

KENT COUNTY COUNCIL

PENSION FUND COMMITTEE

MINUTES of a meeting of the Pension Fund Committee held in the Council Chamber, Sessions House, County Hall, Maidstone on Wednesday, 28 September 2022.

PRESENT: Mr C Simkins (Chairman), Mr N J D Chard (Vice-Chairman), Mr P Bartlett, Mrs P T Cole, Mr P Cole, Mr D S Daley, Ms M Dawkins, Cllr N Eden-Green, Mr J P McInroy, Mr J Parsons, Mr P Stepto and Mr J Wright.

ALSO PRESENT: Mr J Houston, Mr T English, Mr R Sinnott and Mr R J Thomas

IN ATTENDANCE: Mr N Buckland (Head of Pensions and Treasury), Ms C Chambers (Pensions Administration Manager), Mr J Graham (Pension Fund Treasury and Investments Manager), Mrs A Mings (Treasury and Pensions Strategic Advisor), Ms L Savage (Pensions Administration Performance and Operations Manager), Ms S Surana (Investments, Accounting and Pooling Manager), Mr S Tagg (Senior Accountant - Employer Governance and Compliance), Mr J Betts (Interim Corporate Director of Finance), Mr B Watts (General Counsel), Miss T A Grayell (Democratic Services Officer) and Mrs K Goldsmith (Research Officer - Overview and Scrutiny).

UNRESTRICTED ITEMS

71. Membership

(Item 1)

1. It was noted that Cllr Paul Clokie had left the committee since its last meeting. The Chairman placed on record his thanks to Cllr Clokie for his contribution to the work of the committee over many years and said he would write to him on behalf of the committee.

2. Joe Parsons advised that this would be his last meeting before leaving the committee as he was unable to serve on both it and the Pension Board and he had chosen to concentrate on representing scheme members on the board. He may attend a later meeting as a visitor to introduce the replacement Trades Union member, once they had been appointed. The Chairman thanked Mr Parsons for his contribution the work of the committee.

72. Apologies and Substitutes

(Item 2)

Apologies for absence had been received from Cllr R Thorne. There were no substitutes.

The committee noted that Cllr John Burden and the Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services, Peter Oakford, were joining the meeting remotely.

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

(Item 3)

Mr P Bartlett declared that he was employed by the Bank of New York Mellon, the parent company of Insight, which was managing the equity downside protection programme. Mr

Bartlett noted that there was no item on the agenda relating to equity protection but said he would leave the meeting if any mention were made of it.

74. Minutes of the meeting held on 22 June 2022

(Item 4)

It was RESOLVED that the minutes of the meeting held on 22 June 2022 are correctly recorded and that they be signed by the Chairman. There were no matter arising.

75. Date of next meeting

(Item 5)

It was noted that the next meeting of the committee would be held on Thursday, 8 December 2022, commencing at 10.00 am in the Council Chamber at Sessions House.

76. Fund Employer and Governance Matters

(Item 6)

1. Mr Tagg introduced the report and responded to a question about late payment of employer contributions. He advised that payments were reviewed monthly and any employer showing lateness would be contacted immediately to explore and address problems before they escalated. It was unusual for employers to be very late; most had only slipped one or two days, and most paid electronically so would be unaffected by postal delays or strikes. The impact of late payment, for example, in terms of interest lost, depended on the amount of the late contributions and how overdue they were. Persistent late payers were required to be reported to the Pensions Regulator. Mr Buckland advised that the administration strategy would include this process for monitoring and addressing late contributions.

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

- a) to the admission to the Kent County Council Pension Fund of Apleona UK Ltd (re Education for the 21st Century Academy Trust);
- b) to the admission to the Kent County Council Pension Fund of Cater Link Ltd (Sir Roger Manwood's School);
- c) that the Chairman may sign the minutes relating to recommendations a) and b) at the end of today's meeting; and
- d) that, once legal agreements have been prepared for matters a) and b), the Kent County Council seal be affixed to the legal documents.

77. Update on National Local Government Pension Scheme issues

(Item 7)

Jeff Houston from Barnett Waddingham was present for this item at the invitation of the committee.

1. Mr Houston presented a series of slides (included in the agenda pack) which set out a number of national changes that would be affecting the Local Government Pension Scheme, including the impact and resource implications of the McCloud judgement,

ongoing work streams, elements of the climate consultation and emerging issues which would have an impact in the near future, including increasing inflation. He responded to comments and questions from the committee, including the following:-

- a) asked about the Government attempting to steer pooling arrangements, Mr Houston opined that the extent of attempted Government interference would determine how much of a problem this might be. Attempted Governmental interference in this field had historically been a challenge;
- b) asked if investment in infrastructure projects was limited by any capping or by the fees involved, Mr Houston advised that no cap applied to infrastructure schemes; the key issues were of price and potential return;
- c) a view was expressed that training should be pitched at an appropriate level to maintain a breadth and depth of knowledge; and
- d) asked if the emergency protocol would cover climate risk, Mr Houston advised that risk arrangements would indeed need to be increased to cover this sufficiently. This would be resource-intensive. Mr Buckland added that the Council needed to consider how best to cover and resource the issues shown in Mr Houston's slide presentation within the Pensions administration team.

2. The Chairman thanked Mr Houston for attending to brief the committee and respond to Member's questions.

3. It was RESOLVED that the information set out in the presentation and given in response to comments and questions be noted, with thanks.

78. Pensions Administration

(Item 8)

1. The Chairman welcomed Clare Chambers to her first meeting of the committee since taking over the role of Pension Administration Manager from Barbara Cheatle.

2. Ms Chambers introduced the new style report, which would also be submitted to the next meeting of the Pension Board, and highlighted key aspects of the team's workload, including the ongoing administrative impact of contributions and paperwork received late from employers. The report was also seeking the committee's approval of the draft administration strategy, which set out how the Council would work with employers to submit timely data and manage the membership data. The fund would consult with employers on the implementation of the strategy, which would return to the committee for adoption in March 2023.

3. Ms Chambers responded to a question about contact methods used by and for scheme members and advised that the self-service online pensions portal would need to be further promoted to encourage people to use it for queries as far as possible, rather than emailing them to the team. To support this, scheme members' records would need to be uploaded to be accessed online, which would be a major piece of work.

4. It was RESOLVED that:-

- a) the report be noted, with thanks;

- b) plans to review the current workloads within the team, and strengthen where necessary, be endorsed; and
- c) the draft administration strategy be agreed for consultation with employers.

79. Training update

(Item 9)

1. Mr Buckland introduced the report and thanked Mrs Mings for her support in recent months on the training strategy. He advised committee members that they would all shortly be sent a training assessment and urged them all to complete it. There were no questions or comments on the report.
2. It was RESOLVED that the information set out in the report be noted, with thanks.

80. Pension Fund Report and Accounts and External Audit

(Item 10)

1. Ms Surana introduced the report and advised that the auditors has passed the accounts but were not able to certify them until the Council's auditors had also passed them.
2. The Chairman thanked Ms Surana and her team for their excellent work in preparing the complex accounts paperwork. Ms Surana then responded to comments and questions from the committee. She clarified that the auditor had no role in reviewing the performance of fund managers. Mr Buckland suggested that, at the committee's December meeting, it would be helpful to set out the process and responsibility for monitoring fund managers.
3. It was RESOLVED that the committee:-
 - a) note the content of the 2021-22 Pension Fund Draft Accounts and the Annual Report;
 - b) note the external auditor's Draft Audit Findings Report,
 - c) note the position with regards to Governance and Audit Committee;
 - d) delegate authority to the Chairman of the Pension Fund Committee and the Corporate Director of Finance to finalise the Annual Report on receipt of the audit certificate;
 - e) confirm that, once the report is authorised, the Report and Accounts be published to the Kent Pension Fund website; and
 - f) note the position on the fund policies.

81. Report from the Pension Board - verbal

(Item 11)

1. Mr R Thomas, Chair of the Pension Board, gave a verbal update on the board's work. Revised terms of reference for the board had been agreed by the County Council in summer 2022. A new district council representative had joined from Canterbury City Council and work on the governance review and recruitment was ongoing. Unfortunately, the board's most recently scheduled meeting had had to be postponed during the period of national mourning. The next meeting was scheduled for 24 November 2022.
2. It was requested that future update reports be written rather than verbal and Mr Buckland undertook to consider this, to support the complementary working relationship of the committee and board.
3. It was RESOLVED that the update be noted, with thanks.

82. ACCESS Update

(Item 12)

1. The Chairman welcomed James Graham to his first meeting of the committee since joining the Council as the new Pensions and Treasury Manager in July 2022.
2. Mr Graham introduced the report and advised that Kent would have its turn to send observers to an ACCESS meeting in March 2023. Mr Buckland undertook to provide information to a questioner about the process for selecting UK core and global real estate mandates outside the meeting, *and this was subsequently emailed to the committee.*
3. It was RESOLVED that the update be noted, with thanks.

83. Fund Position

(Item 13)

1. Ms Surana introduced the report, about which there were no questions or comments.
2. It was RESOLVED that the fund's asset allocation and performance, as of 30 June 2022, be noted, with thanks.

84. Business considered as urgent

(Item)

The Chairman sought and received the committee's agreement that agenda items 14 and 17 be considered as urgent business as they had been published late and hence had not been in the public domain long enough to meet the statutory requirement for the publication of papers.

85. Governance Review - update

(Item 14)

1. The Chairman and Mr Buckland thanked Mrs Mings for all her work on the review, which had been a major undertaking.
2. Mr Buckland introduced the report, about which there were no questions or comments.

3. It was RESOLVED that the update report be noted and the revised Governance Policy and Compliance Statement be agreed.

86. 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.

EXEMPT ITEMS

Open access to minutes 87, 88, 90, 91 and 92

Summary of minute 89, where access to this minute remains restricted.

87. Business Plan

(Item 15)

1. Mr Buckland introduced the report and advised that progress against the business plan would be reviewed at each meeting of the committee and revised annually. He responded to comments and questions from the committee about the scope to make targets more ambitious and how any associated risk could be handled, and about referencing the backlog of pensions admin work in the business plan.
2. Mr Buckland advised that the committee was being asked to approve the Business Plan, which was presented as a draft to which updates could be made later. He undertook to add a reference to the backlog of pensions administration work.
3. It was RESOLVED that the Business Plan for the Kent Pension Fund be approved, with the addition of a reference to the backlog of pensions administration work, and the plans to review the level of resource within the Pensions Administration team be endorsed.

88. Pension Fund Risk Register

(Item 16)

1. Mr Buckland introduced the report, about which there were no questions or comments.
2. It was RESOLVED that the updated Risk Register be noted, with thanks.

89. Woodford - verbal update

(Item)

1. Mr Buckland gave a verbal update on the progress of the Financial Conduct Authority investigation and responded to comments and questions of detail from the committee. *Mr Graham subsequently emailed a detailed written update to the committee.*
2. The verbal update was noted, with thanks, and the detailed written update sent subsequently was welcomed.

90. Investment Strategy

(Item 17)

1. Mr Buckland introduced the report and, with Ms Surana and Mr Graham, responded to comments and questions of detail from the committee about the various areas of recommendation. Questions covered a proposed investment set out in the report, the likelihood of making similar future investments and the information the committee would want to see before committing to them.
2. Mr English and Mr Sinnott from Mercer Ltd left the room while the committee discussed the appointment of an investment consultant but there were no comments from the committee on this part of the report.
3. Mr English and Mr Sinnott then presented a series of slides (included in the agenda pack) which set out work on risk monitoring.
4. After discussion, the committee AGREED in full the recommendations set out in the report and suggested areas to consider when reviewing the Fund's investment strategy.

91. Actuarial Valuation 2022 Update

(Item 18)

Roisin McGuire from Barnett Waddingham joined the meeting remotely for this item.

1. Ms McGuire introduced the report and responded to comments and questions from the committee, including about how to accommodate and respond to the effects of inflation and how the assumptions in the report had been calculated.
2. It was RESOLVED that the assumptions which will be used in the 31 March 2022 triennial valuation and the timeline of meetings be noted and the Chairman of the committee and the Corporate Director of Finance be given delegated authority, following the final meeting with the Actuary, to approve the results and facilitate their timely circulation.

92. Responsible Investment update

(Item 19)

1. Mr Buckland introduced the report, about which there were no comments or questions.
2. Mr English presented a series of slides (included in the agenda pack), which summarised the carbon footprint analysis of the fund. There were no comments or questions about the presentation.
3. It was RESOLVED that the update be noted, with thanks, and the Chairman of the Pension Fund Committee and the Corporate Director of Finance submit a response to the Government's consultation on the governance and reporting of climate change risks on behalf of the administering authority, in consultation with the Responsible Investment Working Group, as set out in the report.

