SUPERANNUATION FUND COMMITTEE

Wednesday, 23rd June, 2021

10.00 am

Council Chamber, Sessions House, County Hall, Maidstone

AGENDA

SUPERANNUATION FUND COMMITTEE

Wednesday, 23rd June, 2021 at 10.00 am		Ask for:	**Theresa Grayell**
Council Chamber, Sessions House, County Hall, Maidstone		Telephone:	**03000 416172**

Membership

Conservative (7):	Mr C Simkins (Chairman), Mr P Bartlett, Mr N J D Chard, Mr P C Cooper, Mr J P McInroy, Mr J Wright and Vacancy
Labour (1)	Ms M Dawkins
Greens and Independents (1)	Mr P Stepto
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)	Mr D Coupland and one vacancy
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 Membership - the committee is asked to note its new membership

2 Apologies and Substitutes

3 Election of Vice-Chair

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

5 Minutes of the meetings held on 12 March 2021 and 27 May 2021 (Pages 1 - 14)

6 Training Update - verbal

7 Internal Audit action plan update - TO FOLLOW

8 Pension Fund Business Plan (Pages 15 - 22)

9 ACCESS update (Pages 23 - 36)

10 Fund Employer and Governance Matters (Pages 37 - 104)

11 Pensions Administration (Pages 105 - 108)

12 Fund Position (Pages 109 - 120)

13 Date of next meeting

The date of the September meeting is being reviewed and will be announced as soon as possible.

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)

14 Fund Manager presentation - M&G

15 Pension Fund Cash Flow (Pages 121 - 124)

16 Equity Downside Protection - update (Pages 125 - 156)

17 Investment Strategy (Pages 157 - 192)

18 Responsible Investment update (Pages 193 - 198)

19 Pension Fund Risk Register (Pages 199 - 204)

Benjamin Watts
General Counsel
03000 416814

Tuesday, 15 June 2021

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 online on Friday, 12 March 2021.

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, 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, Mrs R Binks, Mr T English, Mr R Sinnott and Mrs A van Bochove Allen

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), Mr C Ratcliffe (Principle Auditor), Miss T A Grayell (Democratic Services Officer) and Mrs K Goldsmith (Research Officer - Overview and Scrutiny)

UNRESTRICTED ITEMS

14. Apologies and Substitutes
(Item 1)

Apologies for absence were received from Mrs M Wiggins.

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

Mr P Bartlett declared an interest in agenda item 15 as he was employed by the Bank of New York Mellon, the parent company of Insight, which was managing the equity downside protection programme.

16. Minutes of the meeting held on 5 February 2021
(Item 3)

It was RESOLVED that the minutes of the meeting held on 5 February 2021 be approved as a correct record and that the Chairman sign a paper copy when this can be done safely. There were no matters arising.

17. Internal Audit action plan - verbal
(Item 4)

1. Ms Cooke explained that all recommendations from the Internal Audit Action Plan were being progressed and that an update would be reported to the Governance and Audit Committee in April 2021. There were no questions.

2. It was RESOLVED that the action plan be noted.

18. Future committee work programme
(Item 5)

1. Mrs Mings drew the Committee's attention to the future work programme and the Chairman thanked her for the comprehensive report. There were no questions.

2. It was RESOLVED that the committee's work programme be agreed.

19. Pension Fund Business Plan
(Item 6)

1. Mrs Mings and Ms Cooke introduced the report and responded to comments and questions from the committee about the fees and consultancy costs payable in relation to the Equity Downside Protection **(**EDP) project, and additional funding to cover the increased costs incurred by the pensions administration team. More detailed information would be provided to the June meeting.

2. Concern was expressed that the committee was being asked to agree the business plan without having this fuller information and that surely the business plan could be agreed in principle only at this stage.

3. It was RESOLVED that the updated business plan and the budget required be agreed in principle, subject to more detailed information being reported to the committee's June meeting.

20. Fund Employer and Governance Matters
(Item 7)

1. Mrs Mings introduced the report and Mrs Cheatle added that, since last reporting to the committee, the new Government regulations for the exit cap had been revoked but the outcomes of this change, and whatever would replace the cap, was yet to become clear. Work was continuing with the Local Government Association to implement the McCloud judgement and more information would be available to the June meeting. There were no questions.

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

   a) to the admission to the Kent County Council Superannuation Fund of Aspens Services Ltd;

   b) to the admission to the Kent County Council Superannuation Fund of Olive Dining Ltd;

   c) to the admission to the Kent County Council Superannuation Fund of Oliver Winter trading as Victory Cleaning;

   d) to the admission to the Kent County Council Superannuation Fund of Pabulum Ltd (re Tenterden Schools Trust);

e) that the Chairman may approve the minutes relating to recommendations a) to d) at the end of today's meeting; and

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

21. Pensions Administration
(Item 8)

1. Mrs Cheatle introduced the brief update report to set out the additional work which was going on to implement the latest changes, including technology upgrades to accommodate new requirements, and increased workloads. The Pensions Regulator had introduced more checks to tackle scams which had come to light, in which scheme members had been encouraged to transfer benefits. There were no questions.

2. The committee thanked Mrs Cheatle and the pensions administration team for their work in continuing to manage heavy workloads and implement the required changes to practice.

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

22. ACCESS update
(Item 9)

1. Mrs Mings introduced the report and responded to comments and questions from the committee about the benefits gained by the Kent scheme since joining the pool, and more information on this was requested. The Chairman added that savings had been made in running costs and fees, as well as benefits gained from the opportunity to network and exchange information with pooling partners. Mrs Mings undertook to provide a more detailed report of these savings to the June meeting.

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

23. Report on the Pension Board meeting on 12 February 2021
(Item 10)

1. The Chairman of the board, Mrs M E Crabtree, introduced the report and noted the work being undertaken by the pensions administration team to action the changing requirements arising from the McCloud judgment and the exit cap, which, although now revoked, had generated much work.

2. The Chairman and Mrs Crabtree agreed that the closer working between the committee and the board was constructive and both hoped that the two would be able to undertake joint training. There were no questions.

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

24. Fund Position
(Item 11)

1. Mrs Mings introduced the report and responded to questions from Members.

2. It was RESOLVED that the fund's asset allocation and performance, as at 31 December 2020, be noted, with thanks.

25. Future meeting dates 2021/22
(Item 12)

The committee NOTED that its next meeting would be held on Friday 18 June 2021, commencing at 10.00 am.

The committee also NOTED that the pattern of future meetings of the Superannuation Fund Committee and the Pension Board would be as follows:

Superannuation Fund Committee	**Pension Board**
Friday 18 June 2021	Friday 4 June 2021
Friday 3 September 2021	Wednesday 21 July 2021, 2.00 pm
Friday 10 December 2021	Thursday 18 November 2021, 2.00 pm
Friday 4 February 2022	
Friday 1 April 2022	Friday 11 March 2022
Friday 17 June 2022	Tuesday 24 May 2022

NOTE: The June 2021 date was subsequently changed to23 June when the County Council was required to return to face-to-face meetings for some committees, including the Superannuation Fund Committee. Further updates on meeting dates will be made as and when known.

26. 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.

SUMMARY OF EXEMPT MINUTES 28 to 32
(where access to these minutes remains restricted)

OPEN ACCESS TO MINUTES 27 and 33

27. Fund Manager presentation - GSAM
(Item 13)

Sabriyah Denham, Executive Director, Lead Client Portfolio Manager, and Jason Freeman, Executive Director, Client Relationship Manager, were present for this item at the request of the committee.

1. Ms Denham and Mr Freeman introduced themselves and presented a series of slides which summarised the Kent fund's portfolio managed by GSAM and its performance in 2020. They answered questions of detail from the committee, including the strategy to address an increase in inflation, the likely impact of changing levels of engagement with environmental, social and governance (ESG) issues, the potential for churn in portfolio allocation, benchmarking, turnover and how this would be managed, and examples and case studies of ESG integration.

2. The Chairman thanked Ms Denham and Mr Freeman for attending the meeting and answering the committee's questions.

3. It was RESOLVED that the presentation and update be noted, with thanks.

28. Pension Fund Cash Flow
(Item 14)

1. Ms Surana introduced the report and highlighted the way in which the fund's various income streams had been affected by the covid-19 pandemic. Pensions contributions from employers in the scheme had largely been unaffected but some rental incomes had fallen short. Ms Surana responded to a question of detail from the committee about the presentation of investment cashflow and dividend income.

2. It was RESOLVED that the updated cashflow information be noted, with thanks.

29. Equity Downside Protection (EDP) - restructuring prior to expiry
(Item 15)

1. The Chairman and Mr Sinnott introduced the report and updated the committee on the progress of the EDP strategy and opportunities for restructuring the programme. They responded to questions of detail from the committee.

2. The committee then AGREED the recommendations for the way forward, with an adjustment to the wording to support information sharing between meetings of the committee.

30. Investment Strategy
(Item 16)

1. Mr Sinnott and Mr English introduced the report and responded to questions of detail from the committee on asset allocation and rebalancing.

2. The committee then AGREED the recommendations for the way forward, with an adjustment to the wording to support information sharing between meetings of the committee.

31. Responsible investment update
(Item 17)

1. The Chairman of the working group, Mr N J D Chard, introduced the report and thanked the Members of the responsible investment working group for their work. Mr Chard and Mrs Mings responded to comments and questions of detail from the committee, including the wording used in media releases and the website and how the work would be taken forward.

2. The committee then AGREED the recommendations for the way forward.

32. Pension Fund Risk Register
(Item 18)

1. Ms Surana introduced the report and responded to questions of detail from the committee.

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

33. Governance review and training update - verbal
(Item 19)

1. Mrs van Bochove Allen gave a verbal update on the work she had done so far on training and the governance review and the next steps on each. A detailed training programme, including dates of scheduled sessions, had been introduced at the training day on 5 February 2021. The governance review was progressing, taking account of the progress of the Scheme Advisory Board's new Good Governance Review, published in mid-February, and revisions to the Pensions Regulations.

2. It was RESOLVED that the verbal 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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SUPERANNUATION FUND COMMITTEE

MINUTES of a meeting of the Superannuation Fund Committee held in the Mote Hall Leisure Centre, Maidstone, Kent ME15 7RN on Thursday, 27 May 2021.

PRESENT: Mr P V Barrington-King, Mr P Bartlett, Mr N J D Chard, Mr P C Cooper, Mr J P McInroy, Mr C Simkins and Mr J Wright.

UNRESTRICTED ITEMS

1. Election of Chair
(Item 3)

It was proposed and seconded that Mr C Simkins be elected Chair of the Committee.

It was RESOLVED that Mr Simkins be elected Chair of the Committee.

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From:	Chairman Superannuation Fund Committee Corporate Director of Finance
To:	Superannuation Fund Committee – 23 June 2021
Subject:	Pension Fund Business Plan
Classification:	Unrestricted

Summary:

To advise the Committee of the 2020-21 outturn costs and progress made to date on the 2021-22 business plan and related outturn for 2021-22.

Recommendation:

The Committee is recommended to note the 2020-21 outturn costs, the updated Business Plan and the related outturn for 2021-22.

FOR INFORMATION

1. Introduction

1.1 The Committee is asked to consider the updated business plan and forecast costs required to deliver the plan in 2020-21 and 2021-22.

2. 2021-22 Business plan

2.1 The Fund's business plan has been updated to reflect progress made to date and anticipated for 2021-22 and a copy is at appendix 1.

2.2 Members are asked to particularly note the following:

i) Barnett Waddingham have completed their review of the KCC finance support for the Pension Fund and are close to completing the review of the governance of the Pension Fund. It is anticipated that during 2021-22 the focus will be on the implementation of the recommendations.

ii) A review of the Fund's strategic asset allocation has been deferred to early 2022.

3. 2020-21 outturn

3.1 Total actual costs to support the 2020-21 business plan amounted to £4.3m, some £389,000 lower than forecast mainly as a result of lower pensions administration costs and details are included in the table below. Most other actual costs were below budget with the exception of investment consultancy fees relating to the establishment of the equity downside protection programme and audit fees.

4. 2021-22 forecast

4.1 The forecast is unchanged with costs to support the 2021-22 business plan expected to amount to some £5.05m taking into account pension administration, investment accounting and governance costs related to the implementation of the recommendations of the finance function review.

4.2 The resources required to support the changes to the Fund's governance arising from the Barnett Waddingham review have yet to be considered.

5. Pension Fund Management Costs

	Agreed Budget 2020-21	Actual costs 2020-21	(Overspend) / Underspend	Forecast 2021-22
	£	£	£	£
Pensions Administration	3,411,900	3,033,733	378,167	3,610,000
Pension Payroll Services	225,973	221,542	4,431	226,000
Payment services	17,340	16,650	690	17,400
Financial Services	68,340	64,700	3,640	69,000
Administration Expenses	**3,723,553**	**3,336,625**	**386,928**	**3,922,400**
Actuarial Fee including cost of valuation	260,000	315,823	-55,8230	250,000
Legal Fees	125,000	23,721	101,279	50,000
Direct recovery of actuary, legal fees and admin costs	(225,000)	(257,090)	32,090	(225,000)
Subscriptions	46,000	41,511	4,489	46,000
ACCESS pooling costs	100,000	82,160	17,840	115,000
Investment Accounting and Oversight costs	400,000	372,866	27,134	600,000
Performance Measurement Fees	10,000	29,080	-19,080	30,000
Investment and governance consultancy	210,000	172,921	37,079	180,000
Equity Protection consultancy		145,426	(145,426)	*30,000
Other professional advice	20,000	-	20,000	20,000
Governance and Oversight Expenses	**946,000**	**926,419**	**(19,582)**	**1,096,000**
Audit fee	24,000	41,029	(17,029)	50,000
Total	**4,693,553**	**4,304,073**	**(389,481)**	**5,068,400**

*Does not include Equity protection restructuring advice cost

Alison Mings, Acting Business Partner – Kent Pension Fund

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June 2021

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Kent Pension Fund Business Plan

Action No.	Description	Accountable Officer(s)	Proposed 2021-22 activity	June 2021 update
1.	**Investment Strategy**			
1.1	Implement the revised asset allocation agreed by Superannuation Fund Committee on 9 February 2018.	Zena Cooke / Alison Mings	Finalise monitoring and reporting for equity protection programme	EP working party met in March and April 2021 and agreed to defer implementation of the UK cover pending rise in FTSE100 to trigger point. Decision on restructure of global protection deferred Report on January – March 2021 EP activity to June committee meeting Currency hedging review to be rolled forward into future asset investment strategy review
1.2.1	Strategic review of asset allocation taking account of results of the 2019 valuation	Zena Cooke / Alison Mings / Sangeeta Surana	Engage investment consultant to undertake review Q1, report outcome to June committee	Review deferred to Q3 2021-22
1.2.2	Implement the agreed recommendations of the strategic asset allocation review	Zena Cooke / Alison Mings / Sangeeta Surana	Engage investment consultant to advise on new investment options including ACCESS funds, and selection of managers	
1.3	Manage the transition of investments including to the ACCESS pooled funds	Alison Mings / Sangeeta Surana	Transition fixed Income sub-fund investments as already agreed to the ACCESS platform Implement other transitions arising from recommendations of strategic asset allocation review	Fixed income sub-fund transition anticipated Q2 2021-22
1.4	Monitoring the performance of investment managers and funds.	Zena Cooke / Alison Mings / Sangeeta Surana	Investment Managers attending quarterly committee meetings Monthly flash reports, quarterly fund performance reports Investment consultant attending every committee meeting. Quarterly manager reviews. Asset allocation review at every meeting against Rebalancing Framework	
1.5	Develop enhanced Responsible Investment (RI) / Environmental Social and Governance (ESG) policy / reporting	Alison Mings Sangeeta Surana Katherine Gray	Ongoing - RI working group monthly meetings, recommendations to the committee, training for the committee on RI developments	
1.6	Investment Consultant procurement	Sangeeta Surana Alison Mings	Ongoing management of Investment consultant contract	
1.7	Update investment strategy statement (ISS) reflecting CIPFA guidance and best practice	Alison Mings Sangeeta Surana	ISS to be updated with assistance from the investment consultant reflecting revised strategic asset allocation	ISS review to be completed for Committee approval at September meeting
1.8	Custody contract	Sangeeta Surana Katherine Gray	Complete procurement of a long-term custody contract Q2 and manage transition to new provider if required.	
2.	**ACCESS Pool**			
2.1	Support the Chairman in his role on the Joint Committee (JC).	Alison Mings	Quarterly meetings	
	Membership of the S151 group	Zena Cooke	Quarterly meetings before the Joint Committee meetings	

Kent Pension Fund Business Plan

Action No.	Description	Accountable Officer(s)	Proposed 2021-22 activity	June 2021 update
2.2	Membership of the Officer working group (OWG) and other working groups to support the progress of the pooling agenda	Alison Mings Sangeeta Surana Katherine Gray	Continue to support the progression of pooling in ACCESS through participation in working groups as required. Most of the current working groups are expected to continue in 2021-22	Continued membership of Active listed assets sub-group, Reporting sub-group, Non-listed assets sub-group, RI task and finish group, Custody procurement task and finish group, Investor user group
2.3	Support the role of host authority and Access Support Unit (ASU)	Alison Mings	Kent Democratic Services providing clerking support to the JC	
2.4	Ensure the Superannuation Fund Committee and Board are kept fully informed on ACCESS issues.	Alison Mings	Quarterly updates for the board and committee	

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	Put in place permanent resources and agreed management structure within the KCC finance function Implement updated training plan See actions 3.7 and 3.8	Report on the review of KCC finance received 23 April. Recommendations to be implemented in Q2 - Q3 Training programme launched 1 April
3.2	Prepare the Fund's annual accounts and report including compliance with cost transparency requirements and with revised reporting guidelines	Sangeeta Surana / Katherine Gray	Complete accounts and report in line with timetable agreed with KCC Chief Accountant and external auditors. Q2 – Q3.	
3.3	Response to consultations and regulation changes	Alison Mings / Barbara Cheatle	ongoing	ongoing
3.3.1	Employer flexibilities	Alison Mings	Work with the Fund Actuary on implementing changes re exiting employers.	Committee to review updated FSS at June meeting and consultation planned with employers.
3.3.2	McCloud remedy	Barbara Cheatle	Implement changes required, see action 4.5	
3.3.3	Public Sector Exit Payments	Barbara Cheatle	Implement changes required, see action 4.6	
3.4	Actuarial triennial valuation	Fund actuary / Alison Mings / Steve Tagg / Barbara Cheatle	Planning for 31 March 2022 valuation	
3.5	Update Funding strategy statement	Alison Mings / Stave Tagg	FSS to be updated taking account of advice from Governance consultant	See 3.3.1
3.6	Fund actuary contract	Alison Mings / Steve Tagg	Ongoing management of actuary contract	
3.7	Review governance arrangements considering internal audit recommendations.	Zena Cooke / Alison Mings	Complete review and implement recommendations	
3.8	Undertake review of finance resources considering internal audit recommendations.	Zena Cooke / Alison Mings	Implement recommendations Q1	Implementation Q2 and Q3 2021-22

4. Administration

4.1	Roll out i-Connect employer self service	Barbara Cheatle	Further rollout planned	
4.2	Preparation of annual benefit illustrations for despatch to members by the statutory deadline	Barbara Cheatle	Ongoing	
4.3	Follow up GMP reconciliation exercise	Barbara Cheatle	HMRC have confirmed errors in previous information supplied for GMP reconciliation and so rework required by external company	Following HMRC confirming errors in previous information supplied for GMP reconciliation rework carried out by external company. New reconciliation queries to be actioned before stage 3 can be commenced.
4.4	Develop plan for introducing member Self Service (MSS)	Barbara Cheatle	Planned roll out to members	Planned roll out to deferred members in summer 2021, active

Kent Pension Fund Business Plan

Action No.	Description	Accountable Officer(s)	Proposed 2021-22 activity	June 2021 update
				members in autumn 2021 and pensioner members to follow
4.5	McCloud remedy project - changes to LGPS following the McCloud judgement	Barbara Cheatle	Project to commence once remedy agreed	Project to commence once remedy agreed. Pilot to be actioned based on guidance with one employer before launch to all employers
4.6	Exit payments £95k cap	Barbara Cheatle	Implementation of changes per LGPS regulations and guidance	

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From: Chairman Superannuation Fund Committee
Corporate Director of Finance

To: Superannuation Fund Committee – 23 June 2021

Subject: ACCESS update

Classification: Unrestricted

Summary:

This update provides a summary of the activities of the ACCESS pool and an update on membership of the Joint Committee.

Recommendation:

The Committee is recommended to note this report and to resolve to:

a) agree that Mr Simkins as chair of the Superannuation Fund Committee is appointed by Kent County Council to serve on the ACCESS Joint Committee for a further 4 year term.

b) agree that the vice chair of the Superannuation Fund Committee is appointed by Kent County Council to serve as substitute on the ACCESS Joint Committee for a further 4 year term.

FOR DECISION

1. Introduction

1.1 This report is to update the Committee on the work being undertaken by the ACCESS pool.

2. Membership of the Joint Committee

2.1 The terms of reference of the ACCESS Joint Committee are set out in the Inter-Authority Agreement which was agreed by the eleven ACCESS authorities as of July 2017 and updated in October 2020. The Joint Committee provides ongoing Member oversight and formal decision making in relation to pooling matters and contract management.

2.2 The IAA states that the Committee shall consist of one elected councillor appointed by each Council and the member so appointed must, at the time of the appointment, be an elected councillor serving as a member of the Committee of a Council which discharges the functions of that Council as pension administering authority.

2.3 Kent County Council is represented on the ACCESS Joint Committee by the Chair of the Superannuation Fund and Mr Simkins has undertaken this role since May 2017.

2.4 Members are now asked to agree that Mr Simkins be appointed to represent Kent County Council on the Joint Committee for a further 4 year term.

2.5 Each Council may also appoint a substitute that meets the same criteria as set out in paragraph 2.2. The substitute may attend any meeting of the Joint Committee or any of its sub-Committees in place of that Council's principal member if notice that the substitute will attend is given to the Secretary of the Joint Committee by the Council concerned.

2.6 It is therefore proposed that the vice chair of the Superannuation Fund Committee be appointed as substitute.

3. Recent activity

3.1 The Joint Committee (JC) last met on 8 March and a copy of the notes of the meeting are at appendix 1. Copies of the minutes of the meeting held on 13 January are at appendix 2. The next meeting of the JC is scheduled for Friday 25 June 2021.

3.2 As at 31 March 2021 the Kent Fund had invested in 5 sub-funds in the ACCESS authorised contractual scheme (ACS) operated by Link Financial Solutions, with a combined value of £3.7bn.

3.3 Details of the progress being made on the pooling of investments are included in the Investment Strategy report.

3.4 Since the last report to the Committee the Officer Working Group (OWG) as well as other working groups with Kent being represented on each group, have continued to meet remotely on a periodic basis.

3.5 As reported in the summary of the Joint Committee held in March Engine MHP has been hired to support the ACCESS communications programme. Minerva as the ACCESS ESG / RI advisor is continuing their work on the ACCESS pool's ESG guidelines taking account of the individual ACCESS funds' policies.

3.6 The JC at its January meeting agreed the recruitment of 2 additional staff for the ACCESS support unit and a new ACCESS support officer and Client Manager have since been appointed. Additional technical lead resource has also been agreed to undertake a review of the Governance manual.

3.7 The 2021-22 business plan anticipates further progress on pooling listed assets and commencement of pooling of non-listed assets. An update on the 2020-21 outturn costs and the 2021-22 budget to support this work is anticipated to be provided to the next Joint Committee meeting.

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June 2021

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SUMMARY UPDATE (Part I)
ACCESS Joint Committee (JC):
8 March 2021

ACCESS
Effective • Collective • Investment

All eleven ACCESS Authorities were represented. The key matters considered are described below.

Part I Item	Details
Chairman's remarks	Cllr Kemp-Gee drew attention to forthcoming May elections and noted that some Joint Committee Members were not standing for re-election. The Committee noted with thanks the contributions of Cllr Terry Rogers, (Cambridgeshire), Cllr Adrian Axford (Isle of Wight) and Cllr Ralph Sangster (Hertfordshire). The Committee was also updated by Cllr Jonathan Ekins (Northamptonshire) that arrangements following the establishment of Unitary Authorities in that County would be clarified after the election.
Business plan & budget	The Committee received an update on the 2020/21 Business Plan. Particular attention was drawn to: • the commencement of work on the review of the Governance manual, however this would not be completed in line with the 31 March deadline set out in the Internal Audit report presented at the Committee's January meeting. Arrangements for additional Technical Lead resource for this workstream were being finalised and an update would be given to the Committee's June meeting; • the initial work being undertaken by Minerva following their appointment as ESG / RI adviser. It is expected that Minerva will present to the June meeting; and • progress with the additional ASU roles approved at the January meeting. An appointment has been made to the ACCESS Support Officer role, and following Hay evaluation and moderation, the Client Manager role is expected to be advertised later in March. **The Committee :** • **noted the updates in respect of the 2020/21 business plan.**

Part II Item	Details
Scheduled Business as Usual (BAU) evaluation	The Committee received a report summarising and concluding the Scheduled BAU evaluation. This included actions to be undertaken during 2021/22, identified within a workstream within the Business Plan, to implement the valuations outcomes. **The Committee:** • **noted the recommendations arising from the BAU evaluation; and** • **agreed to the relevant next steps with updates to come to the Committee later in 2021.**
Communications	The Committee received an update on the communications work undertaken by Engine MHP including: • press engagement; • the approach to a Progress Report; • the ACCESS website; and • arrangements for media training. **The Committee:** • **noted the report.**
Implementation Adviser Procurement	Following the agreement of the Committee at its January meeting to the approach to pooling illiquid assets, an update was given on the first key milestone in that process: the appointment of an Implementation Adviser. The report outlined the expected timeline and proposed approach for the appointment. **The Committee:** • **noted the report and the updated timeline;** • **confirmed Essex County Council as the procurement lead authority for this workstream; and** • **agreed the planned approach for engaging with suppliers.**
Investment Performance report	The Committee noted the Investment Performance report as at 31 December 2020. The total pooled assets of all ACCESS Authorities was £31.120bn, an increase of £5.649bn from the September 2020 quarter, reflecting seven sub-fund launches. Information on each Authority's pooled assets, investment performance, stock-lending and voting was provided. **The Committee:** • **noted the report.**
Sub-fund implementation	The Committee received a report outlining progress on sub-fund implementation. This included an update on progress in relation to Emerging Markets and the report's recommendations on next steps were discussed in detail.

	It was highlighted that plans were in place to complete the review of the Governance Manual along with establishing criteria for future sub-funds to be included within the pipeline. Updates were also provided on the prospective sub-funds for Global Large Cap Equity Value and Institutional Sterling Corporate Bond along with the work in progress on revised guidelines for the LF ACCESS global Alpha Equity Fund. **The Committee:** • **noted the update in relation to emerging markets;** • **agreed the next steps; and** • **noted the update on the prospective Global Large Cap Equity Value and Institutional Sterling Corporate Bond sub-funds and the LF ACCESS global Alpha Equity Fund.**
Contract Management	The JC received a report covering a number of aspects of Contract and Supplier Relationship management including: • insurance provision; • key performance indicators; • fee details; and • Link personnel changes. **The Committee:** • **noted the report.**
Risk Register	The Committee received a report on the Pool's Risk Register including details of risks with changed ratings. **The Committee:** • **noted the report.**
Next meeting date	25 June 2021

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ACCESS JOINT COMMITTEE

MINUTES of a meeting of the ACCESS Joint Committee held at Virtual on Wednesday, 13th January, 2021.

PRESENT: Cllr Mark Kemp-Gee - Chair (Hampshire CC), Cllr Susan Barker - Vice-Chair (Essex CC), Cllr Vanessa Churchman (Isle of Wight), Cllr Gerrard Fox (East Sussex CC), Cllr Jeremy Hunt (West Sussex CC), Cllr Judy Oliver (Norfolk CC), Cllr Bill Parker (Northamptonshire CC), Cllr Terry Rogers (Cambridgeshire CC), Cllr Ralph Sangster (Hertfordshire CC), Cllr Charlie Simkins (Kent CC) and Cllr Karen Soons (Suffolk CC).

ALSO PRESENT: Kevin McDonald (ASU), Mark Paget (ASU), Dawn Butler (ASU), Sam Gervais-Jones (bFinance), Clifford Sims (Squire Patton Boggs), John Wright (Hymans Robertson) and Fraser Hope (Hymans Robertson)

OFFICERS: Andrew Boutflower (Hampshire), Glenn Cossey (Norfolk), Jody Evans (Essex), Paul Finbow (Suffolk), Sian Kunert (East Sussex), Alison Mings (Kent), Sharon Tan (Suffolk), Jo Thistlewood (Isle of Wight), Patrick Towey (Hertfordshire), Paul Tysoe (Cambridgeshire and Northamptonshire), Mark Whitby (Cambridge and Northamptonshire), Rachel Wood (West Sussex) and Joel Cook (Kent - Clerk).

UNRESTRICTED ITEMS

232. Apologies/Substitutes.
(Item. 1)

1. Apologies were received from Cllr Adrian Axford (Isle of Wight) and Cllr Jonathan Ekins (Northamptonshire). Cllr Vanessa Churchman substituted for Cllr Axford and Cllr Parker for Cllr Ekins.

RESOLVED that the apologies and substitutes be noted.

233. Declaration of interests in items on the agenda.
(Item. 2)

No declarations of interest were made.

234. Chairman's remarks.
(Item. 3)

1. A Communications workshop would be held on the rising of the ACCESS meeting.

2. The Chair offered his thanks to the ACCESS Support Unit (ASU) for their work during what had been a very busy time.

3. He alerted the Committee that the local elections (due to be held in May 2021) could have an impact on the Committee's membership.

RESOLVED that the Chair's remarks be noted.

235. Minutes of the meeting held on 12 November 2020.
(Item. 4)

RESOLVED that the minutes of the meeting on 12 November 2020 were a correct record and that they be signed by the Chairman.

236. Business Plan, budget & risk summary.
(Item. 5)

1. Kevin McDonald provided an update on the 2020/21 budget, which forecast an underspend, due in part to some planned procurements being delayed until the next financial year.

2. Mr McDonald explained the proposal to increase the number of staff posts in the ASU from three to five. This was considered necessary because of the increasing demand and complexity of the workload. The additional posts would be for a Client Manager (a link between the Pool authorities and Fund Manager) and an additional support officer.

3. Overall, the Committee supported the additional posts but highlighted:
    - The increased use of virtual meetings during the pandemic might allow for greater flexibility in the post's terms and conditions.
    - Officer workload in the Pool authorities had also increased and it was hoped the additional posts would be able to relieve some of this demand.
    - The benefit of a Client Manager in understanding and representing the differing requirements of 11 Authorities.

4. The Committee considered the 2021/22 draft budget, which included the full year effect of the two additional ASU posts. Overall, the budget was expected to increase from 2020/21.

RESOLVED that the Joint Committee:

a) Note the 2020/21 updated business plan, the revised outturn and summary risk register.
b) recommend the 2021/22 business plan to the ACCESS Authorities;
c) accept the recommendation of the s151 Officers from ACCESS Authorities to determine the 2021/22 budget totalling £1.247m to support the proposed business plan.

237. Motion to Exclude the Press and Public.
(Item. 6)

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 paragraphs 3 & 5 of part 1 of Schedule 12A of the Act.

238. Illiquid assets.
(Item. 7)

Sam Gervaise-Jones from bFinance was in attendance for this item.

1. The JC received a report on the progress made in developing pooled illiquid asset investment solutions for four asset classes (private equity, private debt, infrastructure and real estate).

2. Sam Gervaise-Jones from advisers bFinance outlined the recommended solution for each individual asset class. There was not a common model across the classes, and their implementation would be gradual with support from an Implementation consultant.

3. The JC questioned if the use of an Implementation Advisor, Allocator and Fund Manager would lead to complex and large fees. Mr Gervaise-Jones advised there would be flat fees and these would be payable once across the pool. The Implementation Advisor would not be the sole source of investment ideas, but a mechanism to support individual Authorities as they identified new needs.

4. The JC questioned the benefits and cost savings of the models. Mr Gervaise-Jones advised the structures would provide a greater level of control by giving access to markets otherwise unreachable and improving each Authority's negotiating position.

5. ACCESS's ambition was to enable opportunities that allowed Authorities in the pool to invest in new illiquid opportunities. The extent to which this was used would be down to individual Authorities.

6. The Chair confirmed he was happy with the proposals from bFinance, emphasising the support from the Officer Working Group.

RESOLVED that the Joint Committee:

ix. Agree the proposed pooling structures for real estate, private equity, private debt and infrastructure.

i) Agree a procurement via the LGPS National Framework for Investment Management Consultancy Services of a consultant to support the implementation of the proposed illiquid asset pooling structures and manager/fund/allocator procurements as required.

239. ESG/RI.
(Item. 8)

1. Mark Whitby (Cambridgeshire & Northamptonshire) introduced the report on the procurement of external advice to support ACCESS's approach to ESG & RI (phase 1 of 2).

3

2. The company Minerva had received the highest score across the three procurement areas (written submission, interview and commercials).

RESOLVED that the Joint Committee:

i) Note the outcome of the procurement process.
ii) Agreed the appointment of Minerva to provide external advice to support ACCESS's approach to ESG/RI.

240. Performance.
(Item. 9)

1. Sharon Tan (Suffolk) provided an update on the performance of sub-funds, covering:
   - the progress of pooling assets (£25.471bn in December with increased indicative numbers following the launch of some sub-funds)
   - the performance of the sub-funds against benchmark
   - income generated by stock lending
   - voting by the investment managers
   - carbon footprint reporting

RESOLVED that the Joint Committee note the report.

241. Sub-fund implementation.
(Item. 10)

1. Andrew Boutflower (Hampshire) provided an overview of the progress in launching the ACS and the sub-funds within it. He highlighted that going forward the focus would increasingly be on additions as only eight of the originally planned sub-funds remained to be launched.

2. The expectations around the number of sub-funds were set before the initial MHCLG submission in 2016. A piece of work would be required that reviewed what sub-funds were held and how that aligned to which sub-funds were needed. There was no hard limit on the number possible, though Link had priced their fee up to 35.

RESOLVED that the Joint Committee note the progress in launching the ACS investment sub-funds.

242. Contract Management.
(Item. 11)

1. Mark Paget (ASU) provided an update on Contract and Supplier management which included; levels of insurance, an update on the virtual investor day on 17 December 2020, feedback around Link services and engagement from ACCESS Authorities.

2. Members discussed the insurance requirements for the Pool and how this was being managed by Link. It was confirmed that the ASU would be seeking advice from a specialist insurance advisor.

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3. An Internal Audit review of the ASU had been completed. Essex County Council's Internal Audit department had awarded their highest rating of "good assurance", with one moderate recommendation. Ms Sarah Harris (Strategic Internal Audit Manager, Essex County Council) joined the meeting to answer questions about the report. It was agreed that in future similar reports would be published as standalone items in an open session of the Joint Committee. The next report would be available before Christmas.

RESOLVED that the Joint Committee note the matters highlighted within the report, the activity that has taken place and forthcoming plans.

243. Risk Register.
(Item. 12)

1. The Committee received an update on the Pool's key risks, the profile of which remained the same as the previous meeting. In the interim, the risk of a no-deal Brexit had been raised to red then reduced to amber following the late agreement between the UK and the EU. Mr McDonald assured the Committee that the register was closely monitored.

RESOLVED that the Joint Committee note the report.

244. Link presentation.
(Item. 13)

Karl Midl, James Zealander and Richard Thornton from Link Fund Solutions were present for this item.

1. Mr Karl Midl from the Link Group provided an update on the proposed acquisition of the company with two possibilities under consideration. He also confirmed that more money had been returned to Woodford's investors in late 2020.

2. Link staff delivered a presentation that included an overview of the total AUM as well as planned sub-fund launches. A sub-fund report had evolved over the past year and provided weekly updates for ACCESS members.

3. Mr Midl discussed insurance arrangements with the Committee, outlining progress and challenges involved.

4. Asked whether Link Group would still qualify as an Alternative Investment Fund Manager post the UK's EU exit, Mr Midl explained nothing had currently changed and the Group were expecting to maintain the title going forward.

RESOLVED that the presentation be noted.

245. Scheduled BAU Evaluation.
(Item. 14)

John Wright and Fraser Hope of Hymans Robertson were present for this item.

1. Kevin McDonald (ASU) introduced the item, followed by a presentation by Hymans. John Wright and Fraser Hope (Hymans Robertson) updated the Joint Committee on work undertaken as part of the evaluation, outlining the assessment of future options, relevant costs and next steps.

RESOLVED that the update be noted.

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From:	Chairman Superannuation Fund Committee Corporate Director of Finance
To:	Kent Superannuation Fund Committee – 23 June 2021
Subject:	Fund Employer and Governance Matters
Classification:	Unrestricted

Summary:

This report provides information on Fund employers, an update on the McCloud remedy, an update on the Fund Strategy Statement and associated Fund policies, and a proposal for the transfer out of the Oasis Community Learning Trust, including Sodexo Limited. It also advises of a number of admission matters for decision.
.

Recommendations:

The Committee are asked to note the report and to resolve 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 sign 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) the Kent County Council seal can be affixed to the legal documents.

FOR DECISION

1 Introduction

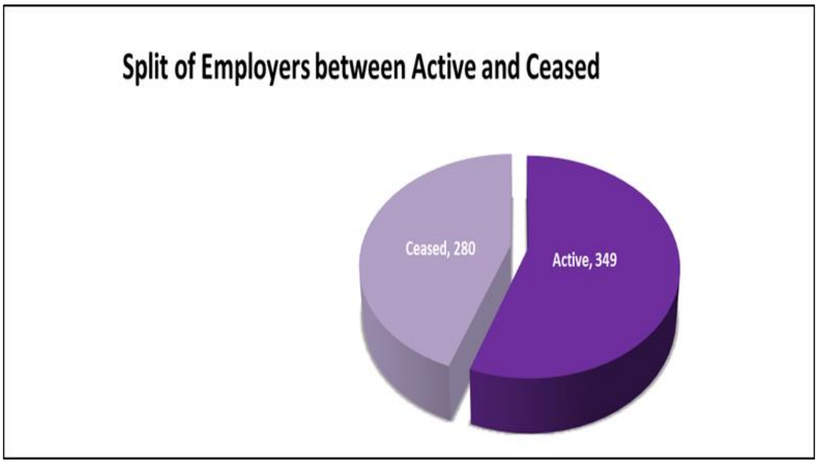
1.1 This report sets out information on employer related matters for the year ended 31 March 2021. It also provides an update on the McCloud remedy and the Fund's Funding Strategy Statement (FSS) and associated Fund policies as well as details for the transfer out of the Oasis Community learning Trust and Sodexo Limited.

1.2 The report also advises of applications from three organisations for admission to the Superannuation Fund and of one employer name change. The Committee's approval is sought to enter into these admission agreements.

1.2 The Committee is advised that the admission minutes are to be signed at the end of today's meeting to facilitate completion on the desired dates.

2 Employer update

2.1 There was a total of 629 employers in the Kent Pension Fund on 31 March 2021, up 6 from 31 March 2020.

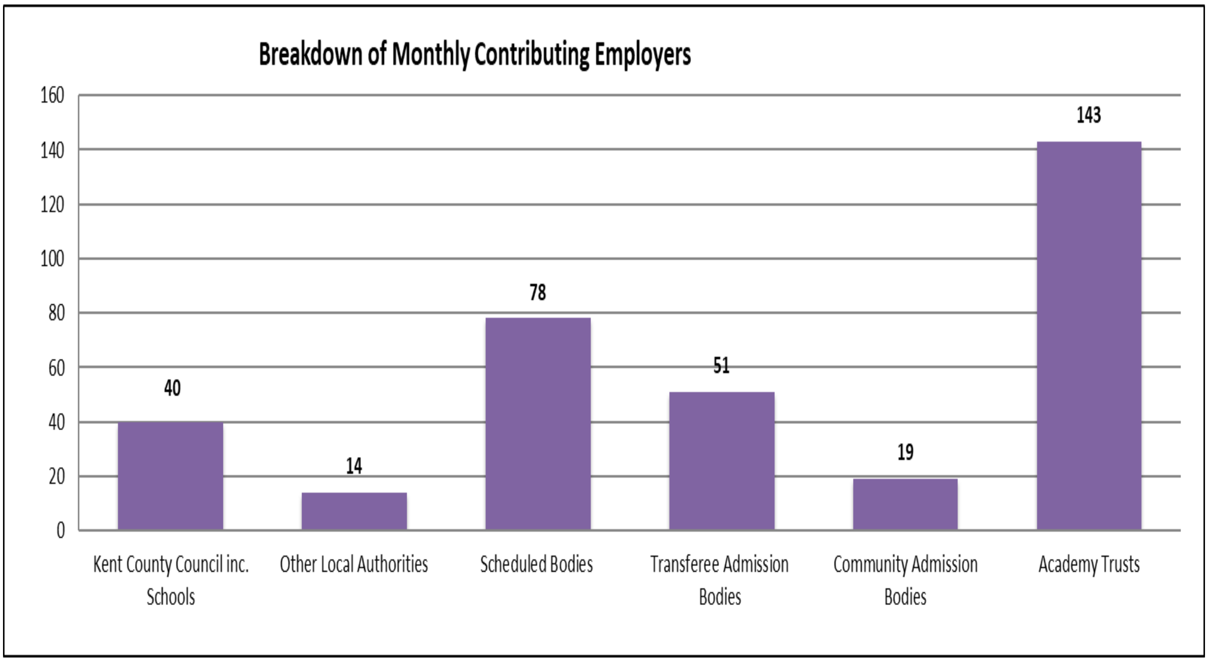


2.2 The number of active employers regularly paying contributions increased by 8 in the 12 months to the end of March 2021 and 11 employers ceased to have active members in the Local Government Pension Scheme (LGPS). The ceased employers no longer have active contributing members in the LGPS and the Fund has an existing or future liability to pay any pensions.

2.3 The following table lists employers who joined the Fund as well as those who ceased to have active members in the Fund during the 12 months from 1 April 2020 to 31 March 2021.

New Employers	Effective date
Admission Bodies	
Independent Catering Management Ltd	1 September 2019 (backdated admission)
Exclusive Contract Services Limited	1 April 2019 (backdated admission)
Busy Bee Cleaning Services Limited	1 April 2020 (backdated admission)
Wealden Leisure Limited T/A Freedom Leisure Limited	1 September 2020
Scheduled Bodies	
Capel Manor College	1 January 2020 (backdated Order)
Academy Trusts	
Alternative Learning Trust	1 September 2020
Ceased / Merged to Trust Employers	**Effective date**
Admission Bodies	
Sopra Steria Limited	31 March 2020
Cater Link (re KCC Schools)	30 April 2020
Ashford Leisure Trust	31 August 2020
Cater Link (re Rivermead Trust)	31 October 2020
Westgate Community	30 November 2020
Invicta Telecare Ltd	31 December 2020
Hyde Housing Association	30 March 2021
Scheduled Bodies	
Gen2 Property Limited	02 April 2020
West Kent and Ashford College	31 August 2020
Hadlow College	30 September 2020
East Kent Housing	31 October 2020
Academy Change of Trust	
Barnsole Primary Trust	31 August 2020

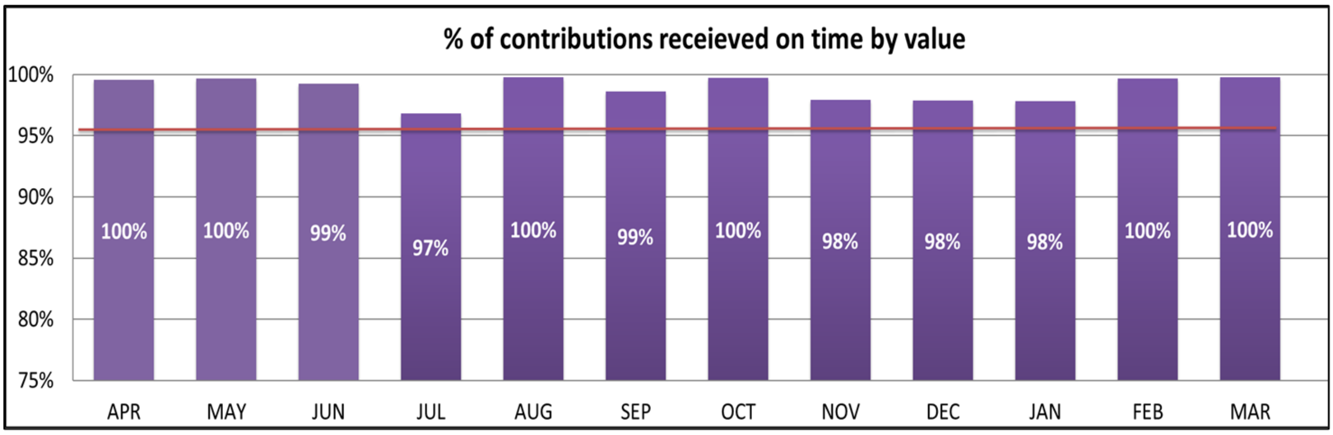
2.4 The following table shows employers from whom the Fund receives monthly contributions by Employer Group. Note the KCC figures reflect the council's and schools' relationships with several payroll providers.

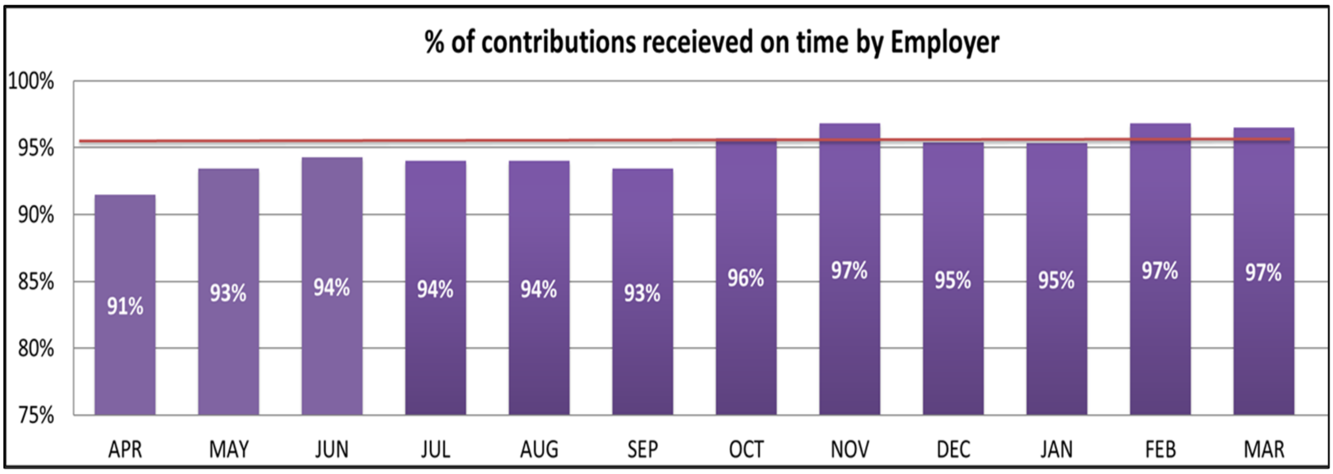


2.5 In the 12 months from April 2020 to March 2021 the Fund received £253.3m from employers in respect of their monthly contributions (employer and employee) as follows:

	Received Early	**Cash on 19th**	**Received Late**	**Total**
	£	**£**	**£**	**£**
April	14,986,557	6,003,509	94,242	21,084,308
May	12,087,600	8,526,323	65,637	20,679,561
June	10,734,744	10,063,671	154,205	20,952,620
July	11,802,883	8,317,987	658,617	20,779,487
August	11,302,505	9,226,961	49,412	20,578,879
September	12,371,715	8,514,763	295,063	21,181,541
October	13,394,404	7,754,965	61,983	21,211,352
November	12,664,606	8,223,104	443,122	21,330,833
December	12,870,865	8,314,374	460,221	21,645,460
January	12,126,898	8,639,274	463,079	21,229,252
February	13,327,126	7,850,069	73,000	21,250,195
March	12,554,225	8,795,011	44,051	21,393,287
Total	**150,224,130**	**100,230,014**	**2,862,632**	**253,316,776**

2.6 KCC monitors the receipt of these contributions and the following two charts show the % of employer contributions received on time by two different measures; by value and by number of employers.





2.7 We have a KPI of 95% for % of contributions received on time by value and this was achieved throughout 2020-21. We also have a KPI of 95% for % of contributions received on time by employer. This was not achieved in the early part of the year as many had still to adjust their processes to take account of the impact of the pandemic. During the 2nd 6 months of 2020-21 the KPI was achieved in all months.

2.8 We continue to monitor Fund employers and are aware leisure centres for example have found the pandemic particularly difficult and 4 of our employers have been persistently late or non-payers. Officers are in touch with the employers as well as with the scheme employers and actuary concerning arrangements for payment of the contributions. These issues have also been followed up with the Pensions Regulator.

3 McCloud judgement and proposed remedy update

3.1 The Committee has previously been advised that MHCLG were expected to make a written statement in relation to the consultation on changes to the underpin in the LGPS in England and Wales. The statement was issued on 14 May 2021 and confirms much of what was already expected given the general support for the key elements of the proposal. However, a degree of uncertainty remains for some elements of the proposal where the Statement is silent and we await a further full response later this year for more details .

3.2 In due course, primary legislation for public service pensions will be taken through Parliament and then regulations will be made to make the changes for the LGPS, with the expectation they will come into force on 1 April 2023 retrospective to 1 April 2014.

3.3 The key points from the Written Ministerial Statement are -

- The age requirement for underpin protection will be removed.
- A member will not need to leave with an immediate entitlement to benefits to qualify for underpin protection.
- The remedy period will end on 31 March 2022.
- The underpin calculation will be based on final pay at the underpin date, even if this is after 31 March 2022.
- There will be two stages to the underpin calculation: the first on the underpin date which is the date of leaving or age 65, if earlier, the second when the benefits are paid.

4 Funding Strategy Statement (FSS) and associated Fund policies.

. 4.1 At their last meeting members were advised that the Fund's Funding Strategy Statement would be updated to include reference to deferred employers taking account of the Scheme Advisory Board Guide to Employer Flexibilities and the MHCLG statutory guidance issued on 2 March 2021.

4.2 Copies of the updated FSS and associated policies are at appendices 1-3 with a copy of Barnett Waddingham's note on the changes from the previous version at appendix 4. Barnett Waddingham have explained that in addition to updating the FSS in respect of employer flexibilities, it has been changed to take account of

a) the changes to the inflation basis used for funding future pension increases
b) the McCloud/Sargeant judgements
c) the Guaranteed Minimum Pension (GMP) indexation and equalisation
d) the consolidation of Multi Academy Trusts (MATs)

4.3 The Committee is asked to endorse the revised Funding Strategy Statement and the policy documents covering

- Contribution reviews;
- Deferred debt arrangements; and

- Debt spreading arrangements

subject to consultation with interested parties.

4.4 The updated FSS and associated policies will be published on the Fund's website for a period of 6 weeks and comments will be invited from employers and other interested parties. The FSS will be bought back to Committee in September 2021, should the responses to the consultation make that necessary.

5 Proposed transfer out of Oasis Community Learning Trust Academy (Oasis) and Sodexo Ltd

5.1 Oasis is a scheduled employer in the Kent Pension Fund and in some fifteen other LGPS Funds, and they now wish to consolidate these arrangements into the LGPS Fund administered by the London Pension Fund Authority (LPFA). This is possible via a Direction Order from the Secretary of State for MHCLG under Schedule 3, Part 2, paragraph 3 of the 2013 Regulations, following a consultation with interested parties including the Kent Fund. Responses to the consultation are invited by the 30 June 2021.

5.2 The proposal also includes Sodexo Limited which is an admission body in the Kent Pension Fund following a transfer of staff from Oasis to them on 18 November 2019

5.3 It is anticipated that the LPFA will take on all the LGPS assets and liabilities relating to the Oasis and Sodexo active, deferred, pensioner, dependant pensioners and pension credit members from all sixteen funds.

5.4 Barnett Waddingham have advised that based on the 31 March 2019 actuarial valuation, Oasis and Sodexo leaving the Kent Fund will involve the transfer out of a deficit on their accounts of £0.8m being £8.6m of assets and £9.3m of liabilities which represent approximately 0.15% of the whole Fund.

5.5 In terms of cashflow the Fund will annually lose about £608k of contributions (c 0.2% of the whole Fund) and about £152k of benefits outgoing (c. 0.05% of whole Fund).

5.6 Overall Barnett Waddingham have advised the expected impact on the Kent Pension Fund to be immaterial and based on this advice officers intend to respond positively to the consultation.

6 New admission bodies

6.1 The following organisations have applied for admission to the Superannuation Fund to ensure the continuity of pension arrangements for staff.

6.2 The admission applications have 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.

6.3 These organisations are applying for admission retrospectively to protect the LGPS membership of their employees from the dates of transfer.

6.4 The completed questionnaires and supporting documents provided by the applicants have been examined by Officers to ensure compliance with the LGPS Regulations, and Invicta Law have given favourable opinions.

7 Birkin Cleaning Services Ltd (re Kent Catholic Schools Partnership)

7.1 Kent Catholic Schools Partnership has awarded a 3-year contract with a possible 2-year extension for cleaning services from 1 February 2020.This involves the transfer of 18 employees to Birkin Cleaning Services Ltd and a retrospective agreement will be put in place.

7.2 The Fund Actuary has assessed the employer contribution rate as 26% for a closed agreement and the Bond for the first year as £39,000.

8 Ecocleen Services Ltd

8.1 Decus Educational Trust has awarded a 1-year contract with a possible 1-year extension for cleaning services from 5 April 2021.This involves the transfer of 2 employees to Ecocleen Services Ltd and a retrospective agreement will be put in place.

8.2 The Fund Actuary has assessed the employer contribution rate as 25.6% for a closed agreement and the Bond as £12,000.

9 Independent Catering Management Ltd (re Robert Napier School / Fort Pitt Thomas Aveling Academies)

9.1 Robert Napier Fort Pitt Academies has awarded a 3-year contract with a possible 2-year extension for catering services from 1 August 2020.This involves the transfer of 2 employees to Independent Catering Management Ltd and a retrospective agreement will be put in place.

9.2 The Fund Actuary has assessed the employer contribution rate as 26.3% for a closed agreement and the Bond as £9,000.

10 Orbit South Housing Association Limited

10.1 Orbit South Housing Association Limited is a community admission body having joined the Fund on 8 February 1995, following a transfer of staff from Thanet District Council.

10.2 On 31 March 2021 Orbit South Housing Association Limited changed their name to Orbit Housing Association Limited.

10.3 It is proposed we enter into a Deed of Modification to reflect the name change and that the admission agreement in the name of Orbit South Housing Association Limited passes to Orbit Housing Association Limited.

Alison Mings, Acting Business Partner – Kent Pension Fund

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June 2021

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Kent County Council Pension Fund
Funding Strategy Statement

Contents

Introduction

This is the Funding Strategy Statement for the Kent County Council Pension Fund (the Fund). It has been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 as amended (the Regulations) and describes Kent County Council's strategy, in its capacity as administering authority, for the funding of the Kent County Council Pension Fund.

The Fund's employers and the Fund Actuary, Barnett Waddingham LLP, have been consulted on the contents of this statement.

This statement should be read in conjunction with the Fund's Investment Strategy Statement (ISS) and has been prepared with regard to the guidance (*Preparing and Maintaining a funding strategy statement in the LGPS 2016 edition)* issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Purpose of the Funding Strategy Statement

The purpose of this Funding Strategy Statement (FSS) is to:

- Establish a clear and transparent fund-specific strategy that will identify how employers' pension liabilities are best met going forward;
- Support the desirability of maintaining as nearly constant a primary contribution rate as possible, as defined in Regulation 62(6) of the Regulations;
- Ensure that the regulatory requirements to set contributions to meet the future liability to provide Scheme member benefits in a way that ensures the solvency and long-term cost efficiency of the Fund are met; and
- Take a prudent longer-term view of funding those liabilities.

Aims and purpose of the Fund

The aims of the Fund are to:

- Manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due;
- Enable primary contribution rates to be kept as nearly constant as possible and (subject to the administering authority not taking undue risks) at reasonable cost to all relevant parties (such as the taxpayers, scheduled, resolution and admitted bodies), while achieving and maintaining Fund solvency and long-term cost efficiency, which should be assessed in light of the risk profile of the Fund and employers, and the risk appetite of the administering authority and employers alike; and
- Seek returns on investment within reasonable risk parameters.

The purpose of the Fund is to:

- Pay pensions, lump sums and other benefits to Scheme members as provided for under the Regulations;
- Meet the costs associated in administering the Fund; and
- Receive and invest contributions, transfer values and investment income.

Funding objectives

Contributions are paid to the Fund by Scheme members and the employing bodies to provide for the benefits which will become payable to Scheme members when they fall due.

The funding objectives are to:

- Ensure that pension benefits can be met as and when they fall due over the lifetime of the Fund;
- Ensure the solvency of the Fund;
- Set levels of employer contribution rates to target a 100% funding level over an appropriate time period and using appropriate actuarial assumptions, while taking into account the different characteristics of participating employers;
- Build up the required assets in such a way that employer contribution rates are kept as stable as possible, with consideration of the long-term cost efficiency objective; and
- Adopt appropriate measures and approaches to reduce the risk, as far as possible, to the Fund, other employers and ultimately the taxpayer from an employer defaulting on its pension obligations.

In developing the funding strategy, the administering authority should also have regard to the likely outcomes of the review carried out under Section 13(4)(c) of the Public Service Pensions Act 2013. Section 13(4)(c) requires an independent review of the actuarial valuations of the LGPS funds; this involves reporting on whether the rate of employer contributions set as part of the actuarial valuations are set at an appropriate level to ensure the solvency of the Fund and the long-term cost efficiency of the Scheme so far as relating to the pension Fund. The review also looks at compliance and consistency of the actuarial valuations.

Key parties

The key parties involved in the funding process and their responsibilities are set out below.

The administering authority

The administering authority for the Fund is Kent County Council. The main responsibilities of the administering authority are to:

- Operate the Fund in accordance with the LGPS Regulations;
- Collect employee and employer contributions, investment income and other amounts due to the Fund as stipulated in the Regulations;
- Invest the Fund's assets in accordance with the Fund's Investment Strategy Statement;
- Pay the benefits due to Scheme members as stipulated in the Regulations;
- Ensure that cash is available to meet liabilities as and when they fall due;
- Take measures as set out in the Regulations to safeguard the Fund against the consequences of employer default;
- Manage the actuarial valuation process in conjunction with the Fund Actuary;
- Prepare and maintain this FSS and also the ISS after consultation with other interested parties;
- Monitor all aspects of the Fund's performance;
- Effectively manage any potential conflicts of interest arising from its dual role as both Fund administrator and Scheme employer; and
- Enable the Local Pension Board to review the valuation process as they see fit.

Scheme employers

In addition to the administering authority, a number of other Scheme employers participate in the Fund.

The responsibilities of each employer that participates in the Fund, including the administering authority, are to:

- Collect employee contributions and pay these together with their own employer contributions, as certified by the Fund Actuary, to the administering authority within the statutory timescales;
- Notify the administering authority of any new Scheme members and any other membership changes promptly;
- Develop a policy on certain discretions and exercise those discretions as permitted under the Regulations;
- Meet the costs of any augmentations or other additional costs in accordance with agreed policies and procedures; and
- Pay any exit payments due on ceasing participation in the Fund.

Scheme members

Active Scheme members are required to make contributions into the Fund as set by the Ministry of Housing, Communities and Local Government (MHCLG).

Fund Actuary

The Fund Actuary for the Fund is Barnett Waddingham LLP. The main responsibilities of the Fund Actuary are to:

- Prepare valuations including the setting of employers' contribution rates at a level to ensure Fund solvency and long-term cost efficiency after agreeing assumptions with the administering authority and having regard to the FSS and the Regulations;
- Prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill-health retirement costs, compensatory added years costs, etc;
- Provide advice and valuations on the exiting of employers from the Fund;
- Provide advice and valuations relating to new employers, including recommending the level of bonds or other forms of security required to protect the Fund against the financial effect of employer default;
- Assist the administering authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the Regulations;
- Ensure that the administering authority is aware of any professional guidance or other professional requirements which may be of relevance to their role in advising the Fund; and
- Advise on other actuarial matters affecting the financial position of the Fund.

Funding strategy

The factors affecting the Fund's finances are constantly changing, so it is necessary for its financial position and the contributions payable to be reviewed from time to time by means of an actuarial valuation to check that the funding objectives are being met.

The most recent actuarial valuation of the Fund was carried out as at 31 March 2019. The results of the 2019 valuation are set out in the table below:

2019 valuation results	
Surplus (Deficit)	(£129m)
Funding level	98%

On a whole Fund level, the primary rate required to cover the employer cost of future benefit accrual was 18.4% of payroll p.a.

The individual employer contribution rates are set out in the Rates and Adjustments Certificate which forms part of the Fund's 2019 valuation report.

The actuarial valuation involves a projection of future cashflows to and from the Fund. The main purpose of the valuation is to determine the level of employers' contributions that should be paid to ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund. A summary of the methods and assumptions adopted is set out in the sections below.

Funding method

The key objective in determining employers' contribution rates is to establish a funding target and then set levels of employer contribution rates to meet that target over an agreed period.

The funding target is to have sufficient assets in the Fund to meet the accrued liabilities for each employer in the Fund.

For all employers, the method adopted is to consider separately the benefits accrued before the valuation date (past service) and benefits expected to be accrued after the valuation date (future service). These are evaluated as follows:

- The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service. It makes allowance for future increases to members' pay and pensions. A funding level in excess of 100% indicates a surplus of assets over liabilities; while a funding level of less than 100% indicates a deficit; and
- The future service funding rate (also referred to as the primary rate as defined in Regulation 62(5) of the Regulations) is the level of contributions required from the individual employers which, in combination with employee contributions is expected to cover the cost of benefits accruing in future.

The adjustment required to the primary rate to calculate an employer's total contribution rate is referred to as the secondary rate, as defined in Regulation 62(7). Further details of how the secondary rate is calculated for employers is given below in the Deficit recovery/surplus amortisation periods section.

The approach to the primary rate will depend on specific employer circumstances and in particular may depend on whether an employer is an "open" employer – one which allows new recruits access to the Fund, or a "closed" employer – one which no longer permits new staff access to the Fund. The expected period of participation by an employer in the Fund may also affect the total contribution rate.

For open employers, the actuarial funding method that is adopted is known as the Projected Unit Method. The key feature of this method is that, in assessing the future service cost, the primary rate represents the cost of one year's benefit accrual only.

For closed employers, the actuarial funding method adopted is known as the Attained Age Method. The key difference between this method and the Projected Unit Method is that the Attained Age Method assesses the average cost of the benefits that will accrue over a specific period, such as the length of a contract or the remaining expected working lifetime of active members.

The approach by employer may vary to reflect an employer's specific circumstance, however, in general the closed employers in the Fund are admission bodies who have joined the Fund as part of an outsourcing contract and therefore the Attained Age Method is used in setting their contributions. All other employers (for example councils, higher education bodies and academies) are generally open employers and therefore the Projected Unit Method is used. The administering authority holds details of the open or closed status of each employer.

Valuation assumptions and funding model

In completing the actuarial valuation it is necessary to formulate assumptions about the factors affecting the Fund's future finances such as price inflation, pay increases, investment returns, rates of mortality, early retirement and staff turnover etc.

The assumptions adopted at the valuation can therefore be considered as:

- The demographic (or statistical) assumptions which are essentially estimates of the likelihood or timing of benefits and contributions being paid, and
- The financial assumptions which will determine the estimates of the amount of benefits and contributions payable and their current (or present) value.

Future price inflation

The base assumption in any valuation is the future level of price inflation over a period commensurate with the duration of the liabilities, as measured by the Retail Price Index (RPI). This is derived using the 20 year point on the Bank of England implied Retail Price Index (RPI) inflation curve, with consideration of the market conditions over the six months straddling the valuation date. The 20 year point on the curve is taken as 20 years is consistent with the average duration of an LGPS Fund.

This assumption was reviewed following the Chancellor's November 2020 announcement on the reform of RPI and is now assumed to be 0.4% p.a. lower than the 20 year point on the inflation curve. This change will be reflected in the ongoing funding assumptions with effect from 1 April 2021, with the change smoothed in over the six month period straddling this date. This adjustment accounts for both the shape of the curve in comparison to the Fund's liability profile and the view that investors are willing to accept a lower return on investments to ensure inflation linked returns.

Future pension increases

Pension increases are linked to changes in the level of the Consumer Price Index (CPI). Inflation as measured by the CPI has historically been less than RPI due mainly to different calculation methods. At the March 2019 actuarial valuation, a deduction of 1.0% p.a. was made to the RPI assumption to derive the CPI assumption. The CPI assumption adopted at March 2019 was 2.6% p.a.

This assumption was also reviewed in light of the Chancellor's announcement on the reform of RPI mentioned above and CPI inflation is now assumed to be 0.4% p.a. lower than the RPI assumption (i.e. a total of 0.8% p.a. below the 20 year point on the Bank of England implied RPI inflation curve). This change will be reflected in the ongoing funding assumptions with effect from 1 April 2021, with the change smoothed in over the six month period straddling this date. This reflects the anticipated reform of RPI inflation from 2030 following the UK Statistics Authority's proposal to change the RPI calculation method in line with the Consumer Prices Index including Housing costs (CPIH). This assumption will be reviewed at future valuations and the difference between RPI and CPI is expected to move towards 0.0% p.a. as we get closer to 2030.

Future pay increases

As some of the benefits are linked to pay levels at retirement, it is necessary to make an assumption as to future levels of pay increases. Historically, there has been a close link between price inflation and pay increases with pay increases exceeding price inflation in the longer term. The long-term pay increase assumption adopted as at 31 March 2019 was CPI plus 1.0% p.a. which includes allowance for promotional increases.

Future investment returns/discount rate

To determine the value of accrued liabilities and derive future contribution requirements it is necessary to discount future payments to and from the Fund to present day values.

The discount rate that is adopted will depend on the funding target adopted for each Scheme employer.

The discount rate that is applied to all projected liabilities reflects a prudent estimate of the rate of investment return that is expected to be earned from the Fund's long-term investment strategy by considering average market yields in the six months straddling the valuation date. The discount rate so determined may be referred to as the "ongoing" discount rate.

It may be appropriate for an alternative discount rate approach to be taken to reflect an individual employer's situation. This may be, for example, to reflect an employer targeting a cessation event or to reflect the administering authority's views on the level of risk that an employer poses to the Fund. The Fund Actuary will incorporate any such adjustments after consultation with the administering authority.

A summary of the financial assumptions adopted for the 2019 valuation is set out in the table below:

Financial assumptions as at 31 March 2019	
RPI inflation	3.6% p.a.
CPI inflation	2.6% p.a.

Pension/deferred pension increases and CARE revaluation	In line with CPI inflation
Pay increases	CPI inflation + 1.0% p.a.
Discount rate	4.7% p.a.

Asset valuation

For the purpose of the valuation, the asset value used is the market value of the accumulated fund at the valuation date, adjusted to reflect average market conditions during the six months straddling the valuation date. This is referred to as the smoothed asset value and is calculated as a consistent approach to the valuation of the liabilities.

The Fund's assets are notionally allocated to employers at an individual level by allowing for actual Fund returns achieved on the assets and cashflows paid into and out of the Fund in respect of each employer (e.g. contributions received and benefits paid).

Demographic assumptions

The demographic assumptions incorporated into the valuation are based on Fund-specific experience and national statistics, adjusted as appropriate to reflect the individual circumstances of the Fund and/or individual employers.

Further details of the assumptions adopted are included in the Fund's 2019 valuation report.

McCloud/Sargeant judgements

The McCloud/Sargeant judgements were in relation to two employment tribunal cases which were brought against the government in relation to possible age and gender discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. These judgements were not directly in relation to the LGPS, however, do have implications for the LGPS.

In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounted to unlawful discrimination. On 27 June 2019 the Supreme Court denied the government's request for an appeal in the case. A remedy is still to be either imposed by the Employment Tribunal or negotiated and applied to all public service schemes, so it is not yet clear how this judgement may affect LGPS members' past or future service benefits. It has, however, been noted by government in its 15 July 2019 statement that it expects to have to amend all public service schemes, including the LGPS. On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits. On 13 May 2021 the Government issued a ministerial statement which confirms that changes will be made to the LGPS Regulations to compensate members directly affected by the change to career average benefits from 1 April 2014. The Government's intention is that revised regulations will come into force on 1 April 2023, and draft regulations are expected later in 2021.

Further details of this can be found below in the Regulatory risks section.

As part of the Fund's 2019 valuation, in order to mitigate the risk of member benefits being uplifted and becoming more expensive, the potential impact of McCloud was covered by the prudence allowance in the discount rate assumption. As the remedy is still to be agreed the cost cannot be calculated with certainty, however, the Fund Actuary expects it is likely to be less than 0.05% of the discount rate assumption.

Guaranteed Minimum Pension (GMP) indexation and equalisation

As part of the restructuring of the state pension provision, the government needs to consider how public service pension payments should be increased in future for members who accrued a Guaranteed Minimum Pension (GMP) from their public service pension scheme and expect to reach State Pension Age (SPA) post-December 2018. In addition, a resulting potential inequality in the payment of public service pensions between men and women needs to be addressed. Information on the current method of indexation and equalisation of public service pension schemes can be found here.

On 23 March 2021, the government published the outcome to its Guaranteed Minimum Pension Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching SPA beyond 5 April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016. Details of the consultation outcome can be found at: https://www.gov.uk/government/consultations/public-service-pensions-guaranteed-minimum-pension-indexation-consultation.

The 2019 valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the government providing the remainder of the inflationary increase. For members that reach SPA after this date, it is assumed that the Fund will be required to pay the entire inflationary increase.

Deficit recovery/surplus amortisation periods

Whilst one of the funding objectives is to build up sufficient assets to meet the cost of benefits as they accrue, it is recognised that at any particular point in time, the value of the accumulated assets will be different to the value of accrued liabilities, depending on how the actual experience of the Fund differs to the actuarial assumptions. This theory applies down to an individual employer level; each employer in the Fund has their own share of deficit or surplus attributable to their section of the Fund.

Where the valuation for an employer discloses a deficit then the level of required employer contributions includes an adjustment to fund the deficit over a period of 0 to 16 years. The adjustment may be set either as a percentage of payroll or as a fixed monetary amount.

Where the valuation for an employer discloses a surplus then the level of required employer contribution may include an adjustment to amortise the surplus over an appropriate period.

The deficit recovery periods adopted at the 2019 valuation varied amongst individual employers. Shorter recovery periods have been used where affordable. This will provide a buffer for future adverse experience and reduce the interest cost paid by employers. The deficit recovery period or amortisation period that is adopted for any particular employer will depend on:

- The significance of the surplus or deficit relative to that employer's liabilities;
- The covenant of the individual employer (including any security in place) and any limited period of participation in the Fund;
- The remaining contract length of an employer in the Fund (if applicable); and
- The implications in terms of stability of future levels of employers' contribution.

Where an employer's contribution has to increase significantly then, if appropriate, the increase may be phased in over a period not exceeding three years.

Pooling of individual employers

The policy of the Fund is that each individual employer should be responsible for the costs of providing pensions for its own employees who participate in the Fund. Accordingly, contribution rates are set for individual employers to reflect their own particular circumstances.

However, certain groups of individual employers are pooled for the purposes of determining contribution rates to recognise common characteristics or where the number of Scheme members is small.

The funding pools adopted for the Fund at the 2019 valuation are summarised in the table below:

Pool	Type of pooling	Notes
Kent County Council	Past and future service pooling	All employers in the pool pay the same total contribution rate and have the same funding level
Colleges	Past and future service pooling	All employers in the pool pay the same total contribution rate and have the same funding level
Academies	Past and future service pooling	All employers in the pool pay the same total contribution rate and have the same funding level

There are also a number of connected employers within the Fund. Connected employers are those where we understand that the organisation controls all of the employers or has responsibility for all the pension obligations. Examples include parent/subsidiaries or former Transferee Admission Bodies who have ceased to participate where the legacy liabilities have been passed back to the Letting Authority. In these instances, the contribution rate has been determined as a pooled rate.

The main purpose of pooling is to produce more stable employer contribution levels, although recognising that ultimately there will be some level of cross-subsidy of pension cost amongst pooled employers.

Forming/disbanding a funding pool

Where the Fund identifies a group of employers with similar characteristics and potential merits for pooling, it is possible to form a pool for these employers. Advice should be sought from the Fund Actuary to consider the appropriateness and practicalities of forming the funding pool.

Conversely, the Fund may consider it no longer appropriate to pool a group of employers. This could be due to divergence of previously similar characteristics or an employer becoming a dominant party in the pool (such that the results of the pool are largely driven by that dominant employer). Where this scenario arises, advice should be sought from the Fund Actuary.

Funding pools should be monitored on a regular basis, at least at each actuarial valuation, in order to ensure the pooling arrangement remains appropriate.

Risk-sharing

There are employers that participate in the Fund with a risk-sharing arrangement in place with another employer in the Fund.

For example, there are employers participating in the Fund with pass-through provisions: under this arrangement the pass-through employer does not take on the risk of underfunding as this risk remains with the letting authority or relevant guaranteeing employer. When the pass-through employer ceases participation in the Fund, it is not responsible for making any exit payment, nor receiving any exit credit, as any deficit or surplus ultimately falls to the letting authority or relevant guaranteeing employer.

At the 2019 valuation, risk-sharing arrangements were allowed for by allocating any deficit/liabilities covered by the risk-sharing arrangement to the relevant responsible employer.

New employers joining the Fund

When a new employer joins the Fund, the Fund Actuary is required to set the contribution rates payable by the new employer and allocate a share of Fund assets to the new employer as appropriate. The most common types of new employers joining the Fund are admission bodies and new academies. These are considered in more detail below.

Admission bodies

New admission bodies in the Fund are commonly a result of a transfer of staff from an existing employer in the Fund to another body (for example as part of a transfer of services from a council or academy to an external provider under Schedule 2 Part 3 of the Regulations). Typically these transfers will be for a limited period (the contract length), over which the new admission body employer is required to pay contributions into the Fund in respect of the transferred members.

Funding at start of contract

Generally, when a new admission body joins the Fund, they will become responsible for all the pensions risk associated with the benefits accrued by transferring members and the benefits to be accrued over the contract length. This is known as a full risk transfer. In these cases, it may be appropriate that the new admission body is allocated a share of Fund assets equal to the value of the benefits transferred, i.e. the new admission body starts off on a fully funded basis. This is calculated on the relevant funding basis and the opening position may be different when calculated on an alternative basis (e.g. on an accounting basis).

However, there may be special arrangements made as part of the contract such that a full risk transfer approach is not adopted. In these cases, the initial assets allocated to the new admission body will reflect the level of risk transferred and may therefore not be on a fully funded basis or may not reflect the full value of the benefits attributable to the transferring members.

Contribution rate

The contribution rate may be set on an open or a closed basis. Where the funding at the start of the contract is on a fully funded basis then the contribution rate will represent the primary rate only; where there is a deficit allocated to the new admission body then the contribution rate will also incorporate a secondary rate with the aim of recovering the deficit over an appropriate recovery period.

Depending on the details of the arrangement, for example if any risk sharing arrangements are in place, then additional adjustments may be made to determine the contribution rate payable by the new admission body. The approach in these cases will be bespoke to the individual arrangement.

Security

To mitigate the risk to the Fund that a new admission body will not be able to meet its obligations to the Fund in the future, the new admission body may be required to put in place a bond in accordance with Schedule 2 Part 3 of the Regulations, if required by the letting authority and administering authority.

If, for any reason, it is not desirable for a new admission body to enter into a bond, the new admission body may provide an alternative form of security which is satisfactory to the administering authority.

Risk-sharing

Although a full risk transfer (as set out above) is most common, subject to agreement with the administering authority where required, new admission bodies and the relevant letting authority may make a commercial agreement to deal with the pensions risk differently. For example, it may be agreed that all or part of the pensions risk remains with the letting authority.

Although pensions risk may be shared, it is common for the new admission body to remain responsible for pensions costs that arise from:

- above average pay increases, including the effect on service accrued prior to contract commencement; and
- redundancy and early retirement decisions.

The administering authority may consider risk-sharing arrangements as long as the approach is clearly documented in the admission agreement, the transfer agreement or any other side agreement. The arrangement also should not lead to any undue risk to the other employers in the Fund.

Legal and actuarial advice in relation to risk-sharing arrangements should be sought where required.

New academies

When a school converts to academy status, the new academy (or the sponsoring multi-academy trust) becomes a Scheme employer in its own right.

Funding at start

On conversion to academy status, the new academy will become part of the Academies funding pool and will be allocated assets based on the funding level of the pool at the conversion date.

Contribution rate

The contribution rate payable when a new academy joins the Fund will be in line with the contribution rate certified for the Academies funding pool at the 2019 valuation.

Contribution reviews between actuarial valuations

It is anticipated for most Scheme employers that the contribution rates certified at the formal actuarial valuation will remain payable for the period of the rates and adjustments certificate. However, there may be circumstances where a review of the contribution rates payable by an employer (or a group of employers) under Regulation 64A is deemed appropriate by the administering authority.

A contribution review may be requested by an employer or be required by the administering authority. The review may only take place if one of the following conditions are met:

(i) it appears likely to the administering authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;

(ii) it appears likely to the administering authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme; or

(iii) a Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review. A request under this condition can only be made if there has been a significant change in the liabilities arising or likely to arise and/or there has been a significant change in the ability of the Scheme employer to meet its obligations to the Fund.

Guidance on the administering authority's approach considering the appropriateness of a review and the process in which a review will be conducted is set out the Fund's separate Contribution review policy. This includes details of the process that should be followed where an employer would like to request a review.

Once a review of contribution rates has been agreed, unless the impact of amending the contribution rates is deemed immaterial by the Fund Actuary, then the results of the review will be applied with effect from the agreed review date, regardless of the direction of change in the contribution rates.

Note that where a Scheme employer seems likely to exit the Fund before the next actuarial valuation then the administering authority can exercise its powers under Regulation 64(4) to carry out a review of contributions with a view to providing that assets attributable to the Scheme employer are equivalent to the exit payment that will be due from the Scheme employer. These cases do not fall under the separate contribution review policy.

With the exception of any cases falling under Regulation 64(4), the administering authority will not accept a request for a review of contributions where the effective date is within 12 months of the next rates and adjustments certificate.

Cessation valuations

When a Scheme employer exits the Fund and becomes an exiting employer, as required under the Regulations the Fund Actuary will be asked to carry out an actuarial valuation in order to determine the liabilities in respect of the benefits held by the exiting employer's current and former employees. The Fund Actuary is also required to determine the exit payment due from the exiting employer to the Fund or the exit credit payable from the Fund to the exiting employer.

Any deficit in the Fund in respect of the exiting employer will be due to the Fund as a single lump sum payment, unless it is agreed by the administering authority and the other parties involved that an alternative approach is permissible. For example:

- It may be agreed with the administering authority that the exit payment can be spread over some agreed period;
- the assets and liabilities relating to the employer may transfer within the Fund to another participating employer; or
- the employer's exit may be deferred subject to agreement with the administering authority, for example if it intends to offer Scheme membership to a new employee within the following three years.

Similarly, any surplus in the Fund in respect of the exiting employer may be treated differently to a payment of an exit credit, subject to the agreement between the relevant parties and any legal documentation.

In assessing the value of the liabilities attributable to the exiting employer, the Fund Actuary may adopt differing approaches depending on the employer and the specific details surrounding the employer's cessation scenario.

Exit credit policy

Under advice from MHCLG, administering authorities should set out their exit credit policy in their Funding Strategy Statement. Having regard to any relevant considerations, the administering authority will take the following approach to the payment of exit credits:

- Any employer who cannot demonstrate that they have been exposed to underfunding risk during their participation in the Fund will not be entitled to an exit credit payment. This will include the majority of "pass-through" arrangements. This is on the basis that these employers would not been asked to pay an exit payment had a deficit existed at the time of exit.

- The administering authority does not need to enquire into the precise risk sharing arrangement adopted by an employer but it must be satisfied that the risk sharing arrangement has been in place before it will pay out an exit credit. The level of risk that an employer has borne will be taken into account when determining the amount of any exit credit. It is the responsibility of the exiting employer to set out in writing why the arrangements make payment of an exit credit appropriate.

- Any exit credit payable will be subject to a maximum of the actual employer contributions paid into the Fund.

- As detailed above, the Fund Actuary may adopt differing approaches depending on the employer the specific details surrounding the employer's cessation scenario. The default approach to calculating the cessation position will be on a minimum-risk basis unless it can be shown that there is another employer in the Fund who will take on financial responsibility for the liabilities in the future. If the administering authority is satisfied that there is another employer willing to take on responsibility for the liabilities (or that there is some other form of guarantee in place) then the cessation position may be calculated on the ongoing/long-term funding basis.

- The administering authority will pay out any exit credits within six months of the cessation date where possible. A longer time may be agreed between the administering authority and the exiting employer where necessary. For example if the employer does not provide all the relevant information to the administering authority within one month of the cessation date the administering authority will not be able to guarantee payment within six months of the cessation date.

- Under the Regulations, the administering authority has the discretion to take into account any other relevant factors in the calculation of any exit credit payable and they will seek legal advice where appropriate.

Managing exit payments

Where a cessation valuation reveals a deficit and an exit payment is due, the expectation is that the employer settles this debt immediately through a single cash payment. However, should it not be possible for the employer to settle this amount, providing the employer puts forward sufficient supporting evidence to the administering authority, the administering authority may agree a deferred debt agreement (DDA) with the employer under Regulation 64(7A) or a debt spreading agreement (DSA) under Regulation 64B.

Under a DDA, the exiting employer becomes a deferred employer in the Fund (i.e. they remain as a Scheme employer but with no active members) and remains responsible for paying the secondary rate of contributions to fund their deficit. The secondary rate of contributions will be reviewed at each actuarial valuation until the termination of the agreement.

Under a DSA, the cessation debt is crystallised and spread over a period deemed reasonable by the administering authority having regard to the views of the Fund Actuary.

Whilst a DSA involves crystallising the cessation debt and the employer's only obligation is to settle this set amount, in a DDA the employer remains in the Fund as a Scheme employer and is exposed to the same risks (unless agreed otherwise with the administering authority) as active employers in the Fund (e.g. investment, interest rate, inflation, longevity and regulatory risks) meaning that the deficit will change over time.

Guidance on the administering authority's policy for entering into, monitoring and terminating a DDA or DSA is set out in the Fund's separate DSA and DDA policies document. This includes details of when a DDA or a DSA may be permitted and the information required from the employer when putting forward a request for a DDA or DSA.

Regulatory factors

At the date of drafting this FSS, the government is currently consulting on potential changes to the Regulations, some which may affect the regulations surrounding an employer's exit from the Fund. This is set out in the *Local government pension scheme: changes to the local valuation cycle and the management of employer risk* consultation document.

Further details of this can be found in the Regulatory risks section below.

Bulk transfers

Bulk transfers of staff into or out of the Fund can take place from other LGPS Funds or non-LGPS Funds. In either case, the Fund Actuary for both Funds will be required to negotiate the terms for the bulk transfer – specifically the terms by which the value of assets to be paid from one Fund to the other is calculated.

The agreement will be specific to the situation surrounding each bulk transfer but in general the Fund will look to receive the bulk transfer on no less than a fully funded transfer (i.e. the assets paid from the ceding Fund are sufficient to cover the value of the liabilities on the agreed basis).

A bulk transfer may be required by an issued Direction Order. This is generally in relation to an employer merger, where all the assets and liabilities attributable to the transferring employer in its original Fund are transferred to the receiving Fund.

Consolidation of Multi Academy Trusts (MATs)

Where an academy is transferring into or out of the Fund as part of a MAT consolidation exercise, the Fund generally expects that this will proceed through a Direction Order from the Secretary of State. In these situations, and subject to the terms agreed between the Fund Actuary to both LGPS Funds, typically all the assets attributable to the academy in the ceding Fund are transferred to the receiving Fund.

Where the academy is transferring out of the Fund, the Fund requires a Direction Order to be sought such that all associated deferred and pensioner liabilities are also transferred out of the Fund.

Where the academy is transferring into the Fund, where appropriate, the academy will become part of the Fund's Academy pool. If the funding level of the transfer into the Fund is substantially lower than the funding level of the academy pool then the Fund may require additional contributions to be paid by the academy to protect the other academies in the pool from an increased funding cost as a result of the transfer terms. There may be some instances where it is not deemed appropriate for the academy to join the Academy pool, or at least not immediately. For example, if a large number of academies from a MAT transfer into the Fund at one time, then it may be more appropriate to initiate a separate funding pool for these academies until their funding position is in line with the main Academy pool, at which point it can then be merged into the Academy pool.

Links with the Investment Strategy Statement (ISS)

The main link between the Funding Strategy Statement (FSS) and the ISS relates to the discount rate that underlies the funding strategy as set out in the FSS, and the expected rate of investment return which is expected to be achieved by the long-term investment strategy as set out in the ISS.

As explained above, the ongoing discount rate that is adopted in the actuarial valuation is derived by considering the expected return from the long-term investment strategy. This ensures consistency between the funding strategy and investment strategy.

Risks and counter measures

Whilst the funding strategy attempts to satisfy the funding objectives of ensuring sufficient assets to meet pension liabilities and stable levels of employer contributions, it is recognised that there are risks that may impact on the funding strategy and hence the ability of the strategy to meet the funding objectives.

The major risks to the funding strategy are financial, although there are other external factors including demographic risks, regulatory risks and governance risks.

Financial risks

The main financial risk is that the actual investment strategy fails to produce the expected rate of investment return (in real terms) that underlies the funding strategy. This could be due to a number of factors, including market returns being less than expected and/or the fund managers who are employed to implement the chosen investment strategy failing to achieve their performance targets.

The valuation results are most sensitive to the real discount rate (i.e. the difference between the discount rate assumption and the price inflation assumption). Broadly speaking an increase/decrease of 0.5% p.a. in the real discount rate will decrease/increase the valuation of the liabilities by 10%, and decrease/increase the required employer contribution by around 2.5% of payroll p.a.

However, the Investment and Pension Fund Committee regularly monitors the investment returns achieved by the fund managers and receives advice from the independent advisers and officers on investment strategy.

The Committee may also seek advice from the Fund Actuary on valuation related matters.

In addition, the Fund Actuary provides funding updates between valuations to check whether the funding strategy continues to meet the funding objectives.

Demographic risks

Allowance is made in the funding strategy via the actuarial assumptions for a continuing improvement in life expectancy. However, the main demographic risk to the funding strategy is that it might underestimate the continuing improvement in longevity. For example, an increase of one year to life expectancy of all members in the Fund will increase the liabilities by approximately 4%.

The actual mortality of pensioners in the Fund is monitored by the Fund Actuary at each actuarial valuation and assumptions are kept under review. For the past two funding valuations, the Fund has commissioned a bespoke longevity analysis by Barnett Waddingham's specialist longevity team in order to assess the mortality experience of the Fund and help set an appropriate mortality assumption for funding purposes.

The liabilities of the Fund can also increase by more than has been planned as a result of the additional financial costs of early retirements and ill-health retirements. However, the administering authority monitors the incidence of early retirements; and procedures are in place that require individual employers to pay additional amounts into the Fund to meet any additional costs arising from early retirements.

Maturity risk

The maturity of a Fund (or of an employer in the Fund) is an assessment of how close on average the members are to retirement (or already retired). The more mature the Fund or employer, the greater proportion of its membership that is near or in retirement. For a mature Fund or employer, the time available to generate investment returns is shorter and therefore the level of maturity needs to be considered as part of setting funding and investment strategies.

The cashflow profile of the Fund needs to be considered alongside the level of maturity: as a Fund matures, the ratio of active to pensioner members falls, meaning the ratio of contributions being paid into the Fund to the benefits being paid out of the Fund also falls. This therefore increases the risk of the Fund having to sell assets in order to meets its benefit payments.

The government has published a consultation (*Local government pension scheme: changes to the local valuation cycle and management of employer risk*) which may affect the Fund's exposure to maturity risk. More information on this can be found in the Regulatory risks section below.

Regulatory risks

The benefits provided by the Scheme and employee contribution levels are set out in Regulations determined by central government. The tax status of the invested assets is also determined by the government.

The funding strategy is therefore exposed to the risks of changes in the Regulations governing the Scheme and changes to the tax regime which may affect the cost to individual employers participating in the Scheme.

However, the administering authority participates in any consultation process of any proposed changes in Regulations and seeks advice from the Fund Actuary on the financial implications of any proposed changes.

There are a number of general risks to the Fund and the LGPS, including:

- If the LGPS was to be discontinued in its current form it is not known what would happen to members' benefits.
- The potential effects of GMP equalisation between males and females, if implemented, are not yet known.
- More generally, as a statutory scheme the benefits provided by the LGPS or the structure of the scheme could be changed by the government.
- The State Pension Age is due to be reviewed by the government in the next few years.

At the time of preparing this FSS, specific regulatory risks of particular interest to the LGPS are in relation to the McCloud/Sargeant judgements, the cost cap mechanism and the timing of future funding valuations consultation. These are discussed in the sections below.

McCloud/Sargeant judgements and cost cap

The 2016 national Scheme valuation was used to determine the results of HM Treasury's (HMT) employer cost cap mechanism for the first time. The HMT cost cap mechanism was brought in after Lord Hutton's review of public service pensions with the aim of providing protection to taxpayers and employees against unexpected changes (expected to be increases) in pension costs. The cost control mechanism only considers "member costs". These are the costs relating to changes in assumptions made to carry out valuations relating to the profile of the Scheme members; e.g. costs relating to how long members are expected to live for and draw their pension. Therefore, assumptions such as future expected levels of investment returns and levels of inflation are not included in the calculation, so have no impact on the cost management outcome.

The 2016 HMT cost cap valuation revealed a fall in these costs and therefore a requirement to enhance Scheme benefits from 1 April 2019. However, as a funded Scheme, the LGPS also had a cost cap mechanism controlled by the Scheme Advisory Board (SAB) in place and HMT allowed SAB to put together a package of proposed benefit changes in order for the LGPS to no longer breach the HMT cost cap. These benefit changes were due to be consulted on with all stakeholders and implemented from 1 April 2019.

However, on 20 December 2018 there was a judgement made by the Court of Appeal which resulted in the government announcing their decision to pause the cost cap process across all public service schemes. This was in relation to two employment tribunal cases which were brought against the government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. Transitional protection enabled some members to remain in their pre-2015 schemes after 1 April 2015 until retirement or the end of a pre-determined tapered protection period. The claimants challenged the transitional protection arrangements on the grounds of direct age discrimination, equal pay and indirect gender and race discrimination.

The first case (McCloud) relating to the Judicial Pension Scheme was ruled in favour of the claimants, while the second case (Sargeant) in relation to the Fire scheme was ruled against the claimants. Both rulings were appealed and as the two cases were closely linked, the Court of Appeal decided to combine the two cases. In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounts to unlawful discrimination. On 27 June 2019 the Supreme Court denied the government's request for an appeal in the case. A remedy is still to be either imposed by the Employment Tribunal or negotiated and applied to all public service schemes, so it is not yet clear how this judgement may affect LGPS members' past or future service benefits. It has, however, been noted by government in its 15 July 2019 statement that it expects to have to amend all public service schemes, including the LGPS.

On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits and at the same time announced the unpausing of the 2016 cost cap process which will take into account the remedy for the McCloud and Sargeant judgement. On 13 May 2021 the Government issued a ministerial statement which confirms that changes will be made to the LGPS Regulations to compensate members directly affected by the change to career average benefits from 1 April 2014. The Government's intention is that revised regulations will come into force on 1 April 2023, and draft regulations are expected later in 2021.

Consultation: Local government pension scheme: changes to the local valuation cycle and management of employer risk

On 8 May 2019, the government published a consultation seeking views on policy proposals to amend the rules of the LGPS in England and Wales. The consultation covered:

- amendments to the local fund valuations from the current three year (triennial) to a four year (quadrennial) cycle;
- a number of measures aimed at mitigating the risks of moving from a triennial to a quadrennial cycle;
- proposals for flexibility on exit payments;
- proposals for further policy changes to exit credits; and
- proposals for changes to the employers required to offer LGPS membership.

The consultation is currently ongoing: the consultation was closed to responses on 31 July 2019 and an outcome is now awaited.

So far, two partial responses to the consultation have been issued:

- On 27 February 2020, a partial response was issued relating to policy changes to exit credits
- On 26 August 2020, a partial response was issued relating to review of employer contributions and flexibility on exit payments

This FSS has been updated in light of these responses and will be revisited again once the outcomes are known for the remaining items.

Detail of the outstanding policy proposals are outlined below:

Timing of future actuarial valuations

LGPS valuations currently take place on a triennial basis which results in employer contributions being reviewed every three years. In September 2018 it was announced by the Chief Secretary to HMT, Elizabeth Truss, that the national Scheme valuation would take place on a quadrennial basis (i.e. every four years) along with the other public sector pension schemes. These results of the national Scheme valuation are used to test the cost control cap mechanism and HMT believed that all public sector scheme should have the cost cap test happen at the same time with the next quadrennial valuation in 2020 and then 2024.

Changes to employers required to offer LGPS membership

At the time of drafting this FSS, under the current Regulations further education corporations, sixth form college corporations and higher education corporations in England and Wales are required to offer membership of the LGPS to their non-teaching staff.

With consideration of the nature of the LGPS and the changes in nature of the further education and higher education sectors, the government has proposed to remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer new employees access to the LGPS. As these types of employer participate in the Fund, this could impact on the level of maturity of the Fund and the cashflow profile. For example, increased risk of contribution income being insufficient to meet benefit outgo, if not in the short term then in the long term as the payroll in respect of these types of employers decreases with fewer and fewer active members participating in the Fund.

This also brings an increased risk to the Fund in relation to these employers becoming exiting employers in the Fund. Should they decide not to admit new members to the Fund, the active membership attributable to the employers will gradually reduce to zero, triggering an exit under the Regulations and a potential significant exit payment. This has the associated risk of the employer not being able to meet the exit payment and thus the exit payment falling to the other employers in the Fund.

Employer risks

Many different employers participate in the Fund. Accordingly, it is recognised that a number of employer-specific events could impact on the funding strategy including:

- Structural changes in an individual employer's membership;
- An individual employer deciding to close the Scheme to new employees; and
- An employer ceasing to exist without having fully funded their pension liabilities.

However, the administering authority monitors the position of employers participating in the Fund, particularly those which may be susceptible to the events outlined, and takes advice from the Fund Actuary when required.

In addition, the administering authority keeps in close touch with all individual employers participating in the Fund to ensure that, as administering authority, it has the most up to date information available on individual employer situations. It also keeps individual employers briefed on funding and related issues.

Governance risks

Accurate data is necessary to ensure that members ultimately receive their correct benefits. The administering authority is responsible for keeping data up to date and results of the actuarial valuation depend on accurate data. If incorrect data is valued then there is a risk that the contributions paid are not adequate to cover the cost of the benefits accrued.

Monitoring and review

This FSS is reviewed formally, in consultation with the key parties, at least every three years to tie in with the triennial actuarial valuation process.

The most recent valuation was carried out as at 31 March 2019, certifying the contribution rates payable by each employer in the Fund for the period from 1 April 2020 to 31 March 2023.

The timing of the next funding valuation is due to be confirmed as part of the government's *Local government pension scheme: changes to the local valuation cycle and management of employer risk* consultation which closed on 31 July 2019. At the time of drafting this FSS, it is anticipated that the next funding valuation will be due as at 31 March 2022 but the period for which contributions will be certified remains unconfirmed.

The administering authority also monitors the financial position of the Fund between actuarial valuations and may review the FSS more frequently if necessary.

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Kent County Council Pension Fund

Deferred debt and debt spreading agreement policies

23 June 2021

Contents

Introduction

This document sets out the Kent County Council Pension Fund's policy on deferred debt agreements (DDAs) and debt spreading agreements (DSAs) for exiting employers.

Kent County Council Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS), a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 (the Regulations) as amended.

When a Scheme employer becomes an exiting employer under Regulation 64, the Fund Actuary is required to carry out a valuation to determine the exit payment due from the exiting employer to the Fund, or the excess of assets in the Fund relating to that employer. Where an exit payment is due, the expectation is that the employer settles this debt immediately through a single cash payment. However, if the employer provides evidence that this is not possible, there are two alternatives available: Regulation 64(7A) enables the administering authority to enter into a deferred debt agreement with the employer while Regulation 64B enables the administering authority to enter into a debt spreading agreement.

Under a DDA, the exiting employer becomes a deferred employer in the Fund (i.e. they remain as a Scheme employer but with no active members) and remains responsible for paying the secondary rate of contributions to fund their deficit. The secondary rate of contributions will be reviewed at each actuarial valuation until the termination of the agreement.

Under a DSA, the cessation debt is crystallised and spread, with interest, over a period deemed reasonable by the administering authority having regard to the views of the Fund Actuary.

Whilst a DSA involves crystallising the cessation debt and the employer's only obligation is to settle this set amount, in a DDA the employer remains in the Fund as a Scheme employer and is exposed to the same risks (unless agreed otherwise with the administering authority) as active employers in the Fund (e.g. investment, interest rate, inflation, longevity and regulatory risks) meaning that the deficit will change over time.

This policy document sets out the administering authority's policy for entering into, monitoring and terminating a DDA or DSA.

These policies have been prepared by the administering authority following advice from the Fund Actuary and following consultation with the Fund's Scheme employers. In drafting this policy document, the administering authority has taken into consideration the statutory guidance on preparing and maintaining policies on employer exit payments and deferred debt agreements which was issued by the Ministry of Housing, Communities and Local Government, and the Scheme Advisory Board's guide to employer flexibilities.

Approach for exiting employers

In the event that an employer becomes an exiting employer and an exit payment is identified, the Fund should seek to receive a payment from the exiting employer equal to the exit payment in full.

The administering authority makes the exiting employer aware an exit payment is due by providing a revised rates and adjustments certificate in the form of a cessation valuation report produced by the Fund Actuary. Details of the Fund's cessation policy can be found in the Fund's Funding Strategy Statement (FSS).

The default position is that the employer is required to make an exit payment in full immediately. However, if required, the exiting employer can inform the administering authority, along with evidence, that they are unable to do so and may request to enter either a DDA or DSA. If the administering authority is satisfied with the evidence provided, the DDA or DSA process may proceed.

Requests should be submitted within 28 calendar days of receiving confirmation of the exit payment required, or otherwise the exit payment should be paid to the Fund in full within 30 days as per "Employer Responsibilities" when you become a Fund employer.

Where possible, the administering authority encourages employers who are approaching exit and suspect they will have a deficit to engage with the administering authority in advance in order to understand the options that may be available. An indicative cessation report can be produced to form the basis of discussions.

Choosing a DDA or DSA

Consideration needs to be given as to which approach is the most appropriate in each case. A DDA may be appropriate if:

- the employer temporarily has no active members but expects it may return to active employer status in future. However, please note that if the plan is for active members to join within three years then perhaps a suspension notice may be more appropriate;
- the employer wants to minimise costs by potentially benefitting from the upside of the pensions risks it would remain exposed to and therefore does not want to crystallise its debt by becoming an exiting employer. In this case the administering authority may be willing to defer crystallisation of the cessation debt for an appropriately significant period of time, subject to the strength of the employer's covenant or security provided;
- initial affordability of the full exit payment is low but there is a prospect of increased affordability in the future, or the payment can only be afforded over a long period and therefore a DDA enables the position to be updated over time in light of changing funding positions; and/or
- the employer has a weak covenant but is not faced with imminent insolvency and must rely on future investment returns to fully or partially fund the exit payment. The administering authority may agree that doing so over an appropriate long period is better for the Fund than risking immediate insolvency of the employer.

On the other hand, it may be more appropriate to enter a DSA if:

- the employer does not intend to employ any more active members and therefore is not expected to resume active employer status;

- the employer wishes to crystallise its debt to the Fund and therefore not be subject to any of the pension risks that could cause the amounts payable to the Fund increasing (or decreasing) in future;
- the employer has ample resources to make the payment within the near future but not immediately; and/or
- the employer is deemed to have a very weak covenant and so the administering authority will want to try to recoup as much of the exit payment as possible before the employer becomes insolvent.

The administering authority has the right to refuse a DSA or DDA request if they believe it is not in the best interests of the Fund or the other participating employers, for example if entering a DSA or DDA increases the risk of a deficit falling to the other employers.

In considering each request for a DDA or DSA arrangement from an exiting employer the administering authority will take actuarial, covenant, legal and other advice as necessary. Proposed DDAs/DSAs will always be discussed with the employer, whether the arrangement was at the exiting employer's request or not.

Employers who may be party to either a DSA or a DDA are encouraged to discuss any potential impact on their accounting treatment with their auditors.

Managing of costs

On receiving a request the administering authority will make the employer aware that any costs associated with setting up the DDA or DSA will be the responsibility of the Scheme employer, regardless of whether the administering authority agrees to enter into the agreement or not. This may include the cost of actuarial advice, legal advice, administrative costs and any additional advice required in relation to a covenant assessment or any other specialist adviser costs. If costs deviate from those initially anticipated the administering authority will keep the exiting employer up-to-date with any increases. The administering authority will provide information on how and when payments should be made.

Internal dispute resolutions

Whether a DDA or DSA arrangement is agreed or not is ultimately the decision of the administering authority. In the event of any dispute from an employer, the Fund will seek to engage with the employer and a further 28 calendar days will be granted in which further discussions can take place to seek a resolution. Any further dispute or appeal should be raised with the Superannuation Fund Committee.

Deferred Debt Agreements (DDAs)

Entering into a DDA

Under a DDA, the exiting employer becomes a deferred employer in the Fund (i.e. they remain as a Scheme employer but with no active members) and remains responsible for paying the secondary rate of contributions to fund their deficit.

Information required from the employer

When making a request to enter a DDA, the employer should demonstrate that they are unable to settle their exit payment immediately and provide any relevant information to support their request e.g. in relation to their covenant/ability to continue to make payments to the Fund on a continuing basis. Examples of information the employer may provide as evidence include the exiting employer's:

- most recent annual report and accounts
- latest management accounts
- financial forecasts
- details of position of other creditors

This is not an exhaustive list and the administering authority may request further evidence. In particular, the administering authority may commission a covenant assessment if insufficient evidence is provided.

Assessing the proposal

The administering authority will make a decision on whether to enter into a DDA within 28 calendar days of receiving a request but this may vary to reflect specific circumstances, for example if the administering authority chooses to request a covenant assessment then the process may take longer.

To reach a decision the administering authority will consider:

- the size of the exiting employer's residual liabilities relative to the size of the Fund;
- the size of the exit payment relative to the costs associated with entering into a DDA;
- whether a debt spreading agreement or suspension notice would be more appropriate (see specific circumstances below);
- any information provided by the exiting employer to support their covenant strength, including any information on a guarantor or other form of security that the employer may be able to put forward to support their covenant;
- the results of any covenant review carried out by the Fund Actuary or a covenant specialist;
- the exiting employer's accounts;
- the potential impact on the other employers in the Fund; and
- the opinion of the Fund Actuary.

The administering authority is not obliged to accept an exiting employer's request for a DDA. For example, in the following circumstances the administering authority may consider a DDA not to be appropriate:

- the exiting employer could reasonably be expected to settle their exit payment in a single amount;

- it is known or likely that another active member will come into employment in the three years following the cessation date (in these cases a suspension notice would be considered more appropriate than a DDA); or
- the administering authority is concerned that where a DDA is entered, that the employer could not afford the impact of any negative experience which would result in an increase in the required secondary rate of contributions and an increase in the employer's overall deficit (in these cases a debt spreading agreement would be considered more appropriate as the payments are fixed throughout the term of the agreement).

Once all information has been considered the administering authority will consult with the exiting employer as required under the Regulations. If the administering authority does not wish to enter into a DDA they will explain to the exiting employer their reasoning and any alternatives (e.g. a debt spreading agreement, suspension notice or indeed require the exit payment in full). If the administering authority accepts the request to enter into a DDA, they will notify their legal advisers and Fund Actuary. If the administering authority has concerns about the level of risk arising due to the DDA, the administering authority may only accept the request subject to a one-off cash injection being made by the exiting employer or security being provided as an additional guarantee.

Setting up a DDA

Once agreed that a DDA is permitted, the terms of the DDA will be agreed between the administering authority and the exiting employer and will be set out in a formal legal agreement.

The administering authority and the exiting employer (with the assistance of the Fund Actuary) will negotiate an appropriate duration of the agreement which will consider the exiting employer's affordability and anticipated strength of covenant over the agreement period. If the exiting employer has sufficient reserves, the administering authority may require an immediate cash payment so that the DDA can start from an acceptably stronger funding position.

The Fund Actuary will calculate secondary contributions on an appropriate basis as agreed with the administering authority and following consultation with the exiting employer, taking into account any cash payments made in advance. The secondary contributions will be reviewed at each actuarial valuation and certified as part of the Fund's Rates and Adjustments Certificate until the termination of the agreement. Therefore payments throughout the agreement are not known in advance and may increase or decrease at each valuation to reflect changes in the employer's funding position.

The timeline from consultation with the exiting employer to entering into a DDA to the signing of the agreement will vary. Where possible all parties will aim to have the agreement signed within 3 calendar months, although there may be circumstances where timings may vary.

Once finalised, the employer will become a deferred employer in the Fund and will have an obligation to pay their secondary contributions as certified by the Fund Actuary. The responsibilities of the deferred employer will be set out in the legal agreement and these will include the requirements to:

- comply with all the requirements on Scheme employers under the Regulations except the requirement to pay a primary rate of contributions but including any additional applicable costs, such as strain costs as a result of ill health retirements;
- adopt the relevant practices and procedures relating to the operation of the Scheme and the Fund as set out in any employer's guide produced by the administering authority;

- comply with all applicable requirements of data protection law relating to the Scheme and with the provisions of any data-sharing protocol produced by the administering authority and provided to the deferred employer;
- promptly provide all such information that the administering authority may reasonably request in order to administer and manage the agreement; and
- give notice to the administering authority, of any actual or proposed change in its status, including take-over, change of control, reconstruction, amalgamation, insolvency, winding up, liquidation or receivership or a material change to its business or constitution.

The deferred employer should consult with their auditors about any impacts the DDA is expected to have on their accounting requirements.

Monitoring a DDA

A deferred debt agreement is subject to the ongoing approval of the administering authority. The administering authority reserves the right to terminate the agreement should they become concerned about a significant weakening in the deferred employer's covenant or a significant change in funding position. Conversely, if there was an improvement in the employer's circumstance then the administering authority and employer may agree to amend the terms of the agreement.

The administering authority will monitor a DDA in the following ways:

Changing funding position

The administering authority will request regular, and at least annual, updates of the deferred employer's funding position in order to review the progress of the DDA. The costs of the regular reviews will fall to the deferred employer as part of the terms for putting in place a DDA.

If the funding position changes by more than 10% (in absolute terms) from the previous review then the administering authority may engage with the deferred employer to discuss a possible review of the DDA.

Changing employer covenant

The administering authority monitors the level of covenant of its Scheme employers on an ongoing basis. In particular, the administering authority commissions an employer risk review report from the Fund Actuary each actuarial valuation cycle which includes obtaining credit ratings from credit rating agencies.

Once an employer enters into a DDA, the administering authority will review the employer's covenant on a regular basis and details of this will be agreed for each DDA on an individual basis. If a deferred employer's covenant deteriorates, the administering authority may issue a notice to review and possibly terminate the agreements.

In addition, if a deferred employer requests an extension to the duration of the DDA the administering authority will consider an updated covenant review, amongst other factors, in assessing the proposal.

As a condition of entering into a DDA, the deferred employer is required to engage with the administering authority to assist with monitoring the level of covenant, for example by providing information requested by the administering authority in a timely manner.

Timeliness of payments

The agreement will set out whether payments are made on a monthly or annual basis, and the administering authority will monitor if contributions are paid on time. Successive late or in particular missing payments would contribute towards a notice being issued to the deferred employer to review and possibly terminate the agreement.

Strength of guarantee or security

If a particular funding basis has been used by the Fund Actuary on the understanding that there is a particular security in place (e.g. another employer in the Fund willing to underwrite the residual deferred and pensioner liabilities when the employer formally exits) then the administering authority will check there has been no change to the security at agreed regular intervals and as a minimum at each valuation cycle. The Fund Actuary may change the funding basis used to set the deferred employer's contributions depending on the strength of the security in place.

Notifiable events from the deferred employer

The deferred employer has a responsibility to make the administering authority aware of any changes in their ability to make payments or of a change in circumstance (e.g. a change of the guarantee in place mentioned above). Information should be shared with the administering authority at any time throughout the agreement to enable the administering authority to consider whether a review of the agreement should be carried out.

Terminating a DDA

Events that may terminate a DDA

As set out in Regulation 64(7E), the DDA terminates on the first of the following events:

- the deferred employer enrols new active members;
- the duration of the agreement has elapsed;
- the take-over, amalgamation, insolvency, winding up or liquidation of the deferred employer;
- the administering authority serves a notice on the deferred employer that it is reasonably satisfied that the employer's ability to meet the contributions payable under the DDA has weakened materially (or is likely to in the next 12 months); or
- a review of the funding position of the deferred employer is carried out at an updated calculation date and the Fund Actuary assesses that the deferred employer has paid sufficient secondary contributions to cover what would be due if the deferred employer terminated at the updated calculation date; in other words the review reveals no deficit remains on the relevant calculation basis.

The deferred employer can also choose to terminate the DDA at any point. Notice should be given to the administering authority at the earliest opportunity.

Termination clauses will be included in the formal DDA legal agreement.

Process of termination

Once a termination of the DDA has been triggered, the deferred employer becomes an exiting employer under Regulation 64(1). The administering authority will obtain from the Fund Actuary an exit valuation calculated at the date the DDA terminates, and a revised rates and adjustments certificate setting out the exit payment due from the exiting employer or the excess of assets in the Fund relating to the exiting employer (which would then be subject to the Fund's exit credit policy).

Once the exit payment has been made in full, the exiting employer has no further obligation to the Fund.

If the termination has been triggered because the deferred employer has enrolled new active members then the deferred employer becomes an active employer in the Fund and an immediate exit payment may not be required; this may instead be incorporated in the revised rates and adjustments certificate that will be provided in respect of the active employer. The employer remains responsible for all previously accrued liabilities and the revised contributions required from the active employer will be calculated in line with the Fund's FSS.

If the termination has been triggered because a review of the funding position of the deferred employer reveals that the secondary contributions paid to date by the deferred employer are sufficient to cover what would be due if the deferred employer terminated at the updated calculation date, then the deferred employer becomes an exiting employer and no further payments are required. The exiting employer has no further obligation to the Fund. Where there is a surplus, an exit credit may be payable as determined by the administering authority and in line with the Fund's exit credit policy.

Debt Spreading Agreements (DSAs)

Entering a DSA

Under a DSA, the cessation debt is crystallised and spread, with interest, over a period deemed reasonable by the administering authority having regard to the views of the Fund Actuary and following discussion with the exiting employer. The payments are fixed and are not reviewed at each actuarial valuation.

Information required from the employer

When making a request to enter a DSA, the exiting employer should demonstrate that they are unable to settle their exit payment immediately and provide any relevant information to support their request e.g. in relation to their covenant/ability to continue to make payments to the Fund. Examples of information the exiting employer may provide as evidence include the employer's:

- most recent annual report and accounts
- latest management accounts
- financial forecasts
- details of position of other creditors

This is not an exhaustive list and the administering authority may request further evidence. In particular, the administering authority may commission a covenant assessment if insufficient evidence is provided.

Assessing the proposal

The administering authority will make a decision on whether to enter into a DSA within 28 calendar days of receiving a request but this may vary to reflect specific circumstances, for example if the administering authority chooses to request a covenant assessment then the process may take longer.

To reach a decision the administering authority will consider:

- the size of the exit payment relative to the exiting employer's business cashflow;
- the size of the exit payment relative to the costs associated with entering into a DSA;
- whether a deferred debt agreement or suspension notice would be more appropriate;
- any information provided by the employer to support their covenant strength;
- the results of any covenant review carried out by the Fund Actuary or a covenant specialist;
- the merit of any guarantees from another source and whether this is deemed sufficient to cover the outstanding payments should the exiting employer fail;
- the exiting employer's accounts;
- the potential impact on the other employers in the Fund; and
- the opinion of the Fund Actuary.

The administering authority is not obliged to accept an exiting employer's request for a DSA. For example, in the following circumstances the administering authority may consider a DSA not to be appropriate:

- the exiting employer could reasonably be expected to settle their exit payment in a single amount;
- there is doubt that the exiting employer can operate as a going concern during the spreading period; or

- the exiting employer cannot afford the speeded payments over the maximum spreading period or is requesting a spreading period longer than the maximum (see below).

The structure of the DSA is at the discretion of the administering authority having taken advice from the Fund Actuary and consulted with the exiting employer. The structure should protect all other employers in the Fund whilst being achievable for the exiting employer. The structure of the DSA will take into consideration:

- the period that the payments will be spread. This is expected to be no more than 5 years. For longer periods it may be more appropriate to consider a deferred debt agreement but the administering authority reserves the right to set whatever spreading period they deem appropriate provided they are satisfied with the exiting employer's ability to meet the payments over that period. The length of the spreading period will be set as to be as short as possible whilst remaining affordable for the exiting employer;
- the interest rate applicable to the spread payments. In general, this will be set with reference to the discount rate in the exiting employer's cessation valuation report;
- the regularity of the payments and when they fall due;
- other costs payable; and
- the responsibilities of the exiting employer during the spreading period (for example, to make payments on time and to notify the administering authority of a change in circumstances that could affect their ability to make payments).

Once all information has been considered the administering authority will consult with the exiting employer as required under the Regulations. If the administering authority does not wish to accept the exiting employer's request to enter into a DSA they will explain their reasoning and any alternatives (e.g. a DDA, suspension notice or indeed require the exit payment in full). If the administering authority accepts the request to enter into a DSA, they will notify their legal advisers and Fund Actuary. If the administering authority has concerns about the level of risk arising due to the DSA, the administering authority may only accept the request subject to a one-off cash injection being made by the exiting employer or security being provided as an additional guarantee.

Setting up a DSA

The administering authority and the exiting employer, with the assistance of the Fund Actuary, will then negotiate the structure of the schedule of payments which takes into consideration the exiting employer's affordability and an appropriate period of the spreading.

The schedule of payments will be set out in a revised rates and adjustments certificate prepared by the Fund Actuary. There may be circumstances where timings may vary, however, in general the certificate will be prepared and provided to the exiting employer within 28 calendar days of agreeing the structure of the schedule of payments with the exiting employer.

Monitoring a DSA

Over the term that the cessation debt payment is spread, the administering authority will monitor the ability and willingness of the exiting employer to pay the schedule of contributions in the revised rates and adjustments certificate. While it is expected the schedule of payments would be fixed for the spreading period, the administering authority may alter the structure of the schedule at any time if there is a change in the exiting employer's circumstances or indeed, if the exiting employer wanted to pay the remaining balance. This will be agreed on a case by case basis and set out in a side agreement as required.

The administering authority will be in regular contact with the exiting employer until their obligations to the Fund are removed when all payments set out in the schedule of payments are made.

Examples of factors which will be monitored are set out below. Should any of these raise any concerns with the administering authority then the DSA may be reviewed and/or terminated.

Changing employer covenant

The administering authority will monitor the ability of the exiting employer to make their set payments by monitoring publicly available information such as credit ratings and/or company accounts as well as keeping in regular contact, at least annually, with the exiting employer to ensure that the payments can be met.

As a condition of entering into a DSA, the exiting employer is required to engage with the administering authority to assist with monitoring the level of covenant, for example by providing information requested by the administering authority in a timely manner.

Timeliness of payments

The DSA will set out whether payments are made on a monthly or annual basis and how long for, and the administering authority will monitor if contributions are paid on time. Successive late or in particular missing payments would contribute towards further interest charges or the spreading agreement may be reviewed and/or terminated.

Strength of guarantee or security

If a particular schedule of payments has been agreed between the administering authority and the exiting employer on the understanding that there is a particular security in place (e.g. another employer in the Fund willing to pay the remaining balance or a fixed charge on property that covers the remaining balance) then the administering authority will check there has been no change to the security regularly. The frequency of these reviews may reduce as the level of outstanding debt reduces. The administering authority with advice from the Fund Actuary may change the schedule of payments depending on the strength of the security in place. The exiting employer would be consulted prior to any changes.

Notifiable events from the exiting employer

The exiting employer has a responsibility to make the administering authority aware of any changes in their ability to make payments or of a change in circumstance that affects their ability to make payments. Information should be shared with the administering authority at any time throughout the agreement to enable the administering authority to consider whether a review of the agreement should be carried out.

Terminating a DSA

Events that may terminate a DSA

On paying all the payments set out in the revised rates and adjustments certificate the exiting employer will no longer have any obligations to the Fund.

In the event that the administering authority believes that the exiting employer may not be able to make any of their remaining payments, the administering authority reserves the right to review and/or terminate the DSA to ensure it is appropriate for the Fund and does not adversely impact the other participating employers.

The exiting employer may also request to terminate the DSA early, in which case an immediate payment of the outstanding amounts set out in the contribution schedule should be paid.

Process of termination

In the event of a DSA being amended or terminated the administering authority will communicate this to the exiting employer along with reasons for the decision. Before the decision is made the administering authority will consult with the exiting employer about their change in circumstances and also take advice from the Fund Actuary.

If the DSA has to be terminated prematurely the administering authority will seek to obtain from the exiting employer as much of the outstanding exit payments as possible or look at alternative arrangements such as a deferred debt agreement.

Once the exit payment has been made in full, the exiting employer has no further obligation to the Fund.

Kent County Council Pension Fund

Contribution review policy

23 June 2021

Contents

Introduction

This document sets out the Kent County Council Pension Fund's policy on amending the contribution rates payable by an employer (or group of employers) between formal funding valuations.

Kent County Council Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS), a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 (the Regulations) as amended.

Under Regulation 62, Kent County Council, as the administering authority for the Fund, is required to obtain a formal actuarial valuation of the Fund and a rates and adjustments certificate setting out the contribution rates payable by each Scheme employer for three year period beginning 1 April following that in which the valuation date falls.

It is anticipated for most Scheme employers that the contribution rates certified at the formal actuarial valuation will remain payable for the period of the rates and adjustments certificate. However, there may be circumstances where a review of the contribution rates payable by an employer (or a group of employers) under Regulation 64A is deemed appropriate by the administering authority. This policy document sets out the administering authority's approach to considering the appropriateness of a review and the process in which a review will be conducted.

This policy has been prepared by the administering authority following advice from the Fund Actuary, and following consultation with the Fund's Scheme employers. In drafting this policy document, the administering authority has taken into consideration the statutory guidance on drafting a contribution review policy which was issued by the Ministry of Housing, Communities and Local Government, and the Scheme Advisory Board's guide to employer flexibilities.

Throughout this document, any reference to the review of a Scheme employer's contribution rates will also mean the single review of the contribution rates for a group of Scheme employers (for example if the employers are pooled for funding purposes).

Note that where a Scheme employer seems likely to exit the Fund before the next actuarial valuation then the administering authority can exercise its powers under Regulation 64(4) to carry out a review of contributions with a view to providing that assets attributable to the Scheme employer are equivalent to the exit payment that will be due from the Scheme employer. These cases do not fall under this contribution review policy.

The review process

The events that may trigger a review are set out in the Triggering a contribution review section. The general process for assessing and conducting a review is set out below. Timescales may vary in practice depending on each individual circumstance but the timeline below provides a rough guide of the administering authority's general expectation.

Following completion of the review process, the administering authority may continue to monitor the Scheme employer's position in order to ensure the revised contribution rate remains appropriate (where a review was completed) or to ensure the Scheme employer's situation does not change such that a review previously deemed not appropriate becomes appropriate. As part of its participation in the Fund, any Scheme employer is expected to support any reasonable information requests made by the administering authority in order to allow effective monitoring.

Timeline where initiation is made by the administering authority

Where the review is initiated by the administering authority (i.e. under conditions (i) and (ii) in the Triggering a contribution review section), the first stage after the administering authority has conducted its analysis is to engage with the Scheme employer and provide written evidence for requiring the review.

The Scheme employer will be given 28 calendar days from the later of the date of receipt of the evidence provided by the administering authority and the date of receipt of the results of the formal contribution review to respond to the administering authority on the proposal. Should no challenge be accepted within this period then the administering authority will treat the proposal as accepted and the revised contribution rates will come into effect from the proposed review date.

Should the Scheme employer challenge the administering authority's proposal, then the administering authority will continue to engage with the Scheme employer in order to reach an agreeable decision. If no decision has been agreed within 3 calendar months of the initial proposal, then the administering authority may proceed with the revised contribution rates. Further details of the appeals process for the Scheme employer is set out in the Appeals process section.

Although the ultimate decision for review belongs to the administering authority, the administering authority is committed to engaging with any Scheme employer following the initial proposal to ensure that any change is agreeable to all relevant parties.

Timeline where initiation is made by the Scheme employer

Where the review is initiated by the Scheme employer, the process begins once the Scheme employer has provided all the relevant documents required as set out in the Triggering a contribution review section.

The administering authority will aim to provide a response to the Scheme employer within 28 calendar days from the date of receipt. This will depend on the quality of the documents provided and any need from the administering authority to request further information from the Scheme employer. The administering authority will provide a written response setting out the issues considered in reviewing the request from the Scheme employer, together with the outcome and confirming the next steps in the process.

Responsibility of costs

Where the review of contributions has been initiated by the administering authority, any costs incurred as part of the review in relation to the gathering of evidence to present to the Scheme employer and the actuarial costs to commission the contribution review will be met by the Fund. This is with the exception of any costs incurred as a result of extra information requested by the Scheme employer which is not ordinarily anticipated to be incurred by the administering authority as part of the review. These exception costs would be recharged to the Scheme employer.

Any costs incurred as a result of a review initiated by the Scheme employer will be the responsibility of the Scheme employer, regardless of the outcome of the review proceeding or not. This may include specialist adviser costs involved in assessing whether or not the request for review should be accepted and the costs in relation to carrying out the review.

Triggering a contribution review

As set out in Regulation 64(A)(1)(b), a review of an employer's contribution rate between formal actuarial valuations may only take place if one of the following conditions are met:

(i) it appears likely to the administering authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;

(ii) it appears likely to the administering authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme; or

(iii) a Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review.

Conditions (i) and (ii) are triggered by the administering authority and (iii) by the Scheme employer. The key considerations under each of the conditions are detailed below.

It should be noted that the conditions are as set out in the Regulations therefore do not allow for a review of contributions where the trigger is due to a change in actuarial assumptions or asset values.

(i) change in the amount of the liabilities arising or likely to arise

Examples of changes which may trigger a review under this condition include, but are not limited to:

- Restructuring of a council due to a move to unitary status
- Restructuring of a Multi Academy Trust
- A significant outsourcing or transfer of staff
- Any other restructuring or event which could materially affect the Scheme employer's membership
- Changes to whether a Scheme employer is open or closed to new members, or a decision which will restrict the Scheme employer's active membership in the fund in future
- Significant changes to the membership of an employer, for example due to redundancies, significant salary awards, ill health retirements or a large number of withdrawals
- Establishment of a wholly owned company by a scheduled body which does not participate in the LGPS.

As part of its participation in the Fund, Scheme employers are required to inform the administering authority of any notifiable events as set out in the Fund's Pensions Administration Strategy, service agreements and/or admission agreements. Through this notification process, the administering authority may identify events that merit a review of contributions.

In addition, the administering authority may initiate a review of contributions if they become aware of any events that they deem could potentially change the liabilities of the Scheme employer. This also applies to any employers for whom a review of contributions has already taken place as a further change in liabilities may merit another review.

(ii) change in the ability of the Scheme employer to meet its obligations

Examples of changes which may trigger a review under this condition include, but are not limited to:

- Change in employer legal status or constitution

- Provision of, or removal of, security, bond, guarantee or some other form of indemnity by a Scheme employer
- A change in a Scheme employer's immediate financial strength
- A change in a Scheme employer's longer-term financial outlook
- Confirmation of wrongful trading
- Conviction of senior personnel
- Decision to cease business
- Breach of banking covenant
- Concerns felt by the administering authority due to behaviour by a Scheme employer's, for example, a persistent failure to pay contributions (at all, or on time), or to reasonably engage with the administering authority over a significant period of time.

The administering authority monitors the level of covenant of its Scheme employers on an ongoing basis. In particular, the administering authority will commission an employer risk review report from the Fund Actuary on a regular basis. Through this analysis, the administering authority can identify any Scheme employers that might be considered as high risk and whether any Scheme employers have had a significant change in riskiness. This in turn may affect the administering authority's views on whether the ability of a Scheme employer to meet its obligations to the Fund has changed significantly and therefore whether this change may merit a contribution review. This also applies to any employers for whom a review of contributions has already taken place as a further change in an employer's ability to meet its obligations may merit another review.

(iii) request from the Scheme employer for a contribution review

A request can be made by a Scheme employer for a review of contribution rates outside of the formal actuarial process. This must be triggered by one of the following two conditions:

- There has been a significant change in the liabilities arising or likely to arise; and/or
- There has been a significant change in the ability of the Scheme employer to meet its obligations to the Fund.

Any requests not arising from either of these conditions will not be considered by the administering authority.

In most cases, requests by a Scheme employer are limited to one review per calendar year.

With the exception of any cases where the Scheme employer is expected to cease before the next rates and adjustments certificate comes into effect, the administering authority will not accept a request for a review of contributions with an effective date within the 12 months preceding the next rates and adjustments certificate. It is expected in these cases that any requests can be factored in to the formal review and any benefits of carrying out a review just prior to the commencement of a new rates and adjustments certificate are outweighed by the costs and resource required. If a request is made with an effective date within the 12 months preceding the next rates and adjustments certificate, the administering authority will instead reflect these changes in the actuarial valuation and the rates being certified and taking effect the year following the valuation date.

Information required from the Scheme employer

In order to submit a request for a review of contribution rates outside of the formal actuarial valuation process, a Scheme employer must provide the following to the Fund:

- Where a review is sought due to a potential change in the Scheme employer's liabilities:
    - Membership data or details of membership changes to evidence that the liabilities have materially changed, or are likely to change
- Where a review is sought due to a potential change in the ability of the Scheme employer to meet its obligations:
    - The most recent annual report and accounts for the Scheme employer
    - The most recent management accounts
    - Financial forecasts for a minimum of three years
    - The change in security or guarantee to be provided in respect of the Scheme employer's liabilities

The administering authority may require further evidence to support the request and this will be requested from the Scheme employer on a case by case basis.

Assessing the appropriateness of a review

The following general considerations will be taken into account by the administering authority, regardless of the condition under which a review is requested:

- the expected term for which the Scheme employer will continue to participate in the Fund;
- the time remaining to the next formal funding valuation;
- the cost of the review relative to the anticipated change in contribution rates and the benefit to the Scheme employer, the Fund and/or the other Scheme employers; and
- the anticipated impact on the Fund and the other Fund employers, including the relative size of the change in liabilities and contributions and any change in the risk borne by other Fund employers.

Where the review has been requested by the Scheme employer, the administering authority will also consider the information and evidence put forward by the Scheme employer. This may be with advice from the Fund Actuary where required, and will include an assessment of whether there is a reasonable likelihood that a review would result in a change in the Scheme employer's contribution rates. The administering authority will also consider whether it is necessary to consult with any other Scheme employer e.g. where a guarantee may have been provided by another Scheme employer.

Whether any changes require the administering authority to exercise its powers to carry out a contribution review will be assessed on a case by case basis and with advice from the Fund Actuary and may involve other considerations as deemed appropriate for the situation. The final decision of whether a review of contribution rates will be carried out rests with the administering authority after, if necessary, taking advice from the Fund Actuary. Should a Scheme employer disagree with the administering authority, then details of the Appeals process is set out later in this document.

Appropriateness of a review due to change in liabilities

This will be subject to the following considerations in addition to the general considerations set out above:

- the size of the Scheme employer's liabilities relative to the Fund and the extent to which they have changed;
- the size of the event in terms of membership and liabilities relative to the Scheme employer and/or the Fund; and
- the administering authority's assessment of the ability of the Scheme employer to meet its obligations.

Appropriateness of a review due to change in ability to meet its obligations to the Fund

In assessing whether or not an administering authority will exercise its powers to review a Scheme employer's contribution rates under this condition, the administering authority will take into account the general considerations set out earlier in this section and:

- The results of any employer risk analysis provided by the Fund Actuary or a covenant specialist
- The perceived change in the value of the indemnity to the administering authority, relative to the size of the Scheme employer's liabilities

It is acknowledged that each Scheme employer's situation may differ and therefore each decision will be made on a case by case basis. Further considerations to that set out above may be relevant and will be taken into account by the administering authority as required.

Method used for reviewing contribution rates

If a review of contribution rates is agreed, or if an indicative review is required to help inform the review process, the administering authority will take advice from the Fund Actuary on the calculation of the Scheme employer's revised contribution rates. This will take into account the events leading to the anticipated liability change and any impact of the changes in the Scheme employer's ability to meet its obligations to the Fund.

The starting point for reviewing a Scheme employer's contribution rates will in some cases be the most recent actuarial valuation. The table below sets out the general approach that will be used when carrying out this review.

Once a review of contribution rates has been agreed, unless the impact of amending the contribution rates is deemed immaterial by the Fund Actuary, then the results of the review will be applied with effect from the agreed review date.

	General approach
Member data	In some cases, where the review is happening during or shortly after the valuation, the most recent actuarial valuation data will be used as a starting point. In most cases, given the review is due to an anticipated change in membership, the administering authority and Scheme employer should work together to provide updated membership data for use in calculations. There may be instances where updated membership data is not required if it is deemed proportionate to use the most recent actuarial valuation data without adjustment. Where the cause for a review is due to a change in a Scheme employer's ability to meet its obligations to the Fund, updated membership data may not need to be used unless any significant membership movements since the previous Fund valuation are known.
Approach to setting assumptions	This will be in line with that adopted for the most recent actuarial valuation, and in line with that set out in the Fund's Funding Strategy Statement.
Market conditions underlying financial assumptions	Unless an update is deemed more appropriate by the Fund Actuary, the market conditions will be in line with those at the most recent actuarial valuation.
Conditions underlying demographic assumptions	Unless an update is deemed more appropriate by the Fund Actuary, the conditions will be in line with those at the most recent actuarial valuation.

Funding target	The funding target adopted for a Scheme employer will be set in line with the Fund's Funding Strategy Statement, which may be different from the approach adopted at the most recent actuarial valuation due to a change in the Scheme employer's circumstances.
Surplus/deficit recovery period	The surplus/deficit recovery period adopted for a Scheme employer will be set in line with the Fund's Funding Strategy Statement, which may be different from the approach adopted at the most recent actuarial valuation due to a change in the Scheme employer's circumstances.

The Fund Actuary will be consulted throughout the review process and will be responsible for providing revised rates and adjustments certificate. Any deviations from the general approaches set out above will be agreed by the administering authority and the Fund Actuary.

Appeals process

The final decision as to whether a change in contributions is to be implemented will rest with the administering authority after, if necessary, taking advice from the Fund Actuary. In the event of any dispute from an employer, the Fund will seek to engage with the employer and a further 28 calendar days will be granted in which further discussions can take place to seek a resolution. Any further dispute or appeal should be raised with the Superannuation Fund Committee.

In raising any dispute or appeal, an employer is required to evidence at least one of the following:

(i) A deviation from the published policy or process by the administering authority

And/or

(ii) Any further information (or interpretation of information provided) which could influence the outcome, noting new evidence to be considered at the discretion of the administering authority)

An appeal will be considered within 28 calendar days of receipt of all required information. Any review of a decision will be considered independently from those directly involved in the original decision.

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Kent County Council Pension Fund

Summary of updates to Funding Strategy Statement

We have been asked by the Kent County Council, the administering authority for the Kent County Council Pension Fund (the Fund), to provide a summary of the updates made to the Funding Strategy Statement for consideration on 23 June 2021. These are set out as follows;

RPI/CPI inflation

On 25 November 2020, the Chancellor responded to the consultation on the reform of RPI confirming that he will not provide consent for reform prior to 2030, meaning that the proposed alignment of RPI to CPIH will take effect from 2030 at the earliest. It is expected that RPI will be around 1% p.a. lower from 2030 as a result. Although the majority of LGPS benefits are linked to CPI inflation rather than RPI inflation, we derive our assumption for future CPI inflation from market implied RPI inflation and therefore the Fund needed to consider how the impact of this announcement and the planned reform of RPI.

Barnett Waddingham provided a short note to the administering authority setting out the issues for a typical LGPS Fund. This note explained that if they were carrying out an actuarial valuation today, they believe a CPI assumption of 0.8% below the 20 year point on the RPI implied inflation curve would be a reasonable best estimate. Barnett Waddingham anticipate changes to the funding basis at the next triennial actuarial valuation and so to pre-empt this recommended that it would be sensible to make changes to the in-force funding basis. As a result an update has been made to the Funding Strategy Statement to reflect the change in the derivation of future pension increases.

McCloud/Sargeant judgements

Since the last update to the Funding Strategy Statement, there have been some developments in relation to the McCloud/Sargeant judgements.

On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits. On 13 May 2021 the Government issued a ministerial statement which confirms that changes will be made to the LGPS Regulations to compensate members directly affected by the change to career average benefits from 1 April 2014. The Government's intention is that revised regulations will come into force on 1 April 2023, and draft regulations are expected later in 2021.

These developments have been noted in the Funding Strategy Statement.

Guaranteed Minimum Pension (GMP) indexation and equalisation

On 23 March 2021, the government published the outcome to its Guaranteed Minimum Pension Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching SPA beyond 5 April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016. Details of the consultation outcome can be found at: https://www.gov.uk/government/consultations/public-service-pensions-guaranteed-minimum-pension-indexation-consultation.

Our 2019 valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we assume that the Fund will be required to pay the entire inflationary increase. Therefore, the assumption is consistent with the consultation outcome and Barnett Waddingham do not believe any adjustments need to be made to the value placed on the liabilities as a result of the above outcome, however, the development is noted in the Funding Strategy Statement.

Employer flexibilities

On 26 August 2020 the Government issued a partial response to the "Changes to the Local Valuation Cycle and the Management of Employer Risk" consultation issued in May 2019. This is the second partial response, this time focussing on flexibilities for employers in the LGPS and contributions payable. As a result the administering authority have prepared draft policy documents covering the following;

- Contribution reviews;
- Deferred debt arrangements; and
- Debt spreading arrangements.

Please see the additional summary note for more detail regarding these

Consolidation of Multi Academy Trusts (MATs)

There have been an increasing number of instances where an academy has transferred into or out of the Fund as part of a MAT consolidation exercise. As a result, an update has been made to the Funding Strategy Statement to reflect the expectations of the Fund in these cases.

Roisin McGuire FFA

Associate | Actuary | Barnett Waddingham LLP

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From:	Chairman Superannuation Fund Committee Corporate Director of Finance
To:	Superannuation Fund Committee – 23 June 2021
Subject:	Pensions Administration
Classification:	Unrestricted

Summary:

This report brings members up to date with a range of issues concerning the administration of the Kent Local Government Pension Scheme (LGPS).

Recommendations:

The Committee is recommended to note the report.

REPORT SUMMARY

i) Number of tasks completed in the 2020/2021 has fallen when compared to previous years, mainly due to changes in working conditions as a result of Covid-19
ii) Key Performance Indicators in some areas have also been impacted by the change in working conditions and continue to be impacted
iii) Our administration cost per scheme member for 2019/2020 remained just below the average when compared to other authorities

FOR INFORMATION

1. WORKLOAD POSITION

Tasks completed in key areas in 2020/2021 and comparison with previous 4 years

	TOTAL	Retirement Benefit	Corres pondence	Estimate Retirement Benefit	Dependant Benefit	Deferred Benefit	Divorce	Transfer/ Interfund In	Transfer/ Interfund Out
2020 - 2021	**14,320**	2300	4540	3830	500	1750	320	310	770
2019 - 2020	**19,520**	2480	4280	3900	450	6680	350	490	890
2018 - 2019	**18,120**	2590	5790	3680	530	3910	400	430	790
2017 -	**14,290**	2010	5340	3030	580	1720	330	420	860

2018									
2016 - 2017	**13,840**	2240	5370	3150	410	1360	380	290	640

Numbers rounded to the nearest 10 for clarity

1.1 The above table shows that during 2020/2021 the number of tasks completed across the key areas remained fairly constant, when compared to the previous years, with the exception of the number of deferred benefits completed. In the years 2018/2019 and 2019/2020 the amount of these increased, which in turn increased the overall total number of tasks completed. The main reason for the increase in the previous years was due to help from external companies with the backlog of these cases in preparation for the valuation of the Fund in 2019.

1.2 Another reason for the decline in the number of tasks completed during 2020/2021 was that there were periods when staff were unable to work due to lack of IT equipment to work from home and other staff unable to work from home due to caring responsibilities. Although these issues improved throughout the year problems still exist with working from home due to systems and connectivity problems which are significantly impacting productivity and our KPIs.

2. ACHIEVEMENTS AGAINST KEY PERFORMANCE INDICATORS (KPIs)

KPIs in key areas in 2020/2021 and comparison with previous 4 years

	Calculation and payment of retirement benefit	Response to correspondence	Calculation of retirement benefit estimate	Calculation and payment of dependant benefit
KPI	20 days	15 days	20 days	15 days
2020/2021	93%	99%	58%	100%
2019/2020	97%	100%	90%	93%
2018/2019	96%	100%	72%	97%
2017/2018	98%	99%	72%	99%
2016/2017	95%	99%	67%	95%

NB. All target turnaround times commence when we have all the necessary documentation to complete the particular task. Requirement to complete 95% of the recorded KPI tasks, within the agreed target turnaround times

2.1 The table of our performance against our target key performance indicators also reflects the problems we have experienced during 2020/2021 as detailed in paragraph 1.2.

2.2 Our KPIs continue to be impacted by these issues and are further impacted at this time of year as staff are also dealing with the year end process leading to the issuing of annual benefit illustrations later in the year.

3. CIPFA BENCHMARKING SURVEY RESULTS 2020

	Kent 2020	Kent 2019	Average of all participants 2020
Total administration costs per scheme member	£19.68	£17.40	£20.16
LGPS members per FTE staff	3,253	3,100	2,781
Payroll costs per pensioner	£8.42	£8.41	£6.05
Membership engagement cost per member	£0.57	£0.55	£2.04

Staff vacancies	16%	-	6%
Staff in training	2%	-	9%

1. The Kent Pension Fund participates in the annual CIPFA pension administration benchmarking survey.

2. The survey in 2020 compared our costs with those of 22 other administering authorities.

3. The table above shows the headline information captured in the survey with regard to our performance against other authorities in a range of administrative areas and 2 categories with regard to staff. I have shown Kent's performance in 2019 for comparison.

4. The results place Kent 8th of the 23 authorities (1st being the lowest) in terms of the cost of administration per member of the scheme. This cost would be above the average if we were fully staffed.

5. As a result of staff shortages each full time equivalent staff member has a higher number of pension scheme members to deal with than the average.

6. Membership engagement costs remain lower than the average. The payroll cost per pensioner is higher than the average and detailed discussions continue with Cantium Business Solutions, who provide the pension payroll function and who have frozen their charge for the last few years. The introduction of member self service, may bring down the costs of providing payslips and P60s to pensioners, which are included in these costs.

7. I believe the results reflect well on our achievements compared to other authorities particularly given, there is no 'quality' measure built into the survey.

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June 2021

From: Chairman Superannuation Fund Committee
Corporate Director of Finance

To: Superannuation Fund Committee – 23 June 2021

Subject: Fund Position

Classification: Unrestricted

Summary:

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

Recommendation:

The Committee to note the Fund's asset allocation and performance as at 31 March 2021

FOR INFORMATION

1. Introduction

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

1.2 A copy of the Fund Position Statement is at appendix 1

2. Asset Allocation

2.1 As at 31 March 2021 the Fund's value was £7.5bn, an increase of £126m over the quarter and table 1 below compares the actual asset allocation to that set out in the Fund's Investment Strategy.

Table 1 asset allocation

Asset Class	Value £m	Actual %	Benchmark %	Over / Under weight %
UK Equity	1,321	17.6	23.5	-5.9
Global Equity	3,259	43.4	32	11.4
Fixed Income	989	13.2	15	-1.8
Private Equity	197	2.6	4	-1.4
Infrastructure	77	1.0	3.5	-2.5
Property	778	10.4	13	-2.6
Absolute Return	541	7.2	8	-0.8
Cash	346	4.6	1	3.6
Total	7,508	100	100	

2.2 The Fund has risen in value by £126m in the quarter, an appreciation of 1.53%. The growth was mainly led by the UK stocks' continued recovery although all asset classes achieved positive returns and helped improve the relative underweight positions of all the remaining asset classes.

2.3 Through the synthetic equity in the equity protection programme managed by Insight, the Fund continues to have exposure to UK and Global equities as in the UBS passive funds. Including the synthetic equity exposure, the current total equity allocation of the Fund is 61% which continues to remain overweight to its strategic allocation of 55.5%.

2.4 In March 2021 the Committee decided to rebalance the overweight global equity position by redeeming £150m from the Baillie Gifford Global Equity Fund. £75m each from the proceeds of the redemption were subsequently invested in the CQS and M&G Alpha Opportunity Multi-Asset-Credit funds in April 2021.

2.5 Upon advice from Mercer, the Committee also decided to rebalance the two absolute return mandates. £45m was transferred from Pyrford to Ruffer and the transition was completed within the month of March 2021.

2.6 Cash managed internally remains high and as at 31 March was temporarily further raised to 4.6% of the Fund, due to cash held from the Baillie Gifford redemption pending investment in the credit funds.

3. Investment performance quarter to 31 March 2021

3.1 The quarter saw continued growth in equities albeit the returns were more subdued than in the previous quarter. UK equities remained the highest performing asset class.

3.2 Performance from most of the active managers fell short of benchmark returns, except for the Global Active Value fund managed by Schroders. Technology stocks lagged in this quarter, after having rallied in the last few months, and contributed to the negative returns in the Baillie Gifford portfolio.

3.3 The continued rise in global stocks has seen the market levels reach the caps stipulated in the Fund's equity protection programme. This will negatively impact the fund's participation in further rises in global equities.

3.4 Fixed income managers, other than GSAM, provided higher than benchmark returns. The DTZ property portfolio benefitted from the uplift in the annual December revaluation which captured some of the post pandemic improvement in activity and sentiment in the property market.

3.5 Private equity valuations continued to register significant growth on the back of improved opportunity sets in the post pandemic environment however some significant early-stage investments in the new Partners Group funds continued the drag in performance.

3.6 Returns achieved by the Absolute Return portfolios remained positive but whilst Pyrford lagged the benchmark Ruffer saw some phenomenal outperformance partly on the back of its bitcoin investment and its esoteric multi asset strategy.

4. Longer term investment returns

4.1 Despite the stop and start nature of the recovery from the pandemic over the last year, the stimulus packages provided by governments have sustained the developed economies and the success of the vaccination programmes has further helped confidence.

4.2 Starting from the low in March 2020, the markets (particularly listed and private equities) have bounced back, with global equities leading the recovery and UK equities catching up in the latter half of the year.

4.3 Global stock markets are now at all-time highs. Against this backdrop, and with a high global equities weighting, the Fund has recorded a phenomenal 1- year return of 31.5% against a benchmark return of 18.9%. The Fund's active managers have contributed greatly to the out-performance with Baillie Gifford leading with a stellar 77% return against a benchmark return of 35%.

4.4 Similarly, despite volatility, all fixed income managers have achieved high double digit returns and significant out-performance against benchmarks.

4.5 The 1-year property returns remain subdued due to the slow pick up of the market. Property investments have generally recorded negative overall capital growth during this period but were sustained by positive income returns.

4.6 Overall, the Fund's 3-year returns are a healthy 9.1% boosted by the recent performance and well above the benchmark return of 6.3%.

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June 2021

FUND POSITION STATEMENT

Summary of Fund Asset Allocation and Performance

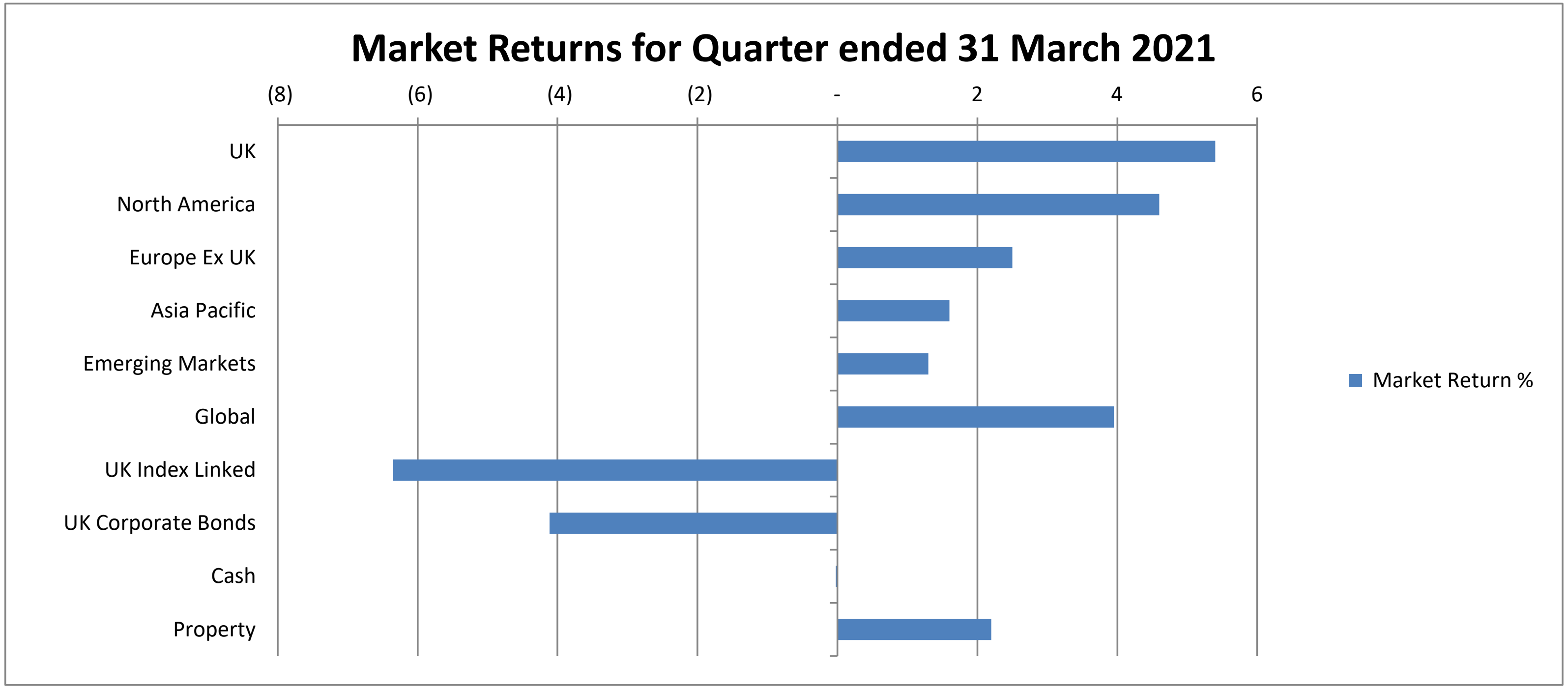
Superannuation Fund Committee

By: Chairman Superannuation Fund Committee
Corporate Director of Finance

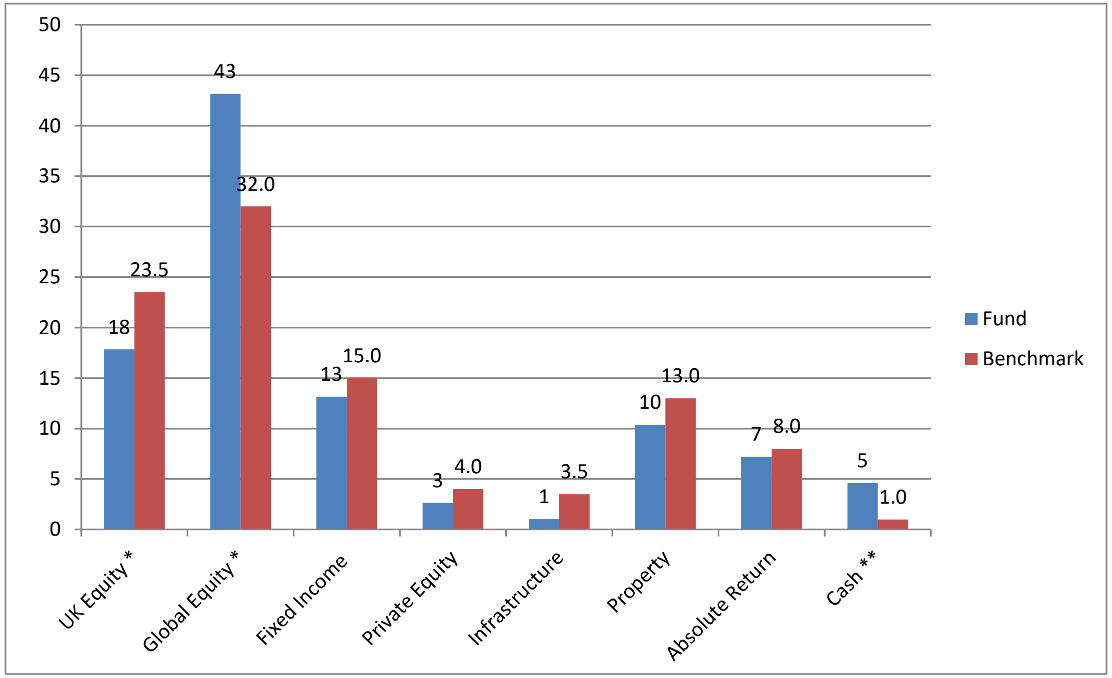
Kent County Council
Superannuation Fund Q4 2020-21

Alison Mings- Acting Business Partner - Kent Pension Fund

Market Returns for Quarter ended 31 March 2021



Fund Asset Allocation vs Benchmark as at 31 March 2021

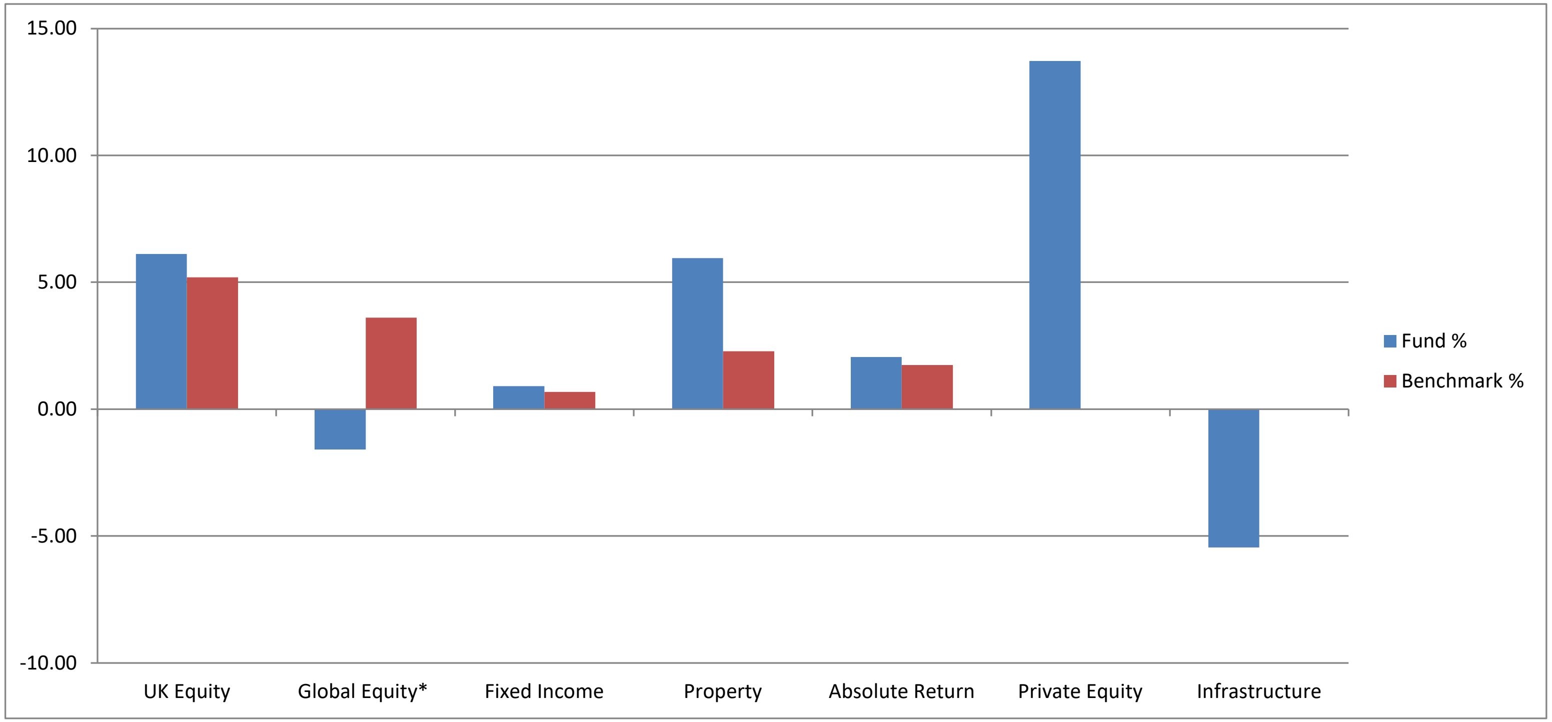


	Fund		Benchmark	Over / (under) weight
Asset Class	£m	%	%	%
UK Equity *	1,339	17.8	23.5	-5.7
Global Equity *	3,241	43.2	32	11.2
Fixed Income	989	13.2	15	-1.8
Private Equity	197	2.6	4	-1.4
Infrastructure	77	1.0	3.5	-2.5
Property	778	10.4	13	-2.6
Absolute Return	541	7.2	8	-0.8
Cash **	346	4.6	1	3.6
Total	7,508	100	100	

* Our synthetic equity exposure with Insight is included in UK and Global Equity

** £150m withdrawn from Baillie Gifford is included in Internally managed cash

Fund Asset Class Performance for Quarter ending 31 March 2021



Asset Class	Fund %	Benchmark %	Outperformance %
UK Equity	6.12	5.19	0.92
Global Equity*	-1.60	3.61	-5.20
Fixed Income	0.90	0.68	0.22
Property	5.95	2.28	3.67
Absolute Return	2.05	1.74	0.32
Private Equity	13.72	-0.02	13.74
Infrastructure	-5.45	-0.02	-5.42

*The impact of the equity protection progam is included in Global Equity

Market Value Summary by Fund Manager as at 31 March 2021

Fund Manager	Asset Class	Market Value as at 31 December 2020 (£m)	Market Value as at 31 March 2021 (£m)	Change in Market Value (£m)	% of Total Fund 31 March 2021
Baillie Gifford - LF ACCESS Global Equity Core Fund *	Global Equity	1,865	1,709	-156	22.8%
Schroders - LF ACCESS UK Equity Fund	UK Equity	981	1,032	50	13.7%
Insight	Equity Protection Program	686	611	-75	8.1%
DTZ	Direct Property	460	493	33	6.6%
M&G - LF ACCESS Global Dividend Fund	Global Equity	429	444	14	5.9%
Goldman Sachs	Fixed Interest	420	417	-3	5.6%
Pyrford	Absolute Return	448	407	-41	5.4%
Sarasin	Global Equity	342	353	11	4.7%
Schroders GAV - LF ACCESS Global Active Value Fund	Global Equity	317	353	36	4.7%
Schroders	Fixed Interest	248	255	7	3.4%
M&G Alpha Opportunities	Fixed Interest	160	163	3	2.2%
CQS	Fixed Interest	155	158	3	2.1%
Harbourvest	Private Equity	138	150	12	2.0%
Fidelity	Pooled Property	130	135	6	1.8%
Ruffer - LF ACCESS Absolute Return Fund	Absolute Return	82	134	52	1.8%
Partners	Infrastructure	67	77	10	1.0%
Impax Environmental Markets	Global Equity	68	71	3	0.9%
M&G Residential Property	Pooled Property	65	65	0	0.9%
YFM	Private Equity	42	47	5	0.6%
Kames	Pooled Property	43	43	0	0.6%
DTZ Pooled Funds	Pooled Property	39	41	2	0.5%
Woodford	UK Equity	12	8	-4	0.1%
Internally managed cash *	Cash	181	342	161	4.6%
Total Kent Fund		**7,381**	**7,508**	**-34**	**100.0%**

Total investments in ACCESS pooled funds		**3,675**	**3,671**
Percentage of the total Fund		**50%**	**49%**

* £150m withdrawn from Baillie Gifford and transferred to M&G AO and CQS equally, this is included in Internally managed cash pending allocation of units on 1st April

Performance Returns as at 31 March 2021

	Quarter		1 Year		3 Year (p.a.)	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
Total Fund *	1.53	2.81	31.52	18.93	9.09	6.28
UK Equity						
Schroders - LF ACCESS UK Equity Fund	5.12	5.36	33.93	24.32	4.84	2.28
Woodford	-33.72	5.19	-43.71	26.71	-29.36	3.19
Global Equity						
Baillie Gifford - LF ACCESS Global Equity Core Fund	-0.37	3.10	77.00	35.10	26.04	7.36
Sarasin	3.13	3.61	43.19	38.94	15.30	12.70
Schroders - LF ACCESS Global Active Value Fund	11.33	3.61	42.64	38.94	8.42	12.70
Impax	3.79	3.61	64.74	38.94	16.75	12.70
M&G - LF ACCESS Global Dividend Fund	3.32	3.61	48.36	38.94	11.80	12.70
Fixed Interest						
Goldman Sachs	-0.83	0.86	13.10	3.50	4.21	3.50
Schroders Fixed Interest	2.53	0.00	17.56	0.36	0.77	0.79
CQS	2.06	0.99	24.97	4.36	--	--
M&G Alpha Opportunities	1.80	0.99	17.48	4.36	--	--
Property						
DTZ	7.47	2.28	4.57	2.83	4.35	2.85
Fidelity	4.55	2.20	2.39	2.46	3.38	2.42
Kames	1.27	2.20	-1.66	2.46	1.02	2.42
M&G Property	0.24	2.20	-0.02	2.46	2.88	2.42
Private Equity						
Harbourvest	11.83	-0.02	32.33	-0.07	24.74	0.33
YFM	19.84	-0.02	43.63	-0.07	24.32	0.33
Infrastructure						
Partners	-5.45	-0.02	-4.32	-0.07	0.06	0.33
Absolute Return						
Pyrford	0.92	1.74	8.88	6.48	3.33	7.19
Ruffer - LF ACCESS Absolute Return Fund	8.30	1.74	25.03	6.48	--	--

* The total fund return includes the impact of the equity protection program, a separate report detailing the performance of the program is covered in a separate report

Fund Manager Benchmarks and Performance Targets

Asset Class / Manager	Performance Benchmark	Performance Target
UK Equities:		
Schroders - LF ACCESS UK Equity Fund	Customised	+1.5% pa over rolling 3 years
Woodford	FTSE All Share	Unconstrained
Global Equities:		
Baillie Gifford - LF ACCESS Global Equity Core Fund	Customised	+1.5% pa over rolling 3 years
Sarasin	MSCI AC World Index NDR	+2.5% over rolling 3 - 5 years
M&G - LF ACCESS Global Dividend Fund	MSCI AC World Index GDR	+3% pa
Schroders - LF ACCESS Global Active Value Fund	MSCI AC World Index NDR	+3% - 4% pa over rolling 3 years
Impax	MSCI AC World Index NDR	+2% pa over rolling 3 years
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%
Ruffer - LF ACCESS Absolute Return Fund	Retail Price Index (RPI)	
Internally managed cash – KCC Treasury and Investments team	GBP 7 Day LIBID	

Fund Structure as at 31 March 2021

UK Equities	Global Equities	Fixed Interest	Property	Cash/Alternatives
Schroders +1.5% £1,032 m	Baillie Gifford +1.5% £1,709 m	Goldman Sachs +6.0% Abs. £417 m	DTZ Property £534 m	Internally managed Cash £342 m
Woodford £8 m	M&G +3.0% £444 m	Schroders +4.0% £255 m	Fidelity Property £135 m	Partners Infrastructure £77 m
	Schroders +3.0% - +4% £353 m	CQS £158 m	Kames Property £43 m	YFM Private Equity £47 m
	Impax +2.0% £71 m	M&G Alpha Opps £163 m	M&G Property £65 m	HarbourVest Private Equity £150 m
	Sarasin +2.5% £353 m			Pyrford Abs. Return RPI + 5% £407 m
	Insight Equity Protection £611 m			Ruffer Abs. Return RPI £134 m

Total Fund £7.5 bn

ACCESS fund

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