

SUPERANNUATION FUND COMMITTEE

Wednesday, 8th September, 2021

10.00 am

**Council Chamber, Sessions House, County Hall,
Maidstone**





AGENDA

SUPERANNUATION FUND COMMITTEE

**Wednesday, 8th September, 2021 at
10.00 am
Council Chamber, Sessions House,
County Hall, Maidstone**

Ask for: **Theresa Grayell**
Telephone: **03000 416172**

Membership

Conservative (8):	Mr C Simkins (Chairman), Mr P Bartlett, Mr J P McInroy and Mr J Wright	Mr N J D Chard (Vice-Chairman), Mrs P T Cole, Mr P Cole, Mr P C Cooper,
Green (1)	Mr P Stepto	
Labour (1)	Ms M Dawkins	
Liberal Democrat (1)	Mr D S Daley	
District Council (3)	Cllr J Burden, Cllr P Clokie and Cllr N Eden-Green	
Medway Council (1)	Cllr G Hackwell	
Kent Active Retirement Fellowship (2)	Mr D Coupland	
UNISON (1)	Mr J Parsons	
Staff Representative (1)	Vacancy	

UNRESTRICTED ITEMS

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

- 1 Membership update
The committee is asked to note its increased membership following the agreement of the revised proportionality report by the County Council on 23 July 2021.
- 2 Apologies and Substitutes
- 3 Declarations of interest by Members in items on the agenda for this meeting.

- 4 Minutes of the meeting held on 23 June 2021 (Pages 1 - 10)
- 5 Committee Work Programme 2021-22 (Pages 11 - 14)
- 6 Internal Audit Action Plan Update (verbal)
- 7 Training Update (Pages 15 - 18)
- 8 Pension Fund Business Plan (Pages 19 - 22)
- 9 Fund Employer and Governance Matters (Pages 23 - 36)
- 10 Pension Administration (Pages 37 - 48)
- 11 Report from the Pensions Board Meeting (verbal)
- 12 Fund Position (Pages 49 - 60)
- 13 Date of next meeting

The next meeting of the committee will be held on Wednesday 1 December 2021 commencing at 10.00 am at Sessions House, Maidstone.

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 ACCESS Update (Pages 61 - 76)
- 15 Fund Manager Presentation - Baillie Gifford
- 16 Pension Fund Cashflow (Pages 77 - 80)
- 17 Equity Downside Protection Update (Pages 81 - 110)
- 18 Investment Strategy (Pages 111 - 166)
- 19 Responsible Investment Update (Pages 167 - 172)
- 20 Pension Fund Risk Register (Pages 173 - 178)

Benjamin Watts
General Counsel
03000 416814

Tuesday, 31 August 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.

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KENT COUNTY COUNCIL**SUPERANNUATION FUND COMMITTEE**

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

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

ALSO PRESENT: Mr P J Oakford and Mr H Rayner

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

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

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

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

3. Apologies and Substitutes
(Item)

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

4. Election of Vice-Chair
(Item 3)

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

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

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

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

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

6. Minutes of the meetings held on 12 March 2021 and 27 May 2021
(Item 5)

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

7. Training Update
(Item 6)

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

8. Internal Audit action plan update
(Item 7)

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

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

- The Funding Strategy Statement has been reviewed and updated for the Committee to review June 2021
 - Barnett Waddingham have completed their review of the Finance support for the Fund and KCC is now progressing the establishment of an enhanced Pensions and Treasury Unit reporting to the Corporate Director of Finance aligned with the recommendations of the Scheme Advisory Board Good Governance Review.
2. It was also noted that the reciprocal arrangements between the committee and the Pension Board had worked well, with each other's membership receiving meeting papers and the Chairmen providing updates to each other's meetings.
 3. Ms Cooke explained further that Barnett Waddingham had recommended a review of the capacity and skill mix of the finance team and had recommended the establishment of a senior post of Head of Pensions and Treasury, to oversee both the Pensions and Treasury teams within one unit. This news was welcomed but concern expressed that the specialist skills of staff working in each team would need to be retained. Ms Cooke advised that bringing both teams together within one unit would address general resourcing issues across the teams and would strengthen capacity; each team would retain and update their specialist skills. This was welcomed as a way to deal with the greatly increased workload in recent years.
 4. It was RESOLVED that the information set out in the presentation and given in response to comments and questions be noted, with thanks.

9. Pension Fund Business Plan

(Item 8)

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

pensions assistants had recently been recruited. New staff would take 18 months to 2 years to train fully;

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

- 2. It was RESOLVED that the 2020/21 outturn costs, the updated Business Plan and the related outturn for 2021/22 be noted, with thanks.

10. ACCESS update

(Item 9)

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

11. Fund Employer and Governance Matters

(Item 10)

- 1. Mrs Mings introduced the report which provided information on Fund employers, an update on the McCloud remedy, an update on the Funding Strategy Statement and associated Fund policies, and a proposal for the transfer out of the Oasis Community Learning Trust, including Sodexo Limited. It also advised of a number of admission matters for decision. Mrs Mings responded to comments and questions from the committee, including the following:-

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

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

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

- g) that, once legal agreements have been prepared for matters b) to e) above, the Kent County Council seal can be affixed to the legal documents.

12. Pensions Administration

(Item 11)

1. Mrs Cheatle introduced the report, highlighted key points and responded to comments and questions from the committee, including the following:-
 - a) concern was expressed about the impact of IT problems on pensions staff while they continued to work from home; and
 - b) asked why payroll costs per pensioner had increased, Mrs Cheatle advised that the pensions team paid an annual fee to Cantium Business Solutions to run the payroll system, and this was negotiated to be as competitive as possible. It was expected that the cost per member would increase to nearer the national average once the team was fully staffed. Printing and postage costs, for example, for sending out P60 forms, continued despite working from home, but it was hoped that online access to such documents could be possible in the future.
2. It was RESOLVED that the information set out in the report and given in response to comments and questions be noted, with thanks to Mrs Cheatle and her team for their continued efforts to address challenging workloads during difficult times.

13. Fund Position

(Item 12)

1. The Chairman introduced the report, on which there were no questions.
2. It was RESOLVED that the fund's asset allocation and performance as at 31 March 2021 be noted, with thanks.

14. Date of next meeting

(Item 13)

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

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

(Item)

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

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

SUMMARY OF EXEMPT MINUTE 19

(where access remains restricted)

16. Fund Manager presentation - M&G

(Item 14)

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

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

17. Pension Fund Cash Flow

(Item 15)

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

18. Equity Downside Protection - update

(Item 16)

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

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

19. Investment Strategy

(Item 17)

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

20. Responsible Investment update

(Item 18)

1. Mrs Mings introduced the report and advised new Members of the committee of the establishment and work so far of the Responsible Investment group as an investigative

but non-decision making group which would report back to the committee for decision. A survey of Members' views and values would be undertaken shortly, and the Responsible Investment group would consider the responses received.

2. It was RESOLVED that the report be noted and it be agreed that the membership of the Responsible Investment group continue as previously.

21. Pension Fund Risk Register *(Item 19)*

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

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

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From: Chairman Superannuation Fund Committee
Corporate Director of Finance

To: Superannuation Fund Committee – 8 September 2021

Subject: Committee work programme

Classification: Unrestricted

Summary:

To report on the updated committee work programme for 2021-22

Recommendation:

The Committee is recommended to note the 2021-22 revised work programme

FOR INFORMATION

Introduction

1. At their meeting in March the Committee agreed the work programme for 2021-22. Since that meeting the Committee has reverted to meeting in person and at the present time meetings are being held on Wednesdays rather than Fridays as has been the previous practice.
2. Members will be aware that the established meeting pattern is 4 quarterly meetings plus 1 extra and that this pattern will be regularly reviewed with the chairman and updated to include additional issues that may arise and to ensure members complete the training plan.
3. As reported in the training update members are invited to a training session on risk on 27 September. Plans are also in hand for further training sessions covering other topics included in the training plan.
4. Looking ahead the Committee is advised that additional meetings may be required to consider matters including the following:
 - a) The outcome of the Responsible Investment beliefs survey and updates to the Fund's RI policy as well as consideration of the ACCESS ESG guidelines
 - b) The recommendations of the Fund Governance review and next steps.

- c) Details of the matters planned for future committee meetings are set out in appendix 1.

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September 2021

Proposed matters for consideration at future committee meetings

	08-Sep-21	01-Dec-21	Committee and Training Event 4 February 2022 tbc	1 April 2022 tbc
Work programme update	Y	Y		Y
Internal Audit action plan update - Officer updates incl outcome of Governance review	Y	Y		
Fund policies review	Y (a)	Y		
Annual report and accounts		Y		
Report from the Pensions Board meeting	Y	Y		Y
Pension Fund Business plan and budget update	Y	Y		Y
ACCESS update	Y	Y		Y
Employer and governance matters	Y	Y		Y
Pensions admin update	Y	Y		
Training update	Y	Y	Y	Y
Fund Position Statement	Y	Y		Y
cashflow update	Y	Y		Y
Risk register	Y	Y		Y
Manager presentation	Baillie Gifford	Y		Y
Equity protection update (b)	Y	Y		Y
Investment Strategy incl rebalancing review	Y	Y		Y
Responsible Investment update (c)	Y	Y		Y

Notes

- (a) Funding Strategy Statement and Investment Strategy review to be reviewed on 8 September
- (b) Equity protection working group next meeting 9 September and as required
- (c) RI working group to meet monthly

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From: Chairman Superannuation Fund Committee
Corporate Director of Finance

To: Superannuation Fund Committee – 8 September 2021

Subject: Training update

Classification: Unrestricted

Summary:

To report to the Board on progress on the Fund training programme and training undertaken by committee and board members during 2020-21, and events planned for 2021-22.

Recommendation:

The Committee is recommended to note the report.

FOR INFORMATION

Introduction

1. The Kent Pension Fund Training Strategy agreed in 2019 is intended to assist the Superannuation Fund Committee and Local Pension Board members, as well as officers, in performing and developing personally in their individual roles and to equip them with the necessary skills and knowledge to act effectively in line with their responsibilities.
2. The Strategy reflects the current requirements of frameworks, codes and guidance issued by a range of bodies including CIPFA, the Pensions Regulator and the Scheme Advisory Board. These three are all expected to consult on or publish revisions during 2021, and the training strategy will be updated as appropriate.
3. The Fund has delegated responsibility for the implementation of the Strategy to the Corporate Director of Finance and will demonstrate compliance with its training strategy on a yearly basis through an annual report to both the Superannuation Fund Committee and Local Pension Board.
4. This report provides an update on the Fund training plan and an overview of training undertaken by members.

The Pension Fund Training Plan

5. The training plan which supports the Training Strategy was agreed by members in February 2021 and provides an ongoing training programme for Board and

Committee members taking account of the results of the 2020 Hymans Robertson (HR) National Knowledge Assessment, completed by 13 of the 24 members of the committee and board, and future training needs. It also builds on training provided and suggested to date, including in the 2019 Internal Audit Report of their review of Fund governance.

6. Copies were circulated to members of the committee and board at the beginning of April 2021 and new members have been given a copy of the plan on joining the board and committee.
7. In due course, the plan will be updated to meet any training related requests and recommendations received or made in the Review of the Governance of the Kent Pension Fund currently underway.
8. The proposed training includes in-house training sessions, external training events, use of online learning tools and background reading as appropriate.

Training events attended in 2020-21

9. The main training events attended by committee and board members during the year were as follows:

Date	Topic	Provider	Attendees
June 2020	LGPS Committee & Local Pension Board Members update	CIPFA / Barnett Waddingham	2 members
June 2020	Trustee training	Schroders	1 member
August 2020	McCloud Implementation workshop	CIPFA	1 member
October 2020	LGPS Committee & Local Pension Board Members update	Barnett Waddingham	5 committee and 3 board members
October 2020	LGPS Local Pension Board Members & Officers Autumn Seminar 2020	CIPFA	1 member
February 2021	Superannuation Fund and local Pension Fund training day covered the issues of fiduciary duty and actuarial methods as well as an update on the ACCESS pool	Barnett Waddingham / ACCESS	12 committee and 4 board members

February 2021	Addressing the funding question for Pension Funds	Insight	2 members
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10. Committee members have also had an opportunity to gain an understanding of new asset classes and existing investment mandates from investment managers at the following Committee meetings:

Committee	Topic	Provider
June 2020	UK equities	Schroder
September 2020	Property	Fidelity
November 2020	Absolute Return	Pyrford
March 2021	Fixed income	GSAM

11. In addition 4 board members completed the tPR toolkit during the year.
12. Individual committee members have also attended training events organised by the Fund's investment managers and other external organisations as follows:
- Keeping LGPS Connected
 - Investment Management, individual accountability
 - Managing TO Engagements
 - Enterprise wide insider threat programme
 - Strength in Diversity: Consciously managing bias

2021-22 events

13. Events that have already taken place this year and future planned events are as follows:

Date	Topic	Provider	Attendees
6 July 2021	Superannuation Fund and local Pension Fund training day - Overview of the LGPS	Barnett Waddingham	10 committee and 1 board members

Date	Topic	Provider	Planned
Monday 27 September	Superannuation Fund and local Pension Fund training session - investment risk and overview of the Pension Fund	Mercer / KCC officers	Virtual event
TBC	Superannuation Fund and local Pension Fund training session -	KCC officers	Virtual event

	LGPS pensions administration		
TBC	Superannuation Fund and local Pension Fund training session - pension fund risk management including cyber security	Barnett Waddingham	Virtual event
Thursday 28 October 2021	LGPS Committee & Local Pension Board Members update – overview of the LGPS	Barnett Waddingham For members who were unable to attend the KCC event in July	Virtual event, details at: LGPS training event 28-10-21

14. Members are reminded that they should keep a log of all training undertaken so that their records can be agreed with officers at least annually.

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August 2021

From: Chairman Superannuation Fund Committee
Corporate Director of Finance

To: Superannuation Fund Committee - 8 September 2021

Subject: Pension Fund Business Plan

Classification: Unrestricted

Summary:

To provide an update for the Committee on progress made to date on the 2021-22 business plan and related outturn for 2021-22.

Recommendation:

The Committee is recommended to note the report.

FOR INFORMATION

1. Introduction

- 1.1 Since the Committee saw a copy of the business plan at their June meeting the status of the activity is unchanged from June however there has been particular progress on the following:
- i) The review of the Investment Strategy Statement has been completed and the revised statement now comes to the Committee for approval.
 - ii) The custody services procurement has been completed and a new contract awarded from 1 August 2021
 - iii) The timetable for the preparation and audit of the Fund's accounts has been extended and this work is due to be completed in September.
 - iv) The Funding Strategy Statement consultation ended on 13 August and the statement now comes to the Committee for final approval
 - v) KCC has progressed the implementation of the restructure of the finance support for the Fund in line with the recommendations of the Barnett Waddingham review. Further detail is at paragraph 3.
 - vi) Barnett Waddingham are finalising their review of the governance of the Pension Fund and issued their draft report on 24 August. It is anticipated that a programme of work covering the implementation of the recommendations will be undertaken during 2021-22. Officers are to consult with the chairs of the committee and board regarding next steps. Consideration to be given to holding an extra meeting to brief members on the finding of the report and the proposed workplan.
 - vii) Discussion and planning is ongoing with employers regarding the roll out of i-Connect employer self-service.

viii) Progress is being made on the follow up to the Guaranteed Minimum Pension reconciliation exercise.

2. 2021-22 forecast

- 2.1 The forecast costs to support the 2021-22 business plan are unchanged from those reported to the Committee in June at some £5.07m. An update on costs including those relating to the restructure of the finance support, will be reported to the meeting of the Committee in December 2021.
- 2.2 The resources required to support the changes to the Fund's governance arising from the Barnett Waddingham review will be reported to the Committee in due course.

3. Review of the Finance support for the Fund

- 3.1 As the administering authority for the Kent Pension Fund, Kent County Council provides the finance resources required to support the Fund. A review of these resources and specifically those of the Treasury and Investments team was recommended by the Internal Audit review undertaken in November 2019.
- 3.2 Barnett Waddingham were commissioned to undertake the review, also taking into account the LGPS Good Governance review commissioned by the Scheme Advisory Board, and they produced their report on 23 April 2021.
- 3.3 The Corporate Director of Finance agrees with the report's recommendations and proposes to implement them before the end of 2021.
- 3.4 Barnett Waddingham recommend the establishment of the new post of Head of Pensions and Treasury to report to the Corporate Director of Finance and to have responsibility for both Pensions Administration and Treasury and Investments teams. The report also recommends recruiting additional resources and sets out an implementation plan for the reorganisation and recruitment.
- 3.5 The planned changes will increase the finance staff serving the Pension Fund by 3.4FTE from 5.6FTE to 8.9FTE. It is anticipated that the additional cost to the Fund in 2021-22 will be £200k. This sum has already been included in the forecast investment, accounting and oversight costs for the year and will be update for the December committee meeting.
- 3.6 The Corporate Director of Finance also agrees the Barnett Waddingham recommendation to recruit 3 project officers to support the Pensions Administration team and the recruitment of these staff is underway.

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September 2021

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From: Chairman Superannuation Fund Committee
Corporate Director of Finance

To: Superannuation Fund Committee – 8 September 2021

Subject: Fund Employer and Governance Matters

Classification: Unrestricted

Summary:

This report provides information on Fund employers, an update on the Funding Strategy Statement (FSS) and advises of 2 government consultations.

It also provides details of a new admission body and a deed of modification.

Recommendations:

The Committee are asked to note the report and to resolve 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
 - 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 sign 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.

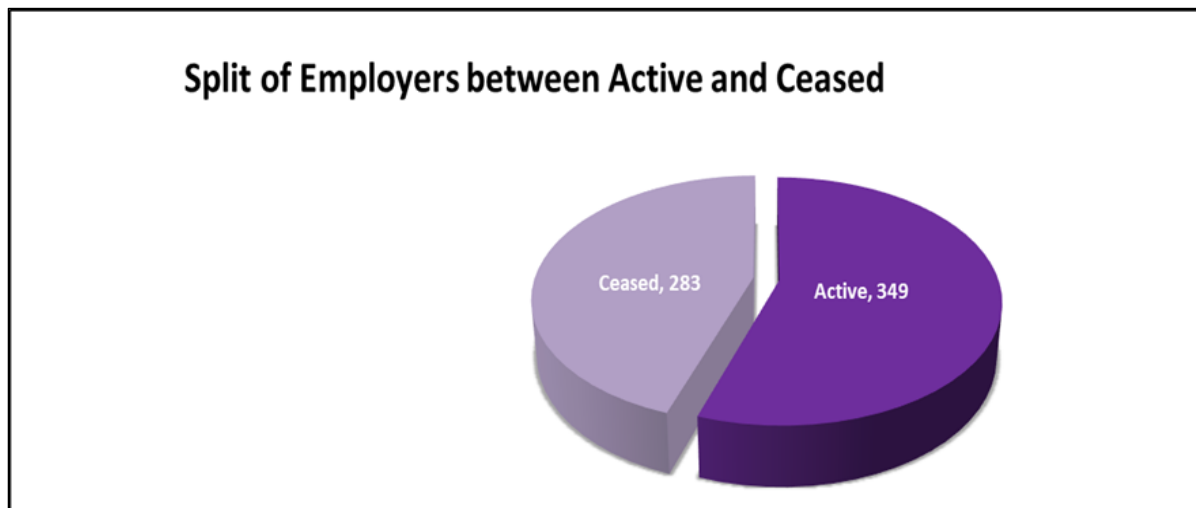
FOR DECISION

1 Introduction

- 1.1 This report sets out information on employer related matters for the 3 months ended 30 June 2021. It also provides an update on the consultation on the Funding Strategy Statement (FSS) and associated Fund policies, details of 2 government consultations, a new admission body and a deed of modification.
- 1.3 The Committee's approval is sought to agree the FSS and associated Fund policies, and to enter into the admission agreement and the deed.
- 1.4 The Committee is advised that the admission minute is to be signed at the end of today's meeting to facilitate completion on the desired date.

2 Employer update

- 2.1 There was a total of 632 employers in the Kent Pension Fund on 30 June 2021, up 3 from 31 March 2021, as the result of 3 employers ceasing their membership of the Fund. 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.

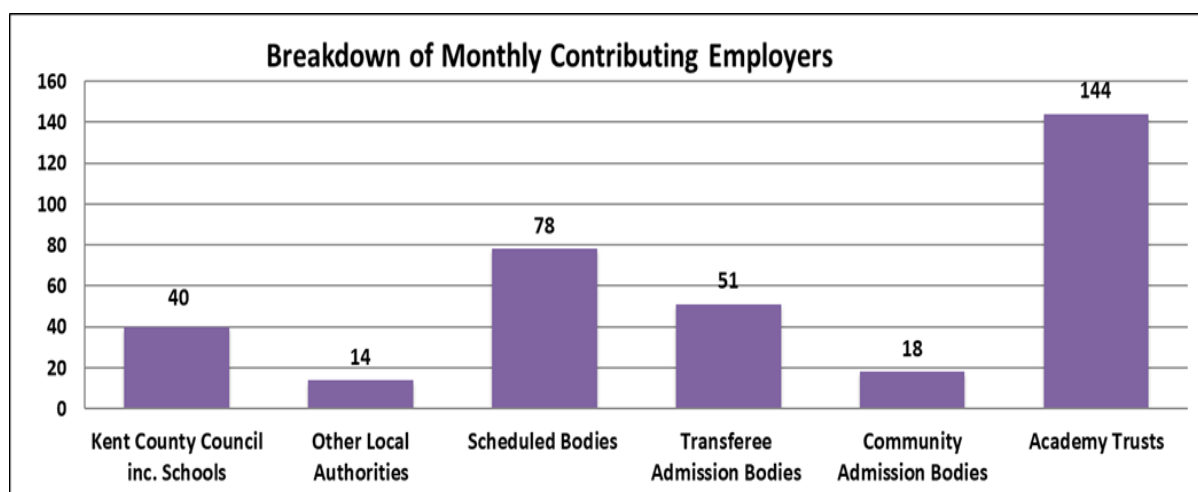


- 2.2 The following table lists employers who joined the Fund as well as those who ceased to have active members in the Fund during the 3 months from 1 April 2021 to 30 June 2021.

New Employers	Effective date
Admission Bodies	
Churchill Contract Services Ltd (re Thinking Schools Academy Trust)	1 September 2019 (backdated admission)
Scheduled Bodies	
Canterbury Environment Company Ltd	1 February 2021 (backdated admission)
Academy Trusts	
Inspire Trust	1 April 2021

Ceased / Merged to Trust Employers	Effective Date
Admission Bodies	
Kent College Canterbury	31 January 2021 (late notification of last active member leaving)
Rochester Care Homes Ltd	31 March 2021
Scheduled Bodies	
Hever Parish Council	31 May 2021

2.3 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.

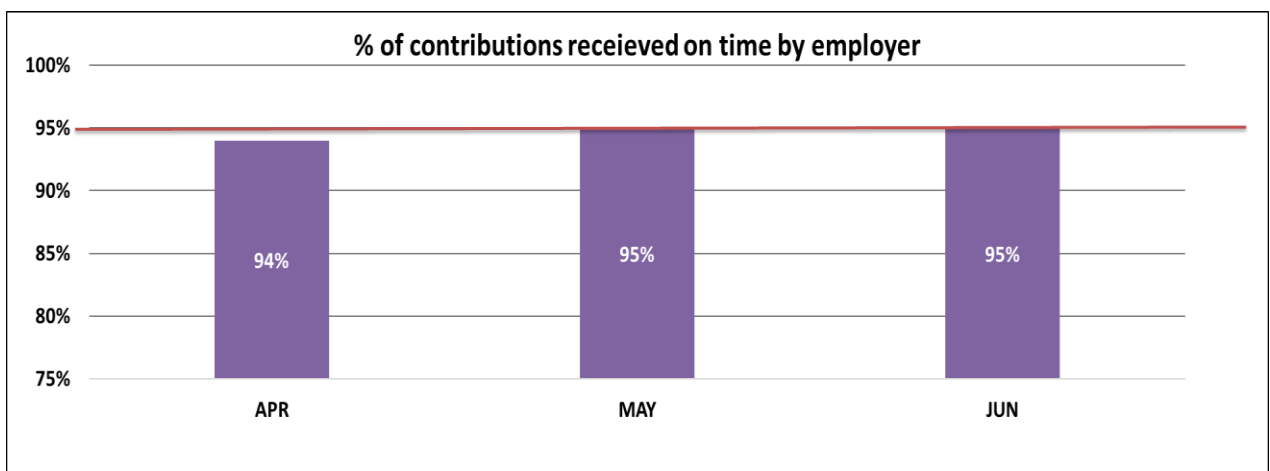
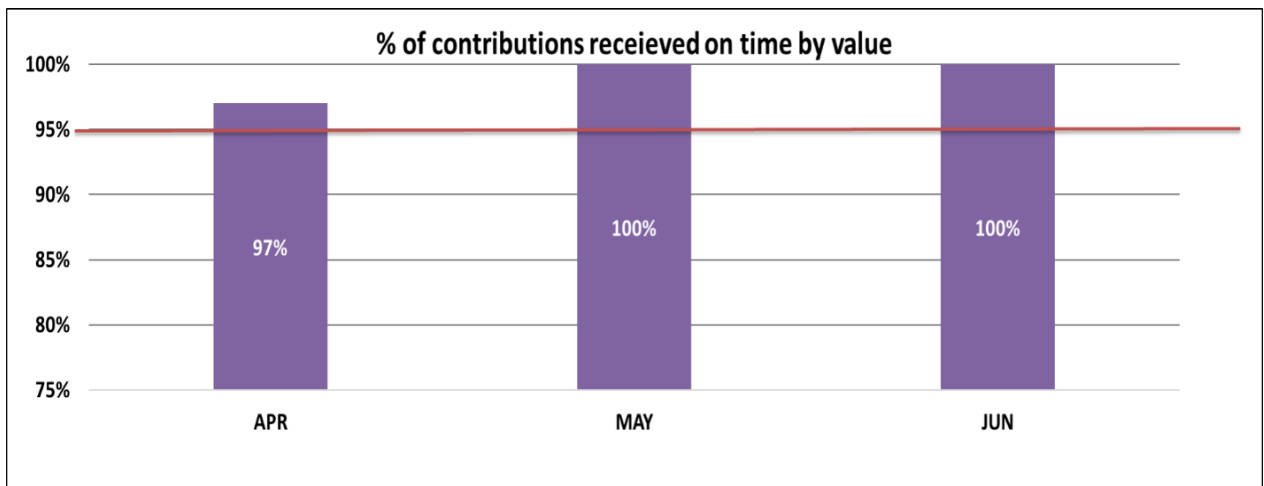


2.4 In the 3 months from April to June 2021 the Fund received £66.7m from employers in respect of their monthly contributions (employer and employee) as follows:

	Received Early	Cash on 19th	Received Late	Total
	£	£	£	£
April	12,840,115	8,765,012	587,525	22,192,651
May	12,279,932	9,762,932	60,322	22,103,186
June	12,716,335	9,642,629	76,950	22,435,554
Total	37,836,382	28,170,573	724,797	66,731,391

2.5 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.



2.6 The KPI of 95% for % of contributions received on time by employer was not achieved in April, due to backdated admissions and some Parish Councils having issues with their banking arrangements.

3. Funding Strategy Statement (FSS) update from consultation

3.1 At their last meeting, the Committee endorsed the revised FSS and the policy documents covering Contribution reviews, Deferred debt arrangements and Debt spreading arrangements, subject to consultation with interested parties. The consultation ran for 6 weeks closing on 13 August.

3.2 Three responses to the consultation were received: from a Fund admission body, from an academy trust and from a contractor in the process of applying for admission to the Fund. The response from the admission body was largely supportive of the Fund's policies.

- 3.3 Both responses from the academy trust and the contractor concern the following statement and that up to now the Fund has always required a new admission body to provide a bond when the letting authority does not have tax raising powers, for example an academy trust.

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.'

3.4 Proposed use of pass through arrangements and/or guarantee from the letting authority as alternative forms of security to a bond

The employers have asked the Fund to agree to new admission bodies being able to participate in the Fund with alternative forms of security ie. a pass-through agreement or guarantee provided by the letting authority when the letting authority is an academy trust, in the same way as if it were a tax raising authority.

- 3.5 The consultation responses refer to bonds becoming increasingly difficult to source in a way that is cost effective and that this arrangement can prove prohibitive to the successful TUPE transfer of staff and the associated protection of their LGPS membership.
- 3.6 In addition to the responses to the consultation, officers have been made aware of increasing support from academy trusts and contractors for a guarantee and/or pass-through arrangement rather than a bond being the only form of acceptable security.
- 3.7 Officers are dealing with an increasing number of TUPE transfers which are a consequence of contracts being let by academy trusts for catering and cleaning services. Some of the contractors joining the Kent Fund also participate in other LGPS Funds where alternative forms of security are permitted.
- 3.8 Barnett Waddingham's advice
- a) They are supportive of the Fund accepting a guarantee from the letting authority, whether it is one with tax raising powers or not, on the basis that the detail of any guarantee is captured in the associated admission agreement.

- b) They are also supportive of a pass-through agreement where the pass-through employer's contribution rate can be set to be the same as that paid by the academy trust (or other letting authority). On cessation of an outsourcing, the LGPS assets and liabilities would simply fall back to the academy (or other letting authority). The details of any pass-through agreement would also be captured in the admission agreement.
 - c) The Fund's agreement to a guarantee or pass - through agreement should be based on officers' assessment of the financial strength of the letting authority / guarantor, in mitigation of the risk to the Fund.
- 3.9 The Committee is asked to agree the FSS and to agree to accept alternative forms of security provided by admission bodies irrespective of the tax raising powers of the letting authority subject to a satisfactory assessment of the financial strength of the letting authority and that the detail of any pass through agreement and /or guarantee is captured in the associated admission agreement.

4. Government consultations

- 4.1 On 24 June, HM Treasury issued its consultations on proposed changes to the cost control mechanism and the Superannuation Contributions Adjusted for Past Experience (SCAPE) discount rate. The consultations closed on 19 August. Barnett Waddingham responded to these consultations and a copy of their response is at appendix 1.

Cost control mechanism

- 4.2 Barnett Waddingham are mostly in favour of the proposals but have concerns about the widening of the 2% corridor, which they describe further in their response. Barnett Waddingham are also of the view that the LGPS will need its own economic check to reflect the funded nature of the scheme.

SCAPE discount rate

- 4.3 Barnett Waddingham are mostly in favour of these proposals but think that they should be modified to be able to achieve the stated objectives of making it more applicable to the longer-term nature of public sector pensions.

5 Admission matters

Cater Link Ltd (Education for the 21st Century Academy)

- 5.1 Education for the 21st Century Academy has awarded a 3-year contract with a possible 2-year extension for catering services from 7 June 2021. This involves the transfer of 6 employees to Cater Link Ltd and a retrospective agreement will be put in place.
- 5.2 The Fund actuary has assessed the employer contribution rate as 25.9% for a closed agreement and the Bond for the first year as £34,000.

5.3 The completed questionnaire and supporting documents provided by Cater Link Ltd have been examined by Officers to ensure compliance with the LGPS Regulations, and Invicta Law have given a favourable opinion.

6 Enterprise (AOL) Ltd

6.1 Enterprise (AOL) Ltd is a transferee admission body which joined the Fund on 1 September 2011 following a transfer of staff from KCC.

6.2 KCC intend to novate the commercial contract to Amey Highways Ltd from 1 September 2021 or as soon as possible thereafter and it is proposed that the current admission agreement with Enterprise (AOL) Ltd and bond is also novated to Amey Highways Ltd, subject to the commercial novation being executed.

6.3 All associated LGPS assets and liabilities will move from Enterprise (AOL) Ltd to Amey Highways Ltd.

6.4 It is proposed that we enter into a Deed of Modification relating to the admission agreement and Bond novating from Enterprise (AOL) Ltd to Amey Highways Ltd.

6.5 Invicta Law have given a favourable opinion on the novation, subject to a review of further documentation provided by Kent County Council.

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September 2021

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12 August 2021

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Classification: PUBLIC

Sent by email to: CCMConsultation@HMTreasury.gov.uk

Dear HMT

Public service pensions
HMT Cost control mechanism consultation
Consultation Response

We write on behalf of Barnett Waddingham in response to the above consultation which covers, amongst others, the Local Government Pension Scheme (LGPS), the Firefighters' Pension Scheme, the Police Pension Scheme and the Teachers' Pension Scheme. We comment as both actuaries and consultants who operate and provide advice to these schemes and their participating employers.

By way of background, Barnett Waddingham is a pensions and actuarial firm. Our Public Sector Practice Area provides actuarial, benefits and governance consultancy services, and is the Fund Actuary for 25% of the LGPS funds in England and Scotland and provide pensions accounting services to 11 Police and Fire Pension Scheme employers. In addition we have a specialist team who advise many employers who participate in the Teachers' Pension Scheme

We also participate in various industry wide technical, Scheme Advisory Board sub committees and working groups, and in other groups and meetings concerning the LGPS and its operation and development.

We are therefore experienced in the workings of many of the pension schemes in scope for this consultation and we have an insight into difficulties and issues experienced by stakeholders in its operation and administration, including in the aspects covered by this consultation.

Our response to the consultation is set out below and we would be pleased to expand, clarify or discuss any of the comments made. Please note that our response reflects our thoughts, experience and knowledge as actuaries and benefits and governance consultants and should not be taken as legal advice.

Summary of response

The preliminary results of the 2016 Scheme valuation revealed the flaws in the current cost control mechanism. Although set up with the right intentions, due to the required approach it has led to outcomes which may not have been anticipated or intended.

We welcome changes to the cost control mechanism, and the proposals made are reasonable individually, but we would recommend considering them in their entirety in order to ensure the whole cost control process meets the original objectives of the mechanism.

We agree that the legacy schemes should not be considered as part of a cost control process which informs changes required to benefits in the reformed schemes only. This would make the calculations and the results more consistent.

We also agree the introduction of an economic check. The proposal made appears to be an objective approach which can be easily justified to stakeholders, and will help to avoid perverse outcomes such as those seen in the preliminary 2016 cost cap results.

In terms of widening the corridor, we would suggest considering this in the context of the full reform - is this required if an economic check is in place? What is the ultimate aim of widening the corridor in this way? A wider corridor would mean a larger step change in benefits or member contributions if triggered. Perhaps the frequency of change is not a problem that needs addressed and therefore the corridor could be left unchanged.

We do also have some concerns over the timing of the consultation which is a concern shared by many of our clients. The outcome of this consultation will be significant to the future of the LGPS and other public service schemes and the consultation period is relatively short considering that a lot of public sector services will quieten down over the summer months and therefore there is less resource available to respond to this significant consultation.

We also note that the Government is proposing to consider the recommendations on longevity separately to this review. Due to longevity being a key driver in the breach in 2016, we do not agree that the review of the longevity assumption is excluded in the review of the cost control mechanism. We would prefer that this is reviewed at the same time so that any changes can be incorporated into the mechanism.

Question 1 - Do you agree that a reformed scheme only design would achieve the right balance of risk between scheme members and the Exchequer (and by extension the taxpayer), and would create a more stable mechanism?

As noted in the consultation, one of the main drivers for the breach in 2016 was the low level of salary increases which is not really relevant in the reformed CARE schemes. We therefore strongly agree with the proposal to remove the allowance for legacy schemes in the cost control mechanism. Our opinion is that this is a sensible approach as it will mean the benefits being assessed are consistent with those potentially being reformed.

From the preliminary results of the 2016 Scheme valuations, the change in cost due to past service was a significant portion of the change in cost calculated. This creates some inconsistencies: if there is a change in cost in relation to past service, past service benefits are not reformed; only future benefits are reformed. This is somewhat unintuitive: if the value of benefits to older, longer serving members (who are typically those with significant portions of past service) reduces to breach the cost floor, it is future benefits that are amended which will obviously apply to those older members still in the scheme, but will also apply to younger members who were not impacted by the reduced value of past service benefits. The opposite applies: if the value of past service benefits increases to breach the cost cap, then younger members will lose out through reforms made to reduce the value of future benefits.

As the impact of past service is potentially a significant part of the change in cost (and it was so in the preliminary 2016 results), removal of the legacy schemes' impact from the cost control mechanism should result in a more stable mechanism.

In our view the change in design will achieve a better balance between scheme members and remove the intergenerational unfairness. It should also create a more stable mechanism which should lead to less perverse outcomes. The Exchequer (and by extension the taxpayer) will be taking on additional risk (or arguably risk that it should have retained in the first place) by bearing the cost of the legacy schemes.

An option disregarded in the consultation is to adopt a future service only mechanism, i.e. one which also excludes any past service in the reformed schemes. However, we think that this option has some merit. By including the past service element of the reformed schemes in the cost control mechanism, we agree that this leads to a fairer distribution of the risks compared to if the legacy schemes were still included. However, in a reformed scheme only approach which includes past service, is it fair for new members to bear the risks of costs changing in respect of previously accrued benefits? The cost control mechanism is designed to rectify any future service benefits, and so would an approach that only considers a revised cost of future benefits (and not past service benefits) be more appropriate? It would also remove the need to track a notional fund which is appropriate as all the unfunded schemes have no fund to track and the economic check could replace the aim of this element of the current control mechanism.

Additional costs could occur in the legacy schemes for a number of reasons, and it should be considered whether this is something to be factored into the mechanism once moved to a reformed scheme only approach. 4.28 of the GAD report suggests that a retrospective change that affects just the legacy schemes would not be taken into account. What would happen if a retrospective change applied to the legacy and the reformed schemes, would this be included in the mechanism or not? The reviewed mechanism should be clear on what will happen in these cases.

Question 2 - Do you agree with the Government's intention to widen the corridor? If not, why not?

We do not agree with the proposal to widen the corridor. The intention of this approach appears to be to reduce the frequency with which benefits or member contributions are reviewed, but we don't see how this change would help achieve the objectives of the cost control mechanism.

It is surprising that the Government considers a breach every 20 years to be too frequent when it should be noted that benefits in the LGPS were changed twice in a six year period before the mechanism was even in place. We would not see a breach once every 20 years as unstable. One of the overall aims of the mechanism is to make the schemes sustainable; by delaying any changes in benefits or member contributions, you are building up problems which we don't believe helps to achieve this sustainability aim.

Widening the corridor appears to move away from the aim to protect members' benefits (should a floor not be breached on a widened corridor, but would have been breached on the original corridor). It does of course work in both ways and so protects a member from a reduced value of benefits through the equally higher ceiling.

However, the intention is that a wider corridor will mean less frequent changes. This is positive in terms of ensuring benefits continue to be easy to understand for members and also to reduce any administrative burden of regular benefit changes. What it also brings though is the risk of bigger step changes in benefits due to a bigger margin being required before a breach occurs. In addition, the potential impact of this on members should be considered. Using Table 5.A from the consultation, a breach is expected every 5 valuations (20 years) using a corridor of +/-2%, and every 10 valuations (40 years) using a corridor of +/-3%. The change in cost could potentially hover between 2%-3% for 20 years before breaching a 3% corridor; is a change in value in the range of 2%-3% considered significant and therefore should action be taken when it is consistently within this

range? The original corridor was set at 2% so it would seem that this was previously deemed as significant enough to merit a benefit review.

The LGPS Scheme Advisory Board in England and Wales operate an additional cost control mechanism, and that adopts a 'may', 'should' and 'must' approach. Perhaps this approach could be considered for the HMT cost control mechanism. This would involve different ranges in change in cost cap, each triggering actions depending on the significance of the change in cost cap: at the lower end of the range the trigger would be that recommendations may be made to return the cost to the target and at the upper end the trigger would be that recommendations must be made to return to the target. Arguably it may still result in no change until the 3% threshold is breached but if a bracket of 2%-3% was considered a "should" approach, then where the change is consistently falling in the 2%-3% range, action could be taken following review.

Finally, if the proposed additional economic check is accepted, then we would question whether a widened corridor is necessary? As noted in the consultation, the economic check should also help to reduce frequency of change and ensure that any required changes to scheme benefits are considered appropriate.

Question 3 - Do you think that a corridor size of +/-3% of pensionable pay is appropriate? If not, why not?

Please see our answer to Question 2 which disagrees with the proposal to widen the corridor. However, should the corridor be widened then we would suggest a minimal change and believe +/-3% should be the maximum size of any corridor. Any wider and it will become more difficult to achieve the aims of the cost control mechanism and would result in a significant step change to benefits when the corridor is breached.

One of the aims of the mechanism is to provide stability and certainty to benefit levels, and it should only be triggered by 'extraordinary, unpredictable events'. It isn't possible to say what change in cost would be likely from an 'extraordinary, unpredictable event' so the question is whether 2% is more appropriate or 3% (or something else).

One of the options disregarded within the proposal is to have a corridor that varies by scheme to reflect that the costs in each scheme varies. Our view is that this option is reasonable and could be considered. One of the concerns raised in the consultation document for this option is that members may find it more difficult to understand such a corridor design, however, we feel this isn't an issue as members already may need to understand different schemes so an additional difference in corridor would not add significant complexity.

Question 4 - Do you agree with the proposal to introduce an economic check?

Yes, an economic check makes sense and will help avoid perverse results such as those seen in the preliminary 2016 results where no factors linked to the change in economic growth were considered. This would work best as a separate check as currently proposed rather than worked into the current cost control calculations, especially as this could lead to volatile results which the mechanism aims to avoid.

The proposed economic check provides a clear way to assess whether the outcome of the initial cost control calculation is appropriate.

We strongly agree that a more consistent approach should be taken between the assumptions used to set the contribution rates and the assumptions used in the cost control process. Therefore, if the SCAPE rate is used as the main driver in setting employer contributions, it should be used in the economic check. If the SCAPE rate methodology changes as a result of the separate consultation, the changes should also be implemented in the economic check proposed for the cost control mechanism. This is discussed further in our answer to question 5.

Under section 5.29, the consultation proposes for the economic check to also include the impact of any change to the long-term earnings assumption. We think this should be allowed for only to the extent that it is in the cost control mechanism.

For the funded LGPS, the driver of employer contributions is not the SCAPE rate but the discount rates used at triennial actuarial valuations. A slightly different but consistent approach would therefore be required for the LGPS reflecting changes in LGPS discount rates rather than the SCAPE rate. We also mention this in our response to Question 5.

The alternative (or additional) option of having an independent panel to review the initial cost control calculation would introduce a significant level of subjectivity and would be more likely to be challenged by relevant stakeholders, so we would agree not to consider this at this stage. There is merit in such an approach but it would need to be thoroughly considered, for example to ensure that all relevant stakeholders are represented.

Question 5 - Do you think that the SCAPE discount rate, as it currently stands, is an appropriate economic measure for the cost control mechanism?

On the basis that the SCAPE discount rate is used to set employer contributions in the unfunded public service pension schemes, use of the SCAPE discount rate for the cost control mechanism seems appropriate for reasons of consistency – we think it would be appropriate that the discount rate that is used for the unfunded scheme valuations is the same as that used for the unfunded cost control mechanisms. Employer contributions in the LGPS are, however, set as part of local actuarial valuations and are based on Fund-specific discount rates; they are not based on the SCAPE rate. It may therefore be reasonable to consider an alternative approach for the LGPS. It would not be appropriate to use the discount rates adopted for the local actuarial valuations as these include a margin for prudence whereas we would expect that the cost control mechanism should be a best estimate basis. An alternative may be some sort of proxy for a best estimate return for the LGPS, which will reflect that the LGPS has assets which are invested unlike in the unfunded schemes. A review of the overall asset allocation of the LGPS could be carried out in order to set such a best estimate return. Of course the asset allocation of individual funds could range significantly and therefore it may be difficult to agree the most appropriate return to use.

Although discount rates in the LGPS are not based on the SCAPE rate, they are considered with reference to the SCAPE rate as it is used in carrying out some aspects of the Section 13 LGPS valuations. We also suspect that it is a factor when the Government Actuary sets his best estimate assumptions for other aspects of Section 13 valuations. We would therefore suggest that either the Government Actuary's best estimate discount rate used for Section 13 purposes, or some LGPS average best estimate discount rate, is used in the economic check for the LGPS.

Question 6 - If the SCAPE methodology changes, and the Government considers that the SCAPE discount rate is therefore not an appropriate measure for the cost control mechanism, then do you think that a measure of expected long-term GDP should be used instead? If not, please set out any alternative measures that may be appropriate in this scenario. Please consider in the context of the separate review of the SCAPE methodology currently being undertaken by HM Treasury.

Our understanding of the economic check is to reduce the risk of any perverse outcomes. The issue we had with the outcome of the 2016 review was that, as the cost control mechanism did not consider the SCAPE rate, employer contributions were increased as costs were going up whereas the review suggested that member benefits should also be increased as costs were coming down.

Therefore in our view, it is important that the assumption used to set employer contributions is consistent with the assumption used in the economic check to avoid the issue outlined above that we had at the 2016 review.

For the purposes of this consultation, we would suggest that any changes made to the SCAPE methodology are also reflected in the economic check as it is so key to the level of employer contributions paid.

If the SCAPE methodology moves away from a long-term GDP approach, we think it would likely be appropriate to use a discount rate for the cost control mechanism that continues to be consistent with that adopted for the scheme valuations used in setting employer contributions.

If such an approach is not considered appropriate, then an alternative discount rate based on long-term GDP could be an acceptable alternative, however, there would be risk of perverse outcomes in terms of consistency of the cost control mechanism and changes in employer contribution rates due to the underlying discount rate approach for both being different. Therefore we do not agree that such an approach would be appropriate.

For the LGPS, we believe alternatives for the economic check discount rate are potentially required to achieve the same objectives and we elaborate on this in our response to Question 5.

Question 7 - Do you envisage any equalities impacts from the proposals to reform the cost control mechanism that the Government should take account of?

As the proposed reform would apply to all benefits accrued in future, we do not see any obvious equalities impacts. Any future proposed benefit changes should still be reviewed as normal to ensure that they do not cause any inequalities.

Should you have any questions on our response please contact us.

Yours sincerely



Graeme D Muir FFA
Partner, Head of Public Sector Practice



Louise Lau, FFA
Associate, Actuary

Barnett Waddingham LLP

From:	Chairman Superannuation Fund Committee Corporate Director of Finance
To:	Superannuation Fund Committee – 8 September 2021
Subject:	Pension Administration
Classification:	Unrestricted

Summary:

This report provides members with an update on recent system and connectivity problems experienced by the administration team and makes members aware of a breach of the Local Government Pension Scheme (LGPS) regulations and options for reporting the breach to the Pensions Regulator.

Recommendations:

The Committee is recommended to note the update and to endorse the Board's decision regarding the breach of the scheme regulations.

For Decision

1. System and connectivity problems

- 1.1 In order to administer the LGPS the Aquila Heywood hosted pension administration service is used with staff connecting to this service. Since working from home staff have reported problems with connecting to the service and in general staff would report that their productivity has diminished when compared to previous office working. As a result KCC's IT section together with Aquila Heywood have been collaborating to investigate different methods of connecting to the service to improve the situation.
- 1.2 However I need to report that during the middle of August, for approximately 10 days, the situation deteriorated further with all staff majorly impacted with slow connection to the service which in turn has led to further reductions in productivity and an adverse impact on our KPIs.
- 1.3 The situation has subsequently returned to how the connection was previously and staff are trialling different methods of connectivity the results of which will be reported to KCC's IT section and Aquila Heywood in order that the best option can be used by all staff.

2. Breach of the LGPS 2013 regulations

- 2.1 The breach was reported to the Pensions Board at their meeting on 1 September and members were recommended to agree that the breach be recorded and that reporting of the breach to the Pensions Regulator is not required. A copy of the report is at appendix 1.
- 2.2 There will be a verbal report of the Board's discussion and their decision to the Committee.

Barbara Cheatle, Pensions Manager – Kent Pension Fund

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September 2021

From:	Corporate Director of Finance
To:	Pension Board – 1 September 2021
Subject:	Breach of the Pension Scheme Regulations
Classification:	Unrestricted

Summary:

This report makes members aware of a breach of the Local Government Pension Scheme regulations and options for reporting the breach to the Pensions Regulator.

Recommendations:

The Board is recommended to agree to record the breach of the scheme regulations but that reporting of the breach to the Pensions Regulator is not required

For Decision

1. Background

- 1.1 Regulation 89 of the Local Government Pension Scheme 2013 Regulations requires that Kent County Council as the Administering Authority for the Kent Pension Fund must issue an annual benefit statement to each of its active, deferred, deferred pensioner and pension credit members no later than five months after the Scheme year to which it relates.
- 1.2 In order that KCC may provide an annual benefit statement to its active members regulation 80 (3) requires that a scheme employer must, within three months of the end of each Scheme year ending on 31 March 2021, provide a statement to the authority giving details in respect of each employee who has been an active member during the Scheme year, including pensionable pay details.

2. Breach of LGPS regulation 89

- 2.1 Kent Police is an employer within the Kent Pension Fund and unfortunately they had not supplied the information regarding their active members to KCC by the deadline of 30 June 2021, or by subsequent deadlines.
- 2.2 KCC was therefore unable to issue annual benefit statements to the Police employees in the Local Government Pension Scheme, approximately 3,100 members, by 31 August 2021.

- 2.3 Kent Police were unable to supply this information by the statutory deadline due to resource issues within their payroll section.
- 2.4 The information was received on 19 August and discussions are progressing with Kent Police with regard to the issue of annual benefit statements for their active members of the LGPS after the statutory deadline of 31 August.
- 2.5 As KCC was not able to supply these active members with their statements by 31 August this is a breach of the regulations and consideration has to be given as to whether this breach is considered material and should be reported to the Pensions Regulator.

3. The Pensions Regulator Framework

- 3.1 KCC is required to report certain breaches of the law to the Pensions Regulator and an extract of the TPR toolkit which provides guidance on the process to be followed is at appendix 1.
- 3.2 The section on providing information to members describes the use of a traffic light system for this purpose.
- 3.3 As KCC has issued approximately 45,500 annual benefit statements for other active members in the Fund this breach would not be considered in the red category which would require reporting to the Pensions Regulator. However as more than one active member has been affected neither would it be considered in the green category.
- 3.4 This breach would appear therefore to fall into the amber category where judgement needs to be used as to whether the breach is sufficiently material and significant to the Pensions Regulator and should therefore be reported.

4. Proposed action

- 4.1 This is a breach of the regulations however:
 - a) the information has now been supplied and annual benefit statements can be produced for the active members of the scheme.
 - b) Kent Police have resolved to ensure that extra resource is provided within their payroll section so that information is supplied by the statutory deadline in the future
 - c) it is recommended that the breach is recorded but that it is not significant enough to be reported to the Pensions Regulator.

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September 2021

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Public Service toolkit downloadable

Example breaches of the law and the traffic light framework

Introduction

Certain people involved with the governance and administration of a public service pension scheme must report certain breaches of the law to The Pensions Regulator. These people include scheme managers, members of pension boards, employers, professional advisers and anyone involved in administration of the scheme or advising managers. You should use the traffic light framework when you decide whether to report to us. This is defined as follows:

- Red breaches must be reported.
- Amber breaches are less clear cut: you should use your judgement to decide whether it needs to be reported.
- Green breaches do not need to be reported.

All breaches should be recorded by the scheme even if the decision is not to report.

When using the traffic light framework you should consider the content of the red, amber and green sections for each of the cause, effect, reaction and wider implications of the breach, before you consider the four together.

As each breach of law will have a unique set of circumstances, there may be elements which apply from one or more of the red, amber and green sections. You should use your own judgement to determine which overall reporting traffic light the breach falls into.

By carrying out this thought process, you can obtain a greater understanding of whether or not a breach of the law is likely to be of material significance and needs to be reported.

You should not take these examples as a substitute for using your own judgement based on the principles set out in the draft public service code of practice as supported by relevant pensions legislation. They are not exhaustive and are illustrative only.

Knowledge and understanding required by pension board members

Example scenario: The scheme manager has breached a legal requirement because pension board members failed to help secure compliance with scheme rules and pensions law.

	Potential investigation outcomes			
	Cause	Effect	Reaction	Wider implications
Red	Pension board members have failed to take steps to acquire and retain the appropriate degree of knowledge and understanding about the scheme's administration policies	A pension board member does not have knowledge and understanding of the scheme's administration policy about conflicts of interest. The pension board member fails to disclose a potential conflict, which results in the member acting improperly	Pension board members do not accept responsibility for their failure to have the appropriate knowledge and understanding or demonstrate negative/non-compliant entrenched behaviours The scheme manager does not take appropriate action to address the failing in relation to conflicts	It is highly likely that the scheme will be in breach of other legal requirements. The pension board do not have an appropriate level of knowledge and understanding and in turn are in breach of their legal requirement. Therefore, they are not fulfilling their role to assist the scheme manager and the scheme is not being properly governed
Amber	Pension board members have gaps in their knowledge and understanding about some areas of the scheme's administration policies and have not assisted the scheme manager in securing compliance with internal dispute resolution requirements	Some members who have raised issues have not had their complaints treated in accordance with the scheme's internal dispute resolution procedure (IDRP) and the law	The scheme manager has failed to adhere precisely to the detail of the legislation where the breach is unlikely to result in an error or misunderstanding or affect member benefits	It is possible that the scheme will be in breach of other legal requirements. It is possible that the pension board will not be properly fulfilling their role in assisting the scheme manager
Green	Pension board members have isolated gaps in their knowledge and understanding	The scheme manager has failed to adhere precisely to the detail of the legislation where the breach is unlikely to result in an error or misunderstanding or affect member benefits	Pension board members take action to review and improve their knowledge and understanding to enable them to properly exercise their functions and they are making quick progress to address gaps in their knowledge and understanding. They assist the scheme manager to take prompt and effective action to remedy the breach	It is unlikely that the scheme will be in breach of other legal requirements. It is unlikely that the pension board is not fulfilling their role in assisting the scheme manager

Scheme record-keeping

Example scenario: An evaluation of member data has identified incomplete and inaccurate records.

	Potential investigation outcomes			
	Cause	Effect	Reaction	Wider implications
Red	Inadequate internal processes that fail to help employers provide timely and accurate data, indicating a systemic problem	All members affected (benefits incorrect/not paid in accordance with the scheme rules, incorrect transactions processed and poor quality information provided in benefit statements)	Action has not been taken to identify and tackle the cause of the breach to minimise the risk of recurrence nor to notify members	It is highly likely that there are wider scheme issues caused by inadequate processes and that the scheme will be in breach of other legal requirements
Amber	A failure by some – but not all – participating employers to act in accordance with scheme procedures, indicating variable standards of implementing those procedures	A small number of members affected	Action has been taken to identify the cause of the breach, but progress to tackle it is slow and there is a risk of recurrence	It is possible that there are wider scheme issues and that the scheme may be in breach of other legal requirements
Green	A failure by one participating employer to act in accordance with scheme procedures, indicating an isolated incident	No members affected at present	Action has been taken to identify and tackle the cause of the breach and minimise the risk of recurrence	It is unlikely that there are wider scheme issues or that the scheme manager will be in breach of other legal requirements

Providing information to members

Example scenario: An active member of a defined benefit (DB) public service scheme has reported that their annual benefit statement, which was required to be issued within 17 months of the scheme regulations coming into force, has not been issued. It is now two months overdue. As a consequence, the member has been unable to check:

- personal data is complete and accurate
- correct contributions have been credited
- what their pension may be at retirement

Potential investigation outcomes				
	Cause	Effect	Reaction	Wider implications
Red	Inadequate internal processes for issuing annual benefit statements, indicating a systemic problem	All members may have been affected	Action has not been taken to correct the breach and/or identify and tackle its cause to minimise the risk of recurrence and identify other members who may have been affected	It is highly likely that the scheme will be in breach of other legal requirements
Amber	An administrative oversight, indicating variable implementation of internal processes	A small number of members may have been affected	Action has been taken to correct the breach, but not to identify its cause and identify other members who may have been affected	It is possible that the scheme will be in breach of other legal requirements
Green	An isolated incident caused by a one off system error	Only one member appears to have been affected	Action has been taken to correct the breach, identify and tackle its cause to minimise the risk of recurrence and contact the affected member	It is unlikely that the scheme will be in breach of other legal requirements

Internal controls

Example scenario: A DB public service scheme has outsourced all aspects of scheme administration to a third party, including receiving contributions from employers and making payments to the scheme. Some contributions due to the scheme on behalf of employers and members are outstanding.

	Potential investigation outcomes			
	Cause	Effect	Reaction	Wider implications
Red	The administrator is failing to monitor that contributions are paid to them in time for them to make the payment to the scheme in accordance within the legislative timeframes and is therefore not taking action	The scheme is not receiving the employer contributions on or before the due date nor employee contributions within the prescribed period	The administrator has not taken steps to establish and operate adequate and effective internal controls and the scheme manager does not accept responsibility for ensuring that the failure is addressed	It is highly likely that the administrator is not following agreed service level standards and scheme procedures in other areas. The scheme manager is likely to be in breach of other legal requirements such as the requirement to have adequate internal controls
Amber	The administrator has established internal controls to identify late payments of contributions but these are not being operated effectively by all staff at the administrator	The scheme is receiving some but not all of the employer contributions on or before the due date and employee contributions within the prescribed period	The scheme manager has accepted responsibility for ensuring that the failure is addressed, but the progress of the administrator in training their staff is slow	It is possible that the administrator is not following some of the agreed service level standards and scheme procedures in other areas. It is possible that the scheme manager is in breach of other legal requirements
Green	Legitimate late payments have been agreed by the scheme with a particular employer due to exceptional circumstances	The employer is paying the administrator the outstanding payments within the agreed timescale	The scheme has discussed the issue with the employer and is satisfied that the employer is taking appropriate action to ensure future payments are paid on time	It is unlikely that the employer is failing to adhere to other scheme processes which would cause the scheme manager to be in breach of legal requirements

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From: Chairman Superannuation Fund Committee
Corporate Director of Finance

To: Superannuation Fund Committee – 8 September 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 30 June 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 30 June 2021 the Fund's value was £7.8bn, an increase of £266m 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	1,452	18.7	23.5	-4.8
Global Equity	3,327	42.8	32	10.8
Fixed Income	1,151	14.8	15	-0.2
Private Equity	209	2.7	4	-1.3
Infrastructure	93	1.2	3.5	-2.3
Property	802	10.3	13	-2.7
Absolute Return	546	7.0	8	-1.0
Cash	195	2.5	1	1.5
Total	7,774	100	100	

- 2.2 In December 2020, the Fund sold out of the UBS passive equity mandates to fund the implementation of the equity protection programme managed by Insight. The Fund continues to have exposure to passive UK and Global equities through the synthetic equity in the equity protection programme.
- 2.3 The current total equity allocation of the Fund (including the synthetic equity exposure as well as the value of the equity protection options) is 61.5%. which continues to remain overweight to its strategic allocation of 55.5% but within the range permitted by the re-balancing strategy.
- 2.4 The Fund is under-weight in all other asset classes other than cash managed internally which remains high at 2.7%. The sale of equities during the year for re-balancing the asset allocation is the main contributor to the high cash balance. The Fund has continued to hold cash in view of the uncertain market conditions and the lack of appropriate investment opportunities in other asset classes during the year.

3. Investment performance quarter to 30 June 2021

- 3.1 The Fund achieved a return for the quarter of 3.47% against a benchmark of 4.45%. The successful roll out of vaccines and opening-up of economies provided a boost to the equities which experienced a strong quarter although all asset classes achieved positive returns
- 3.2 The quarter saw UK value and cyclical stocks build on the gains from the previous quarter and global stock markets experienced another strong quarter driven by record levels of liquidity. Equities remained the strongest performing asset class.
- 3.3 Performance from most of the active managers however fell short of benchmark returns, except for Baillie Gifford managing the global equity core portfolio and Impax managing an environmental portfolio.
- 3.4 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.
- 3.5 Concerns around rising inflation have impacted the returns on the Fixed income portfolios. During the quarter, the CQS mandate was the best performing in this environment with their overweight positions in senior secured loans and asset-based securities. The Schroders' bonds mandate delivered negative performance in the quarter; their currency strategy being the main drag on performance, along with their rates strategy detracting from performance.
- 3.6 Property valuations and rent collections have improved on the back of improving market sentiment, although the growth is divergent among the different property sectors. High levels of voids and some asset management projects have negatively affected returns in some portfolios in the Fund. The Fidelity portfolio recorded a material out-performance against benchmark as a result of overweight positions in industrial and office sectors which showed the strongest signs of growth and recovery respectively.
- 3.7 Private equity and Infrastructure valuations showed mixed results, partly due to the timing of drawdowns. Harbourvest funds continued to record a strong growth in the quarter of 12%.

3.8 Returns achieved by the Absolute Return portfolios remained positive although both the Pyrford and the Ruffer mandate underperformed the benchmark of 3.58%. In particular, Ruffer's interest rate protection options gave back some of the gains after shielding the portfolio from the impact of rising bond yields in the previous quarter.

4. Longer term investment returns

4.1 The Fund has achieved better than benchmark returns in both the one-year and three-year periods.

4.2 The Fund's one-year performance was 18.62% compared to the benchmark return of 14.69% for the same period.

4.3 The high one-year performance reflects the uplift from a low base after the dip in March 2020, most significantly in the case of listed and private equities, as well as in property.

4.4 All active managers have achieved better than benchmark returns in the one-year period except for Pyrford managing an absolute return fund, M&G managing the residential property fund, and Aegon (Kames) managing the close ended UK property fund. Baillie Gifford, Impax and Ruffer have been the star out-performers in this period.

4.5 The Fund achieved an annualised return of 8.15% compared to 5.97% over the three-year period ending June 21.

4.6 Fund manager performance has been mixed over the three-year period. with Baillie Gifford achieving a return of 40.2% which is nearly double its benchmark annual return of 22%.

4.7 Global listed and private equities have been the strongest performing asset classes in the three-year period followed by absolute return. However, Pyrford under-performed across all time horizons in this period. The Fund continues to hold the Pyrford investment as a strategic diversifier.

Alison Mings, Acting Business Partner – Kent Pension Fund

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June 2021

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FUND POSITION STATEMENT

Summary of Fund Asset Allocation and Performance

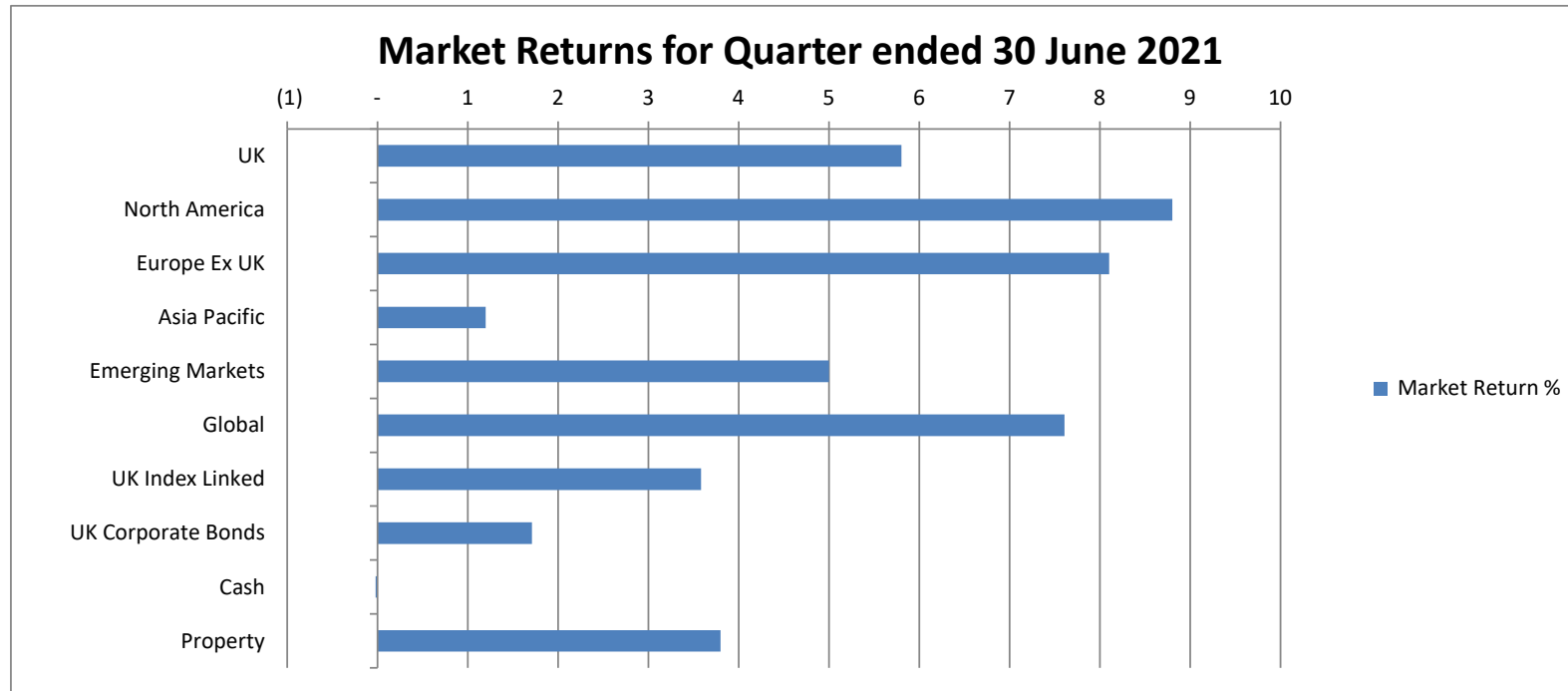
Superannuation Fund Committee

By: Chairman Superannuation Fund Committee
Corporate Director of Finance

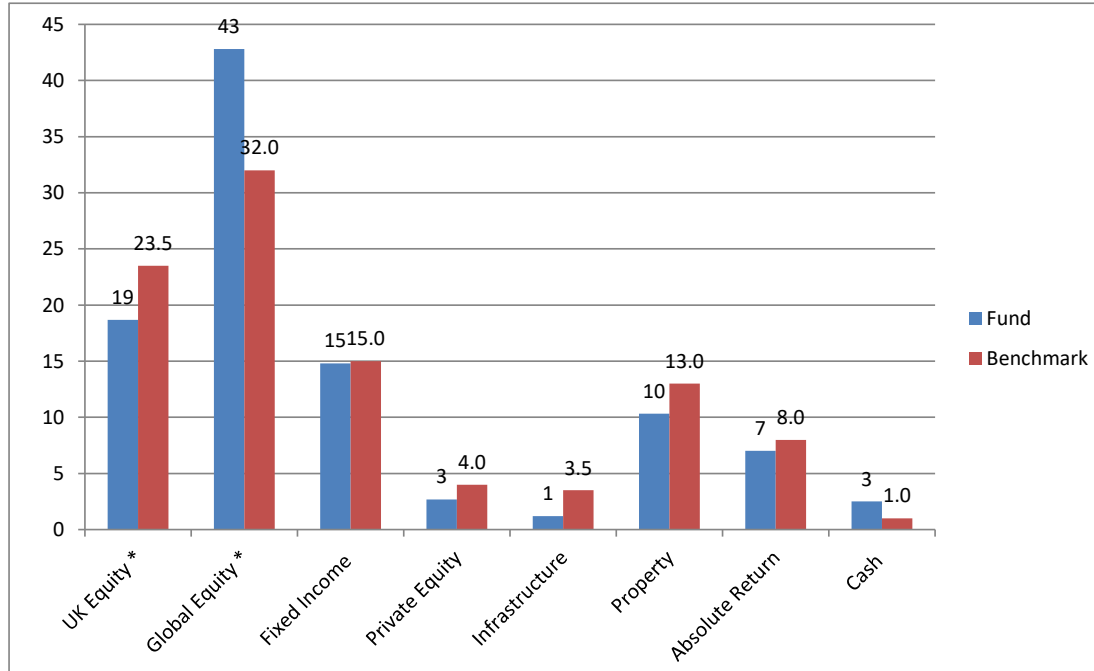


Kent County Council
Superannuation Fund Q1 2021-22
Alison Mings- Acting Business Partner -
Kent Pension Fund

Market Returns for Quarter ended 30 June 2021



Fund Asset Allocation vs Benchmark as at 30 June 2021



Asset Class	Fund		Benchmark	Over / (under) weight
	£m	%	%	%
UK Equity *	1,452	18.7	23.5	-4.8
Global Equity *	3,327	42.8	32	10.8
Fixed Income	1,151	14.8	15	-0.2
Private Equity	209	2.7	4	-1.3
Infrastructure	93	1.2	3.5	-2.3
Property	802	10.3	13	-2.7
Absolute Return	546	7.0	8	-1.0
Cash	195	2.5	1	1.5
Total	7,774	100	100	

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

Fund Asset Class Performance for Quarter ending 30 June 2021



Asset Class	Fund %	Benchmark %	Outperformance %
Total Equity (without equity protection)	6.98	6.50	0.48
Total Equity (with equity protection)	4.33	6.50	-2.17
Fixed Income	0.88	0.73	0.15
Property	3.93	3.98	-0.05
Absolute Return	0.89	3.58	-2.69
Private Equity	9.14	-0.02	9.16
Infrastructure	1.10	-0.02	1.12

Market Value Summary by Fund Manager as at 30 June 2021

Fund Manager	Asset Class	Market Value as at 31 March 2021 (£m)	Market Value as at 30 June 2021 (£m)	Change in Market Value (£m)	% of Total Fund 30 June 2021
Baillie Gifford - LF ACCESS Global Equity Core Fund *	Global Equity	1,709	1,870	161	24.0%
Schroders - LF ACCESS UK Equity Fund	UK Equity	1,032	1,079	48	13.9%
Insight	Equity Protection Program	611	532	-79	6.8%
DTZ	Direct Property	493	507	13	6.5%
M&G - LF ACCESS Global Dividend Fund	Global Equity	444	466	22	6.0%
Goldman Sachs	Fixed Interest	417	422	5	5.4%
Schroders GAV - LF ACCESS Global Active Value Fund	Global Equity	353	377	24	4.8%
Sarasin	Global Equity	353	370	17	4.8%
Pyrford **	Absolute Return	407	365	-43	4.7%
Schroders	Fixed Interest	255	253	-2	3.3%
M&G Alpha Opportunities *	Fixed Interest	163	240	77	3.1%
CQS *	Fixed Interest	158	238	80	3.1%
Ruffer - LF ACCESS Absolute Return Fund **	Absolute Return	134	181	47	2.3%
Harbourvest	Private Equity	150	167	17	2.1%
Fidelity	Pooled Property	135	144	8	1.8%
Partners	Infrastructure	77	93	16	1.2%
Impax Environmental Markets	Global Equity	71	76	5	1.0%
M&G Residential Property	Pooled Property	65	65	0	0.8%
Aegon (Kames)	Pooled Property	43	44	0	0.6%
DTZ Pooled Funds	Pooled Property	41	43	2	0.6%
YFM	Private Equity	47	42	-5	0.5%
Woodford	UK Equity	8	9	1	0.1%
Internally managed cash *	Cash	342	193	-149	2.5%
Total Kent Fund		7,508	7,774	266	100.0%

Total investments in ACCESS pooled funds	3,675	3,973
Percentage of the total Fund	49%	51%

* £75m each invested on 1st April into M&G Alpha Ops and CQS

** £47m transferred from Pyrford to Ruffer during the quarter

Performance Returns as at 30 June 2021

	Quarter		1 Year		3 Year (p.a.)	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
Total Fund	3.47	4.45	18.62	14.69	8.15	5.97
UK Equity						
Schroders - LF ACCESS UK Equity Fund	4.64	5.53	27.68	20.20	3.13	1.13
Woodford	6.69	5.60	-28.15	21.45	-28.59	2.05
Global Equity						
Baillie Gifford - LF ACCESS Global Equity Core Fund	9.39	6.26	40.02	22.13	25.03	10.25
Sarasin	4.76	7.26	26.08	24.56	14.60	12.85
Schroders - LF ACCESS Global Active Value Fund	6.68	7.26	26.88	24.56	8.79	12.85
Impax	7.66	7.26	45.67	24.56	18.06	12.85
M&G - LF ACCESS Global Dividend Fund	5.05	7.26	28.32	24.56	10.67	12.85
Fixed Interest						
Goldman Sachs	1.13	0.86	5.94	3.50	4.67	3.50
Schroders Fixed Interest	-0.77	0.04	6.43	0.10	1.25	0.71
CQS	2.06	1.02	13.45	4.09	--	--
M&G Alpha Opportunities	1.01	1.02	9.73	4.10	--	--
Property						
DTZ	3.97	3.98	13.21	9.33	5.03	3.47
Fidelity	6.11	3.80	12.01	8.53	4.58	3.02
Aegon (Kames)	1.88	3.80	3.20	8.53	0.91	3.02
M&G Property	0.38	3.80	0.57	8.53	1.38	3.02
Private Equity						
Harbourvest	12.00	-0.02	46.94	-0.08	24.45	0.29
YFM	0.00	-0.02	33.56	-0.08	22.82	0.29
Infrastructure						
Partners	1.10	-0.02	-6.09	-0.08	-0.84	0.29
Absolute Return						
Pyrford	1.10	3.58	3.64	8.93	3.02	7.61
Ruffer - LF ACCESS Absolute Return Fund	0.13	3.58	16.62	8.93	--	--

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 Opportunities	Libor + 4%	
Property:		
DTZ	IPD Pension Fund Index	≥ 3 year rolling average of benchmark returns
Fidelity	IPD UK PF Property Fund Index	
Aegon (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	

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Agenda Item 18

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