

KENT COUNTY COUNCIL

SUPERANNUATION FUND COMMITTEE

MINUTES of a meeting of the Superannuation Fund Committee held in the Council Chamber, Sessions House, County Hall, Maidstone on Wednesday, 8 September 2021.

PRESENT: Mr C Simkins (Chairman), Mr N J D Chard (Vice-Chairman), Mr P Bartlett, Cllr P Clokie, OBE, Mrs P T Cole, Mr P Cole, Mr J P McInroy, Mr J Parsons, Mr P Stepto, Cllr H Tejan (Substitute for Cllr G Hackwell) and Mr J Wright.

ALSO PRESENT: Mr R Sinnott

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 (Investments, Accounting and Pooling Manager), Mr S Tagg (Senior Accountant - Pension Fund) and Miss T A Grayell (Democratic Services Officer).

UNRESTRICTED ITEMS

22. Membership update

(Item 1)

The committee noted its new membership and the Chairman welcomed new members to their first meeting.

23. Apologies and Substitutes

(Item 2)

Apologies for absence had been received from Cllr John Burden, Cllr Nick Eden-Green, Paul Cooper, Mel Dawkins and Cllr Gary Hackwell. The Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services, Peter Oakford, was also unable to join the meeting.

Cllr Habib Tejan was present as a substitute for Cllr Hackwell.

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

(Item 3)

Mr P Bartlett declared an interest in agenda item 17 as he was employed by the Bank of New York Mellon, the parent company of Insight, which was managing the equity downside protection programme.

He stated that he would not participate in the meeting for that item.

25. Minutes of the meeting held on 23 June 2021

(Item 4)

It was RESOLVED that the minutes of the meeting held on 23 June 2021 are correctly recorded and that a paper copy be signed by the Chairman when this can be done safely. There were no matters arising.

26. Committee Work Programme 2021-22

(Item 5)

1. Mrs Mings introduced the report and advised that an additional meeting of the committee may be required in November to discuss the recommendations of the governance review and the ongoing work on responsible investment. *NOTE: an additional meeting was subsequently arranged for 23 November 2021.*
2. It was RESOLVED that the information set out in the report be noted, with thanks

27. Internal Audit Action Plan Update (verbal)

(Item 6)

1. Mrs Mings advised the committee that Barnett Waddingham had now submitted their report and recommendations to the County Council and this could be discussed at the additional meeting mentioned as part of the work programme item above. Ms Cooke added that plans were in place to create and recruit to a new post of Head of Service, to bring together the Pensions and Treasury functions.
2. It was RESOLVED that the verbal update be noted, with thanks

28. Training Update

(Item 7)

1. Mrs Mings introduced the report and outlined imminent training sessions with Mercer, Barnett Waddingham and Mrs Cheatle's team. The Chairman emphasised the importance of training sessions to keep Members' knowledge and awareness up to date.
2. It was RESOLVED that the information set out in the report be noted, with thanks.

29. Pension Fund Business Plan

(Item 8)

1. Mrs Mings introduced the report and advised the committee on progress since the June meeting. A further update and accounts would be reported to the December meeting. The Chairman added that the restructure of the Finance function was a major undertaking and would necessarily take some time.
2. It was RESOLVED that the information set out in the report be noted, with thanks.

30. Fund Employer and Governance Matters

(Item 9)

1. Mrs Mings introduced the report and responded, with Mr Tagg, to comments and questions from the committee, including the following:
 - a) concern was expressed about the extent to which the fund could impose security mechanisms, including bonds with employers. Mrs Mings advised that security arrangements applied when an employer left the scheme and reassured the committee that, if any employer should cease trading, there would be no risk to that company's pensioners, dependant pensioners or deferred

pensioners. Mr Tagg clarified that different funds around the country may apply different types of security, including bonds and 'pass-through' arrangements;

- b) asked if some employers could instead opt to join another scheme which might demand a lower level of security, Mrs Mings advised that any local government public sector employer based in Kent had no option but to join the Kent scheme; and
- c) the Chairman advised that, in Academy grouping arrangements, Kent's risk was limited only to its own schools.

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

- a) to the proposed Funding Strategy Statement and associated policies, in light of the results of the consultation;
- b) to accept alternative forms of security provided by admission bodies, irrespective of the tax raising powers of the letting authority, subject to the following:-
 - i) a satisfactory assessment of the financial strength of the letting authority; and
 - ii) that the detail of any pass-through agreement and / or guarantee is captured in the associated admission agreement.
- c) to the admission to the Kent County Council Superannuation Fund of Cater Link Ltd (re Education for the 21st Century Academy);
- d) that a Deed of Modification may be entered into with Enterprise (AOL) Ltd;
- e) that the Chairman may approve the minutes relating to recommendations c) and d) at the end of today's meeting; and
- f) that, once legal agreements have been prepared for matters c) and d), the Kent County Council seal can be affixed to the legal documents.

31. Pension Administration

(Item 10)

1. Mrs Cheatle introduced the report and undertook to keep the Chairman updated with work to address the technology problems experienced by pensions staff. Ms Cooke added that a watching brief would be kept on this issue.

2. Discussion then moved on to the breach of LGPS regulations by the Police, set out in the report, which had previously been reported to and discussed by the Pension Board. The board had disagreed with the view and advice of officers that the breach did not need to be reported to the Pensions Regulator and had resolved that it should indeed be reported. Mrs Cheatle and Ms Cooke then responded to comments and questions from the committee, including the following:-

- a) in deciding whether or not to report the breach, it was important to consider if there had been detriment to any scheme member as a result of the breach;

- b) asked for reassurance that the issue had been taken seriously, and what action had been taken by the Police to address the breach, Mrs Cheatle advised that she had asked the Police to provide a written account of the steps taken. It was believed that a shortage of staff arising from covid restrictions coinciding with maternity leave had led to the breach of procedure. The council was consequently in the uncomfortable situation of having to decide whether or not to report them. Ms Cooke advised that some other authorities had experienced the same situation and that dialogue was underway to seek to prevent a recurrence in the future; and
 - c) asked about the required timeframe for reporting such a breach, Mrs Cheatle advised that there was no prescribed timetable but generally an earlier report was better. Ms Cooke advised that the content of such a report was not prescribed.
3. It was RESOLVED that the update be noted and the Pension Board's decision regarding the breach of the scheme regulations be endorsed.

32. Report from the Pension Board Meeting (verbal)

(Item 11)

1. As the board Chairman, Mr R Thomas, was unable to attend, Mrs Mings gave a verbal update of the discussion at the Pension Board meeting on 1 September 2021, including discussion of the breach of the LGPS regulations, as set out above.
2. It was RESOLVED that the verbal update be noted, with thanks.

33. Fund Position

(Item 12)

1. Mrs Mings introduced the report, about which there were no questions
2. It was RESOLVED that the report be noted, with thanks.

34. Date of next meeting

(Item 13)

It was noted that the next regular meeting of the Committee would be held on Wednesday 1 December 2021.

Following the meeting, an additional meeting was arranged for 23 November 2021 to receive updates on the governance review and the work of the responsible investment group.

35. Motion to exclude the press and public for exempt items

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.

EXEMPT ITEMS

Open access to minutes 36, 38, 39, 41 and 42

Summary of minutes 37 and 40
(where access to those minutes remains restricted)

36. ACCESS Update
(Item 14)

1. Mrs Mings introduced the update report and responded to a question about the level of savings the Kent fund had achieved so far this year as a result of the pooling arrangements.
2. It was RESOLVED that the information set out in the update be noted, with thanks.

37. Fund Manager Presentation - Baillie Gifford
(Item 15)

Gareth Roberts of Baillie Gifford was present for this item at the invitation of the committee.

1. Mr Roberts thanked the committee for inviting him and presented a series of slides which set out the composition, value and performance of the portfolio which Baillie Gifford managed on behalf of the Kent fund. This included Baillie Gifford's approach to responsible investment and environment, social and governance issues. He responded to comments and questions of detail from the committee about these issues.
2. The Chairman thanked Mr Roberts for attending.
3. It was RESOLVED that the information set out in the presentation and given in response to comments and questions be noted, with thanks.

38. Pension Fund Cashflow
(Item 16)

1. Mrs Mings and Ms Surana introduced the report and, with Mr Sinnott, responded to comments and questions from the committee relating to the required level of cash balance and rates of interest.
2. It was RESOLVED that the information set out in the report and given in response to comments and questions be noted, with thanks.

39. Equity Downside Protection Update
(Item 17)

1. Mr Sinnott introduced the report, about which there were no questions.
2. It was RESOLVED that the information set out in the report be noted, with thanks.

40. Investment Strategy
(Item 18)

1. Mrs Mings introduced the report and Mr Sinnott introduced the quarterly report from Mercer Ltd. They responded to comments and questions of detail and the committee considered each of the four recommendations individually.

2. It was RESOLVED that the information set out in the report be noted and that three of the four recommendations in the report be agreed, the fourth be not agreed and one new resolution be added to provide a way forward for another of the issues covered in the report.

41. Responsible Investment Update

(Item 19)

1. Mrs Mings and Mr Sinnott introduced the report, upon which there were no questions.
2. It was RESOLVED that the recommendations set out in the report be agreed and that a further report on responsible investment be submitted to the additional meeting of the committee scheduled for 23 November.

42. Pension Fund Risk Register

(Item 20)

1. Ms Surana introduced the report, highlighted changes to the risk register since last reporting to the committee in June 2021 and responded to a question about the calculation of risk F1.
2. It was RESOLVED that the information set out in the report be noted, with thanks.