooke advised that Kent had invested a similar proportion of total assets and reminded the committee that ACCESS costs were shared equally between the 11 ACCESS authorities. A benchmarked comparison of Kent's costs was requested as a feature of future reports;
 - c) staff savings had also been made in the pensions administration team and concern was expressed that this may lead to understaffing. Mrs Cheatle advised that the shortage was due to being unable to fill all vacancies, although five new pensions assistants had recently been recruited. New staff would take 18 months to 2 years to train fully;

- d) asked if an increase in the number of investors in the ACCESS pool might lead to increased risks, the Chairman and Mrs Mings assured Members that the level of risk was no different if one or several local authorities were involved. Ms Cooke added that the County Council had no choice about entering into pooling arrangements but reassured Members that all local authorities in the pool employed the same rigour as Kent when considering any new investment;
 - e) an ongoing training programme for existing and new Members was supported, so that existing Members would have the opportunity to refresh and update their knowledge.
2. It was RESOLVED that the 2020/21 outturn costs, the updated Business Plan and the related outturn for 2021/22 be noted, with thanks.

10. ACCESS update

(Item 9)

1. Mrs Mings introduced the report, about which there were no questions.
2. The committee agreed unanimously that Mr C Simkins, Chairman of the committee, should continue to serve on the ACCESS Joint Committee for a further four years.
3. Mr Simkins then proposed and Mr J McInroy seconded that Mr N J D Chard, Vice-Chairman of the committee, be appointed to serve as substitute on the ACCESS Joint Committee, to attend if the Chairman were unable to. This was agreed unanimously.
4. It was RESOLVED that:-
 - a) the information set out in the report be noted, with thanks;
 - b) Mr C Simkins, as Chairman of the Superannuation Fund Committee, be appointed by Kent County Council to serve on the ACCESS Joint Committee for a further four-year term; and
 - c) Mr N J D Chard, as Vice-Chairman of the Superannuation Fund Committee, be appointed by Kent County Council to serve as substitute on the ACCESS Joint Committee for a further four-year term.

11. Fund Employer and Governance Matters

(Item 10)

1. Mrs Mings introduced the report which provided information on Fund employers, an update on the McCloud remedy, an update on the Funding Strategy Statement and associated Fund policies, and a proposal for the transfer out of the Oasis Community Learning Trust, including Sodexo Limited. It also advised of a number of admission matters for decision. Mrs Mings responded to comments and questions from the committee, including the following:-
 - a) concern was expressed about the impact of large groups of schools or academies leaving the scheme and the possible need to attract new joiners to compensate. Mrs Mings advised that when an employer leaves the Fund they take their share of the total assets and liabilities which could impact the Fund's funding position. There were also costs involved in the administration of these

arrangements. Also, as costs were shared across employers, those remaining could see their share increase. The situation would be monitored;

- b) asked what would happen if an employer was to go out of business before they were able to pay the contributions they owed the Fund, Mrs Mings advised that the Fund could rely on the guarantee / bond included in the agreement when they joined the Fund which would cover the outstanding costs. A view was expressed that such an agreement should also include issues relating to responsible investment;
- c) asked about the particular risks to the Fund of employers in the leisure industry being unable to pay contributions, and the Fund accordingly losing income, Mr Tagg advised that these employers were monitored carefully and the Fund liaised with them and the local authority regarding their continuing business activities. He also said that the Fund relied on the admission agreement made when these employers joined the Fund. Mrs Mings added that individual employers had a responsibility to make sure they could cover their employees' pension entitlements;
- d) fuller information was requested on the extent of liability within the scheme, and how much employers owed, so this could be monitored before it became a problem, and so the committee could be reassured that there was sufficient cashflow to cover liabilities. It would also be helpful to know the required minimum level of funds needed. Mrs Mings assured the committee that officers were monitoring the Fund's cash position including unpaid contributions to ensure there was sufficient cash to cover pensions payable.

2. The committee RESOLVED to note the report and to agree:

- a) to endorse the proposed Funding Strategy Statement and associated Fund policies;
- b) to the admission to the Kent County Council Superannuation Fund of Birkin Cleaning Services Ltd (re Kent Catholic Schools Partnership);
- c) to the admission to the Kent County Council Superannuation Fund of Ecocleen Services Ltd;
- d) to the admission to the Kent County Council Superannuation Fund of Independent Catering Management Ltd (re Fort Pitt Thomas Aveling Academies);
- e) that a Deed of Modification be entered into in respect of Orbit South Housing Association Limited;
- f) that the Chairman may approve the minutes relating to recommendations b) to e) at the end of today's meeting; and
- g) that, once legal agreements have been prepared for matters b) to e) above, the Kent County Council seal can be affixed to the legal documents.

12. Pensions Administration

(Item 11)

1. Mrs Cheatle introduced the report, highlighted key points and responded to comments and questions from the committee, including the following:-

- a) concern was expressed about the impact of IT problems on pensions staff while they continued to work from home; and
- b) asked why payroll costs per pensioner had increased, Mrs Cheatle advised that the pensions team paid an annual fee to Cantium Business Solutions to run the payroll system, and this was negotiated to be as competitive as possible. It was expected that the cost per member would increase to nearer the national average once the team was fully staffed. Printing and postage costs, for example, for sending out P60 forms, continued despite working from home, but it was hoped that online access to such documents could be possible in the future.

2. It was RESOLVED that the information set out in the report and given in response to comments and questions be noted, with thanks to Mrs Cheatle and her team for their continued efforts to address challenging workloads during difficult times.

13. Fund Position

(Item 12)

1. The Chairman introduced the report, on which there were no questions.

2. It was RESOLVED that the fund's asset allocation and performance as at 31 March 2021 be noted, with thanks.

14. Date of next meeting

(Item 13)

The Democratic Services Officer reported that meeting dates for September to December were being reviewed and would be confirmed as soon as possible.

15. Motion to exclude the press and public for exempt business

The committee 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.

OPEN ACCESS TO MINUTES 16, 17, 18, 20 and 21

SUMMARY OF EXEMPT MINUTE 19

(where access remains restricted)

16. Fund Manager presentation - M&G

(Item 14)

Ms O Haughey and Mr S Rhodes from M&G were present for this item at the invitation of the committee.

1. The Chairman welcomed Ms Haughey and Mr Rhodes to the meeting and thanked them for attending.
2. Ms Haughey and Mr Rhodes presented a series of slides (*which had been sent to the committee in advance*) which set out the composition and performance of the Global Dividend Fund since April 2020. They answered questions of detail from the committee, including about monitoring of environmental, social and governance issues.
3. It was RESOLVED that the information set out in the presentation and given in response to questions be noted, with thanks.

17. Pension Fund Cash Flow (Item 15)

1. Mrs Mings and Ms Surana introduced the report and responded to comments from the committee, including an update on recovering the funds invested with Woodford. Mrs Mings undertook to send the committee an overview of the current situation.
2. It was RESOLVED that the updated cashflow information be noted, with thanks.

18. Equity Downside Protection - update (Item 16)

Tony English from Mercer Ltd had been due to attend the meeting to present this item and advise the committee, however, due to Covid restrictions, he was unable to attend on the day.

Accordingly, the Committee RESOLVED to postpone discussion of this item to a future meeting.

19. Investment Strategy (Item 17)

1. Mrs Mings introduced the report and responded to comments and questions from the committee, including an update on ratings of fund managers, insurance for assets under management, an update on individual investments and savings arising from ACCESS pooling.
2. It was RESOLVED that the report be noted and the recommendation about asset allocation be agreed.

20. Responsible Investment update (Item 18)

1. Mrs Mings introduced the report and advised new Members of the committee of the establishment and work so far of the Responsible Investment group as an investigative but non-decision making group which would report back to the committee for decision. A survey of Members' views and values would be undertaken shortly, and the Responsible Investment group would consider the responses received.
2. It was RESOLVED that the report be noted and it be agreed that the membership of the Responsible Investment group continue as previously.

21. Pension Fund Risk Register
(Item 19)

1. Ms Surana introduced the report, on which there were no questions.
2. It was RESOLVED that the information on the risk register set out in the report be noted, with thanks.