

PENSION FUND COMMITTEE

Thursday, 8th December, 2022

10.00 am

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





AGENDA

PENSION FUND COMMITTEE

Thursday 8th December, 2022 at 10.00 am Ask for: **Theresa Grayell**
Council Chamber, Sessions House, Telephone: **03000 416172**
County Hall, Maidstone

Membership

Conservative (8):	Mr C Simkins (Chairman), Mr N J D Chard (Vice-Chairman), Mr P Bartlett, Mrs P T Cole, Mr P Cole, Mr P C Cooper, Mr J P McInroy and Mr J Wright
Labour (1):	Ms M Dawkins
Liberal Democrat (1):	Mr D S Daley
Green and Independent (1):	Mr P Stepto
District Council (3)	Cllr J Burden, Cllr N Eden-Green and one vacancy
Medway Council (1)	Cllr R Thorne
Pensioner Representative	Mr P Doust
Active Member Representative	Mr S Sim
UNISON	vacancy

UNRESTRICTED ITEMS

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

- 1 Membership update
The committee is asked to welcome two new members:

Paul Doust as a Pensioner Representative
Simon Sim as an Active Member Representative

- 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 28 September 2022 (Pages 1 - 10)
- 5 Date of next meeting
As the 2 February 2023 reserved date will now be used for training, the next formal meeting of the committee will be held on **Wednesday 29 March 2023**, commencing at 10.00 am at Sessions House, Maidstone.
- 6 Committee work programme and Action Log (Pages 11 - 16)
- 7 Fund Business Plan - 2022/23 - 2024/25 (Pages 17 - 34)
- 8 Fund Employer and Governance Matters (Pages 35 - 42)
- 9 Pensions Administration (Pages 43 - 46)
- 10 Annual Report - verbal
- 11 Report from the Pension Board - verbal
- 12 ACCESS update (Pages 47 - 48)
- 13 Fund Position (Pages 49 - 60)
- 14 Governance review - update (Pages 61 - 120)

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)

- 15 Pension Fund Risk Register (Pages 121 - 132)
- 16 Actuarial Valuation 2022 Update (Pages 133 - 136)
- 17 Investment Strategy (Pages 137 - 210)
- 18 Responsible Investment update (Pages 211 - 246)

Benjamin Watts
General Counsel
03000 416814

Wednesday, 30 November 2022

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**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

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

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

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.

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

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From: Chairman Pension Fund Committee
Corporate Director of Finance

To: Pension Fund Committee – 8 December 2022

Subject: Committee work programme and Action Log

Classification: Unrestricted

Summary:

To report on the updated Committee work programme for 2022-23, and note the action log from previous meetings

Recommendation:

The Committee is recommended to note the work programme for the remainder of 2022/23 and the updated action log.

FOR INFORMATION

1. Committee Work Programme

- 1.1 Members will be aware that the established meeting pattern is 4 quarterly meetings plus 1 extra to allow for training.
- 1.2 Appendix 1 shows the plans for the next two formal Committee meetings in March and June 2023 plus the Away-Day planned for February 2023.
- 1.3 This work programme is intended to inform the Committee of the key items that will be considered at those meetings. This programme will be subject to change as issues arise, and updates will be brought to every meeting.
- 1.4 The Committee agenda has been too full to allow for attendance by investment managers for the last two meetings, and officers are working on a plan with the Chairman and Vice Chairman to formalise the manager monitoring and oversight arrangements that are currently in place. This paper will be presented to the Committee at the March 2023 meeting. For this reason, the current work programme does not detail manager presentations plans at this stage.

2. Committee Action Log

- 2.1 Since the start of 2022 Officers have kept a log of actions arising from the Committee meetings. This log enables the team to ensure that everything

raised at meetings and actions arising from this are not missed and followed up in a timely fashion.

- 2.2 Appendix 2 contains the log of actions for the meetings in 2022/23 with note showing progress against these. It was thought it might be useful for the Committee to see this log, in addition to the formal minutes as a way of monitoring progress. The log will be updated after each meeting and run for each financial year, when it will reset, with any outstanding actions added to the start of the following year.

Nick Buckland, Head of Pensions and Treasury

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December 2022

Draft Committee workplan

	2 February 2023 Committee Away Day	29 March 2023	22 June 2023	Training TBC
Work programme update		Y	Y	
Fund policies review		Y	Y	
Update from the Pensions Board meeting		Y	Y	
Pension Fund Business plan and budget for 2023/24		Y	Y	
ACCESS update		Y	Y	
Employer and governance matters		Y	Y	
Pensions admin update		Y	Y	
Training update		Y	Y	
Fund Position Statement		Y	Y	
Risk register		Y	Y	
Manager presentation (a)		TBC	TBC	
Funding Strategy Statement		Y	-	
Investment Strategy incl rebalancing review		Y	Y	
Review of Investment Strategy (b)	Y	Y	Y	
Responsible Investment (c)	Y	Y	Y	

Notes

- (a) Investment manager oversight and attendance at Committee meetings to be reviewed, proposal being drafted for March 2023 meeting.
- (b) Investment Strategy will be presented to Committee for approval in March 2023, after work at the away day. Further work on Equity protection and implementation will take place at future meetings.
- (c) RI working group to meet monthly

Pension Fund Committee Action Log – 2022-23

Date of Meeting	Agenda Item	Action/Question	Outcome	Complete (Y/N)
03/02/2022	LAPFF Membership	Membership agreed	KPF joined LAPFF	Y
03/02/2022	RI Training	RI Working group has progressed workplan	RI integration and review of RI Policy considered in 2023	Ongoing
22/06/2022	Fund Employer and Governance matter	How does Kent compare to other Funds in Funding level and contribution rates?	2019 position shared as part of Valuation exercise. This will be updated when 2022 results are known	N
22/06/2022	6 - Pensions Administration	Pensions Administration Strategy - can one be put in place ASAP including penalties if employers do not provide information in a timely manner as agreed.	Administration Strategy agreed by Committee in September. Employers to be consulted ahead of implementation 1 April 2023.	Ongoing
22/06/2022	12 - Risk Register	Should we add in Geopolitical risk to the risk register	Has been added as part of investment risk in updated RR	Y
22/06/2022	15 - Investment Strategy	Should we limit our exposure to a single manager?	To be considered as part of Strategy review	N
28/09/2022	6 - Employer and Governance matters	Admission of Apleona UK and Cater Link agreed	Admission documents agreed.	Y
28/09/2022	6 - Employer and Governance matters	Concern re impact of inflation on pension payments. Potential for 10% increase from April 2023.	Cashflow regularly monitored. Revised cashflows considered in	N

			March 2023.	
28/09/2022	8 - Pensions Admin	Plans for review of workload of administration team ahead of significant workload.	Team has been reviewed, and recruitment plans commenced. Committee to be updated regularly.	Ongoing
28/09/2022	9 - Training update	National Knowledge Assessment launched	Response to be received from Hymans Robertson, training plan formulated for 2023	N
28/09/2022	11 - report from the Pension Board	Board to agree terms of conduct at next meeting	Board agreed updates at meeting in November	Y
28/09/2022	12 - ACCESS update	Kent reps to attend March 2023 ACCESS JC meeting	Reps agreed by Board at meeting in November	Y
28/09/2022	14 - Governance review update	Governance policy and compliance statement agreed	Updated document published on website	Y
28/09/2022	17 - Investment Strategy	Commitment of £20m to YFM and delegation to Corp FD to implement	Commitment progressed with YFM	Y
28/09/2022	17 - Investment Strategy	Delegation to Chair and Corp FD re appointment of investment consultant	Appointment of Mercer confirmed	Y
28/09/2022	18 - Actuarial valuation	Delegation to Chair and Corp FD – whole Fund results	Agreed at meeting 3 November	Y
28/09/2022	19 - RI update	Delegation to RI working group re submission to climate change risk consultation	Submission drafted and submitted 24 November	Y

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From:	Chairman Pension Fund Committee Corporate Director of Finance
To:	Pension Fund Committee – 8 December 2022
Subject:	Fund Business Plan – 2022/23 – 2024/25
Classification:	Unrestricted

Summary:

To provide an update on the Fund Business Plan for the next three years

Recommendation:

The Board is asked to note and comment upon the Business Plan for the Kent Pension Fund.

FOR INFORMATION

1. Introduction

- 1.1 This report provides a Business Plan for the Kent Pension Fund (KPF) for the remainder of 2022-23 and the following two financial years.
- 1.2 A copy of the Business Plan is at Appendix 1

2. Fund Business Plan

- 2.1 The Business Plan has been designed to include a number of key aspects in the management of the KPF. The Plan includes the following elements:
 - Background to the Fund
 - Vision and Long-term plan
 - Key aims and objectives
 - Business as Usual
 - Three Year plan
 - Delivering and monitoring the plan
- 2.2 The Business Plan has been developed for use as a tool for the Pension Board and Committee in managing and monitoring the key areas of work for the Fund, and the Fund's management team and staff to deliver the business-as-usual work as well as the new projects.
- 2.3 The Business Plan is the first in a new format and includes a broader vision and key aims and objectives for the Fund. Officers, the Board and the

Committee will develop this over time, with the intention of developing a “best-in-class” service to all of the Fund’s members and key stakeholders.

- 2.4 The Business Plan was agreed by the Pension Fund Committee on 28th September 2022, and the Board considered and supported the Plan at their meeting on 24th November 2022.

3. Updates

- 3.1 The plan has a number of Key tasks for the coming three years, with four of these due for completion in 2022/23. Progress on these four items is considered below:

- **Governance – Investment consultant procurement.**

Mercer have been appointed as Investment consultant to the KPF with effect from 1 December 2022. This item is now marked as complete.

- **Investment and Funding – Determine funding strategy with actuary and consult employers.**

As part of the work on the Actuarial Valuation, officers have been discussing Funding Strategy with Barnett Waddingham. This is considered in a paper elsewhere on today’s agenda. The Funding Strategy Statement will be finalised in the coming weeks and then consulted on with Employers, before being presented to the Committee for approval in March 2023. This item will then be complete

- **Administration – Develop and deliver and Administration Strategy.**

The draft Administration Strategy was agreed at the Committee meeting in September 2022, and the Pension Board at their meeting on 24 November 2022. The Strategy will be presented to Scheme Employers at the Annual Forum on 9 December which will launch the consultation. Once the consultation has concluded, the final version will be presented to the Committee for approval in March 2023. This item will then be complete.

- **Administration – Develop an Administering Authority Discretions Policy.**

Elsewhere on today’s agenda there is a draft discretions policy for the Committee’s approval. Subject to gaining approval, this item will be complete.

- **Administration – Triennial Actuarial Valuation**

The Fund’s Actuary, Barnett Waddingham have concluded the analysis of the Fund’s liabilities and assets and will present the results to the Committee elsewhere on today’s agenda. The Fund has started to issue individual employer reports, and the final valuation report and rates and adjustments certificate will be issued by the end of March 2023. This item will then be complete.

- 3.2 In addition to this, it is pleasing to report that the Fund has progressed a robust **Breach reporting policy**, which is listed as a task for completion in **2023/24**. The draft policy is elsewhere on today’s agenda for approval by the Committee. Subject to gaining approval, this item will be complete.

Nick Buckland
Head of Pensions and Treasury
Kent Pension Fund

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Kent County Council

**Administering Authority for
Kent Pension Fund**

Business plan 2022/23 TO 2024/25

December 2022

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Introduction

This is the business plan for the Kent Pension Fund, which is managed and administered by Kent County Council. The business plan details our priorities and areas of key focus in relation to the Kent Pension Fund for the remainder of 2022/23, 2023/24 and 2024/25. This business plan was agreed at the Kent Pension Fund Committee meeting on 28 September 2022. The business plan is formally reviewed and agreed every year, and this would normally take place ahead of the start of each financial year. However, throughout the year it is monitored, and the Pension Fund Committee may be asked to agree to changes to it.

The purpose of the business plan is to:

- explain the background to and objectives for the management of the Kent Pension Fund
- document the priorities and improvements to be implemented by the pension service during the next three years to help achieve those objectives
- enable progress and performance to be monitored in relation to those priorities
- provide all key stakeholders with a clear vision for the next three years.

In addition, this business plan includes a budget for expected payments to and from the Kent Pension Fund during 2022/23 including the resources required to manage the Fund.

If you require further information about anything in or related to this business plan, please contact:

Nick Buckland, Head of Pensions and Treasury, Kent County Council

E-mail – nick.buckland@kent.gov.uk

Telephone – 03000 413984

Background to the Kent Pension Fund

The Kent Pension Fund ("KPF") is a £7.6bn (as at 30 June 2022) Local Government Pension Fund which provides death and retirement benefits for local government employees (other than teachers, police, and firefighters) in Kent and employees of other qualifying bodies which provide similar services.

Total Fund membership is 149,112 with 52,829 active contributors from 304 contributing employers, 46,706 retired and survivor members, and 49,577 deferred and other members.

Governance and Management of the Fund

The key decision-making and management of the Fund has been delegated by Kent County Council ("the Council") to a formal Pension Fund Committee ("PFC").

A Local Pension Board is in place to assist in:

- securing compliance of Fund matters and
- ensuring the efficient and effective governance and administration of the Fund.

The Pension Fund Management Team

The Corporate Director of Finance has overall responsibility for the operation of the Fund, and delegates day-to-day responsibility to the Head of Pensions and Treasury supported by the Pension Fund and Treasury Investments Manager and the Pensions Administration Manager. There are two sections within the team:

- The Pensions Administration Section which is responsible for delivering the Fund's Administration and Communications Strategies. It is headed by the Pension Administration Manager.

The Pensions Finance Section is responsible for delivering the Fund's Investment and Funding Strategies, as well as accounting matters. It also has overall responsibility for ensuring all governance matters are delivered. The team also has responsibility for Treasury Management for the Fund, and Kent County Council. It is headed by the Pension Fund and Treasury Investments Manager.

More information about their day-to-day responsibilities is documented later in this Plan in the "Business as Usual".

Vision and Long-term Plan

The purpose of the KPF Business Plan is to set out the Fund's vision, goals, culture, improvement plan and actions for the current and future years, and a longer-term strategic direction.

The Fund undertook an independent review of its governance in previous 18 months, and a number of these proposed changes/improvements have already been implemented. In addition to this the Fund is looking forward to developing its service to provide an excellent service to all of its key stakeholders.

The Fund has developed this broader business plan to replace the existing plan which was agreed by the Pension Fund Committee in 2021.

The Fund's focus needs to be firmly set on achieving outcomes for our customers, i.e., the scheme employers and members. Everything that we do needs to keep this in mind, and decisions need to be made with an eye to the end goal of delivering an outstanding service, as set out in the Fund's vision:

Our Vision is to deliver an outstanding and “best in class” service to our members and employers.

Everyone's role in the team either directly contributes to the vision or creates the foundations and environment which make it possible. We will measure success against the vision by monitoring our progress against various service related KPIs, targets, and actions.

The Plan for the Fund is produced for review by the Local Pension Board and Committee in September 2022. This document will be reviewed regularly and revised annually. It is intended to develop this initial plan in February 2023 and expand on a number of the key areas of focus for the Fund. The Strategic vision and overall goals will also be developed over time and will be included in future versions of the document.

The key aims and objectives for the Fund are detailed below.

Key aims and objectives

The key actions and areas of focus in our business plan (as shown in the appendix) are grouped into the areas of **Governance, Funding and Investments** and **Administration** to align with the key aims and objectives of these strategies and policies. These aims and objectives are summarised below.

Governance

- Act in the best interests of the Fund's members and employers
- Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies, and strategies
- Ensure the Pension Fund is managed, and its services delivered, by people who have the appropriate knowledge and expertise
- Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based

Funding and Investments

- Achieve and maintain assets equal to 100% of liabilities, whilst remaining within reasonable risk parameters
- Determine employer contribution requirements, whilst recognising the constraints on affordability and strength of employer covenant, with the aim being to maintain as predictable an employer contribution requirement as possible
- Recognising the constraints on affordability for employers, aim for sufficient excess investment returns relative to the growth of liabilities
- Strike the appropriate balance between long-term consistent investment performance and the funding objectives
- Manage employers' liabilities effectively through the adoption of employer specific funding objectives
- Ensure net cash outgoings can be met as/when required
- Ensure that the future strategy, investment management actions, governance and reporting procedures take full account of longer-term risks and sustainability

- Promote acceptance of sustainability principles and work together with others to enhance the Fund's effectiveness in implementing these
- Work with colleagues in the ACCESS pool to develop opportunities so that it is the first choice for investing the Fund's assets subject to it being able to meet the requirements of the Fund's investment strategy and objectives (including environmental, social and governance requirements), within acceptable long-term costs to deliver the expected benefits and subject to ongoing confidence in the governance of the partnership.

Administration

- To pay the right benefits, to the right members, at the right time
- To collect income as necessary from external parties
- To develop a robust and effective Administration Strategy, and ensure that all those involved with delivering under the strategy feel supported to fulfil their roles and responsibilities
- To develop effective ways of measuring the performance of the pensions administration team and scheme employers in order to deliver the highest possible standard of service to scheme members
- To ensure appropriate, clear, and meaningful performance data is provided to the Local Pension Board and Pension Fund Committee to support them in their remit in scrutinising the management of the pension fund
- To build strong relationships with scheme employers and support them in fulfilling their statutory obligations under the LGPS
- To build strong relationships with other external parties that may be involved with or support the delivery of the LGPS to Kent Pension Fund members including but not limited to the Pension Fund Committee and Local Pension Board
- To ensure the Fund maintains the highest level of data integrity and that all data is handled with due consideration given to data processing legislation
- To communicate with and support scheme members so that they have easy access to their pension information and have a clear understanding of their pension in order for them to make informed decision
- To ensure that any breaches of Regulations/legislation are reported to the necessary parties in a timely manner
- To monitor all complaints, compliments and comments and use these as a learning tool to improve the service delivery

Business as usual

Later in this business plan we highlight our key priorities are for the next three years. This focusses on areas of change and project-like tasks which are in addition to our day to day “business as usual” duties.

Managing the Fund on a day-to-day basis involves a wide range of processes and procedures, some of which are outlined below and all of which have been designed around achieving our Fund’s objectives as outlined in our strategies and policies. The management of the Fund is significant, complex, and highly regulated. As such, these processes and procedures require expert knowledge and experience from both officers and external advisors in several diverse areas as illustrated below.

Governance

Theme	Sub-theme	Timetable	Action
Governance	Financial Control	Annual	Prepare annual accounts and annual report in compliance with CIPFA requirements
Governance	Financial Control	Annual	Preparing and monitoring the Pension Fund's budget and cashflow
Governance	Financial Control	Ongoing	Assist internal and external auditors in their role
Governance	Financial Control	Ongoing	Set agenda, reporting and presentation to PFC, PB and working groups
Governance	Financial Control	Ongoing	Support Chairman in role on the ACCESS Joint Committee
Governance	Financial Control	Ongoing	Participate in ACCESS officer groups (s151, OWG, various sub-groups)
Governance	Financial Control	Ongoing	Report on ACCESS progress on a quarterly basis to the PFC and LPB
Governance	Financial Control	Ongoing	Develop and maintain training plan for PFC and LPB
Governance	Operational Control	Ongoing	Establish, maintain, and test business continuity arrangements/plans
Governance	Operational Control	Ongoing	Implementing and monitoring the achievement of other governance areas such as training policy, conflict of interest policy, risk register, and compliance against The Pension Regulator’s Code of Practice
Governance	Compliance	Ongoing	Compliance with KCC policy and law re procurement, data protection and health and safety
Governance	Compliance	Ongoing	Reply to FOI requests
Governance	Compliance	Ongoing	Respond to consultations and regulatory developments

Governance	Compliance	Ongoing	Preparation of statutory and non-statutory returns
Governance	Procurement	TBA	Fund actuary procurement
Governance	Procurement	TBA	Custodian and record keeper procurement

Funding and Investment

Theme	Sub-theme	Timetable	Action
Funding	Valuation	2022/23	Assist Fund actuary with triennial valuation exercise and communicate results to employers
Funding	Valuation	2023/24	Submit data to the GAD for the s.13 review
Funding	Employer governance	Ongoing	Monitor employers' funding positions and covenants
Funding	Employer governance	Ongoing	Facilitating employer events (admissions, cessations etc.) effectively
Funding	Employer governance	Ongoing	Support the provision of IAS19/FRS102 reporting for employers via submission of data to the Fund actuary
Funding	AVCs	Ongoing	Review AVC provision on a regular basis
Investment	Asset pooling	Ongoing	Ongoing pooling of investment assets
Investment	Asset pooling	Ongoing	Support/Manage/Monitor/Contribute to ACCESS project
Investment	Strategy	2023/24	Review ISS
Investment	Monitoring	Ongoing	Review current asset allocation vs strategic asset allocation
Investment	Monitoring	Ongoing	Review performance and continuing suitability of equity protection programme
Investment	Monitoring	Ongoing	Quarterly monitoring of investment performance (AA and FMs)
Investment	Monitoring	Ongoing	Appoint/Monitor/Terminate fund managers including within a pooling environment
Investment	Monitoring	Ongoing	Ensure investment costs are fully disclosed in line with CTI
Investment	Responsible investment	Medium Term	Review membership of collaborative initiatives

Administration

Theme	Sub-theme	Timetable	Action
Administration	Governance	Ongoing	Review all Pension Fund policies
Administration	Governance	Ongoing	Ensure that all complaints are dealt with in a timely manner
Administration	Reporting	Ongoing	Produce quarterly administration performance reports for the Local Pension Board
Administration	Reporting	Ongoing	Monitor and report against the Administration Strategy
Administration	Communication	Ongoing	Review the content of the Pension Fund website to ensure it is compliant and fit for purpose
Administration	Communication	Ongoing	Produce newsletters for members and employers
Administration	Communication	Ongoing	Timely production of Benefit Statements for Active and Deferred members
Administration	Communication	Ongoing	Timely production of Pension Saving Statements for members who exceed the Annual Allowance
Administration	Communication	Ongoing	Communicate any scheme changes to Pension Fund Committee, Local Pension Board, members, and employers as appropriate
Administration	Communication	Ongoing	Deliver Employer Forum and receive feedback from employers

Three-year Business Plan

Key tasks for 2022/23 – 2024/25

The Fund has many ongoing pieces of work, and also some key tasks for the forthcoming years, the tables below are grouped into the areas of **Governance**, **Funding and Investments** and **Administration** to align with the key aims and objectives of these strategies and policies.

Governance

Action	2022/23	2023/24	2024/25
Implement recommendations of Barnett Waddingham governance review	X	X	
Implement recommendations of SAB Good Governance review (as necessary)		X	
Investment consultant procurement	X		
Develop TCFD reporting		X	
Assess TPR single code of practice	X	X	X
Develop and maintain cybersecurity policy and arrangements	X	X	X
Assess new LGPS pooling guidance (expected)		X	

Investment and Funding

Action	2022/23	2023/24	2024/25
Further develop approach to climate risks and opportunities		X	
Determine funding strategy with actuary for three years, consulting with employers	X		
Investment strategy review and implementation		X	X
Explore suitability of hedging other risks (including currency)		X	
Further develop responsible investment approach	X	X	X
Develop annual stewardship reporting		X	
Explore levelling up agenda		X	
Interim funding review			X

Administration

Action	2022/23	2023/24	2024/25
Complete Guaranteed Minimum Pension Reconciliation and Rectification project, taking guidance from Pension Fund Committee on any potential under and over payments of pension	X	X	X
Develop and deliver a Data Improvement Plan		X	
Plan for and deliver McCloud project	X	X	X
Plan for and deliver Pensions Dashboard project		X	X
Assess current resource levels and carry out appropriate capacity planning, including a review of team structure	X	X	
Clear backlog of individual cases in an efficient way	X	X	
Identify and implement any system enhancements in order to improve on efficiency and effectiveness of the service delivery	X	X	
Promote digital offering to members and employers including but not limited to Member Self Service and iConnect	X	X	X
Develop and deliver an Administration Strategy	X		
Manage the expiration of the current administration system contract	X	X	
Carry out the 2022 Triennial Valuation	X		
To deliver the day-to-day BAU including but not limited to new scheme joiners, transfers in/out, refunds, deferred benefits, retirement estimates, payment of retirement benefits, deaths, divorces, general correspondence	X	X	X
Compliance with future regulations/legislative changes, including appropriate communication, training and process notes for members and employers	X	X	X
Develop an Administering Authority Discretions Policy	X		
Develop a robust Breach Reporting Policy		X	
Develop and deliver Fund surveys to capture feedback from all stakeholders in order to inform the future improvement of the service		X	

Delivering the Business Plan

Monitoring and Reporting

In order to identify whether we are meeting our agreed business plan we will:

- continue to monitor progress of the key priorities and budgets on an ongoing basis within the Pension Fund Management Team
- provide updates on progress against these key priorities on a quarterly basis to the Pension Fund Committee, which will be shared with the Pension Board
- as part of these quarterly updates:
 - highlight any areas where we are exceeding or failing to achieve our targets and the reasons why, and identify any changes to the planned priorities as a result of this
 - highlight any significant additional spend or underspend in relation to the agreed budget as it becomes apparent

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To: Kent Pension Fund Committee – 8 December 2022

From: Chairman Pension Fund Committee
Corporate Director of Finance

Subject: Fund Employer and Governance Matters

Classification: Unrestricted

Summary:

This report provides information on Fund employers, Deep Beat Entertainment Ltd and admission matters.

Recommendations:

The Committee are asked to note the report and to resolve to agree:

- a) that a Deed of novation be entered into with Southern Housing, conditional on the receipt of any outstanding information and completion of due diligence by Invicta Law;
- b) to the admission to the Kent Pension Fund of Skanska Construction UK Ltd;
- c) that recommendations a) and b) be added to a Record of Decision at the end of today's meeting; and
- d) that once legal agreements have been prepared for matters a) to b) the Kent County Council seal can be affixed to the legal documents.
- e) The Committee is advised that the Record of Decision for recommendations a) to b) is to be completed at the end of today's meeting to facilitate completion on the desired dates.

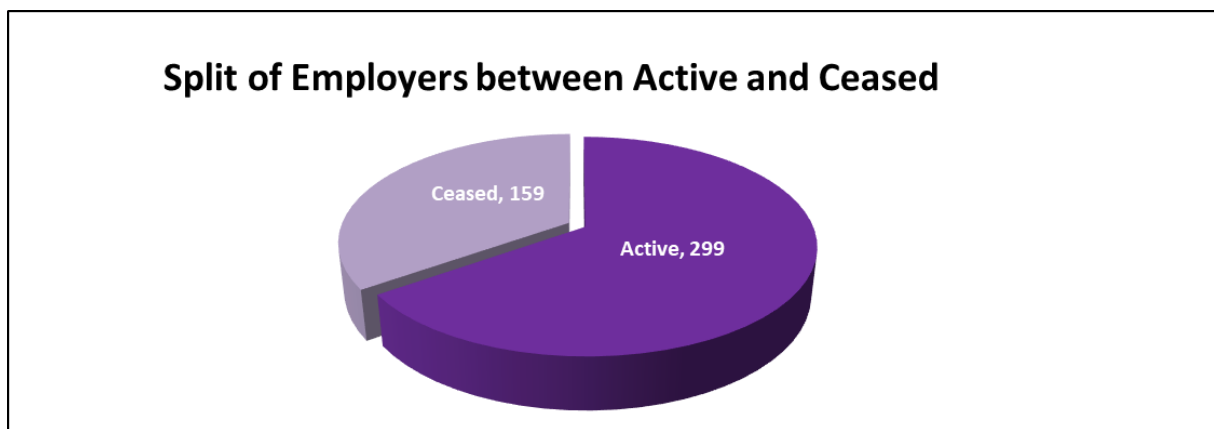
FOR DECISION

1. Introduction

- 1.1. This report provides information on Fund employers, Deep Beat Entertainment Ltd and admission matters.

2. Employers Update

- 2.1. This report sets out information on employer related matters for the 6 months ended 30 September 2022.
- 2.2. There were 458 employers in the Kent Pension Fund on 30 September 2022. During the 3 months, 4 new employers joined, and 5 Academies merged into multi academy trusts.
- 2.3. The ceased employers include both those employers that have ceased to have active members but for whom the termination process is incomplete, and those that no longer have active contributing members in the LGPS and for whom the Fund has an existing or future liability to pay any pensions.



- 2.4. The following table lists employers who joined the Fund as well as those who ceased to have active members in the Fund during the 6 months to 30 September 2022.

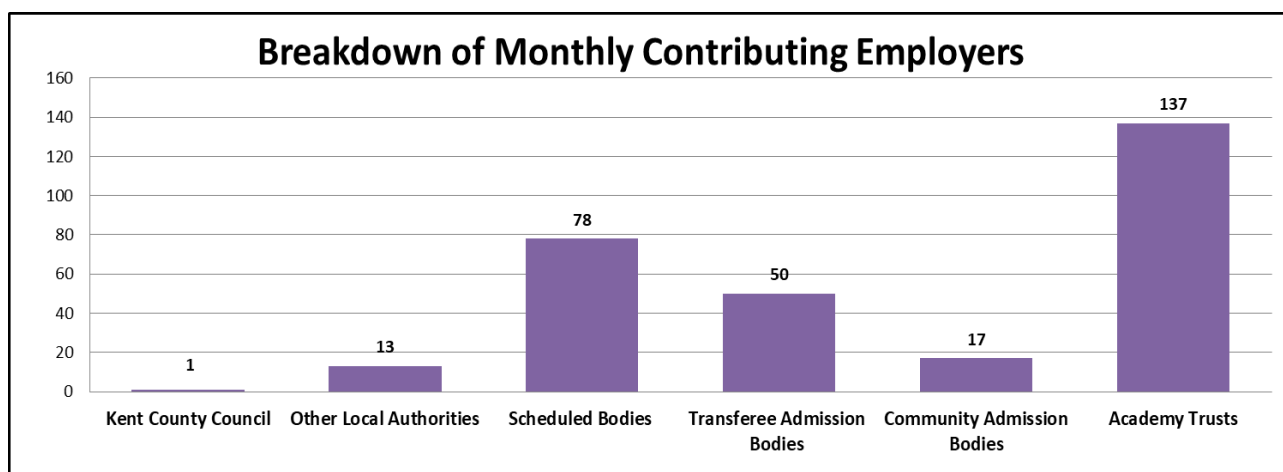
New Employers	Effective Date	New Notification
Admission Bodies		
Independent Catering Management Ltd (re Robert Napier Fort Pitt Thomas Aveling Academies)	1 August 2020 (backdated admission)	
Seeclear Facilities UK Ltd	1 September 2020 (backdated admission)	
Pabulum Limited - Tenterden Schools Trust	1 December 2020 (backdated admission)	X
Town and County Cleaners Ltd (re The Stour Academy Trust)	1 August 2021 (backdated admission)	
Scheduled Bodies		
Leybourne Parish Council	1 September 2021 (backdated resolution)	
Academy Trusts		
Hornchurch Academy Trust	1 July 2022	X
Bourne Alliance Trust	1 September 2022	X
Character Education Trust	1 September 2022	X

Ceased	Effective Date	New Notification
Admission Bodies		
Olive Dining Ltd	31 October 2020 (backdated admission)	
Capita Managed IT Solutions Ltd (St Georges School)	31 March 2022	
Orbit Housing Association Ltd	30 June 2022	
Nourish Contract Catering Limited (re Stour)	31 July 2022	X
Scheduled Bodies		
Higham Parish Council	5 October 2021	

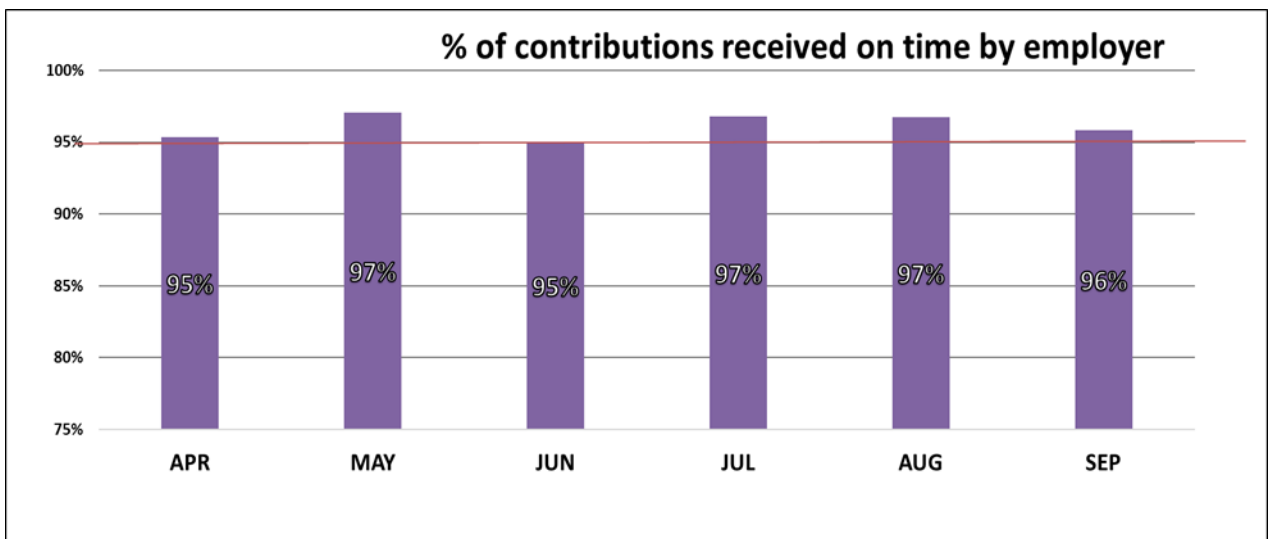
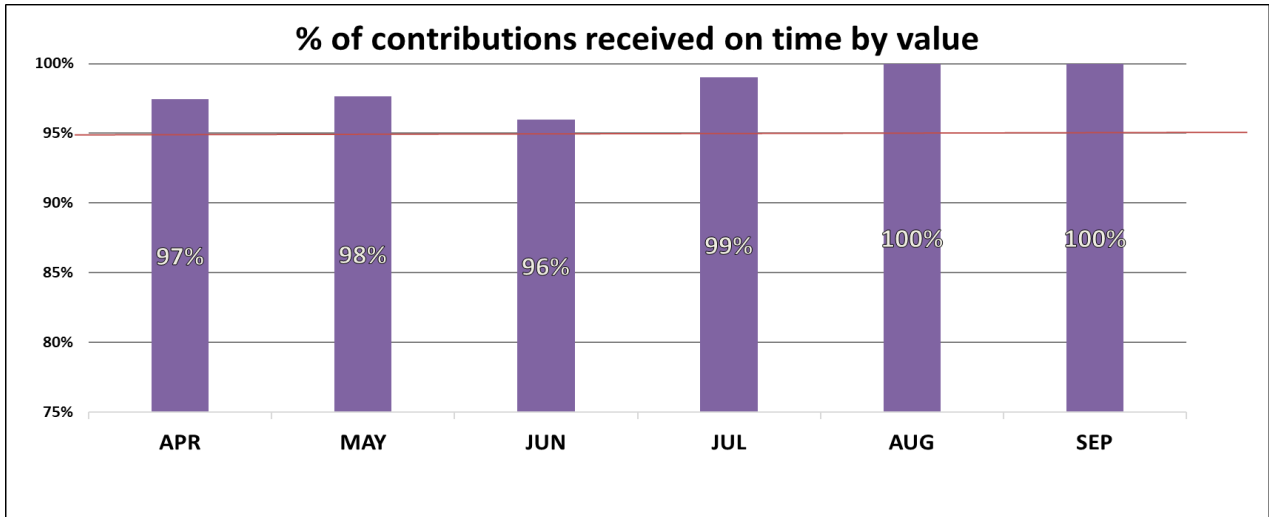
- 2.5. In the 6 months to 30 September 2022 the Fund received £141.9m from employers in respect of their monthly contributions (employer and employee) as follows:

	Received Early	Cash on 19th	Received Late	Total
	£	£	£	£
April	14,004,162	9,506,182	611,160	24,121,504
May	13,993,237	9,213,109	553,545	23,759,891
June	14,127,647	9,108,759	973,870	24,210,276
July	13,893,535	9,661,203	200,076	23,754,814
August	21,594,033	1,868,263	50,122	23,512,418
September	13,797,417	8,615,670	87,925	22,501,012
Total	91,410,031	47,973,186	2,476,698	141,859,915

2.6. The following table shows employers from whom the Fund receives monthly contributions by Employer Group.



2.7. The Key Performance Indicator (KPI) of 95% for % of contributions and employers was met every month April to September 2022.



3. Deep Beat Entertainment Ltd (re Strood Sports Centre and Medway Park Regional Centre)

- 3.1. Deep Beat Entertainment Ltd is an admission body who joined the Fund on 14 January 2019 re Strood Sports Centre and on 1 February 2019 re Medway Park Regional Centre, following a transfer of 6 employees from Medway Council who is scheme employer party to both admission agreements.
- 3.2. Deep Beat Entertainment Ltd operated coffee and snack bar facilities which were affected by COVID as both leisure centres were shut for many months. Deep Beat Entertainment Ltd has repeatedly failed to provide sufficient member information and some employee and employer contributions remain outstanding.
- 3.3. The Fund reported this matter to the Pensions Regulator on 10 March 2020 and highlighted the issue to Medway Council. Despite extensive attempts by officers, the outstanding issues remained unresolved, and this matter was reported again to tPR on 19 April 2021.

- 3.4. Both commercial contracts ended on 18 May 2021, although some of the employees left Deep Beat Entertainment Ltd prior to this date. Although the commercial contract has ended, a cessation cannot be progressed until the Fund has received all of the outstanding data referenced in paragraph 3.3. above.
- 3.5. Deep Beat Entertainment Ltd appointed a solicitor to act on their behalf and direct contact with the employer has now been re-established so training can be given, and all queries completed. Officers view this as a positive development and are focused on completing the cessation. Once all issues are resolved cessations reports will be commissioned from Barnett Waddingham and a further update will be given to the Committee and Board.

4. **Admission Matters**

5. **Optivo**

- 5.1. Swale Housing Association Ltd joined the Fund on 15 November 1990 as a community admission body following a transfer of staff from Swale Borough Council, although Swale Borough Council were not scheme employer party to the admission agreement nor is there a Bond, as the LGPS regulations at the time did not require either.
- 5.2. Swale Housing Association Ltd closed their admission agreement on 4 December 1998 so no more staff can join, although existing active LGPS members could continue.
- 5.3. Swale Housing Association Ltd amalgamated with Amicus Horizon Group Ltd and others on 12 October 2009 to form a combined entity called Amicus Horizon Ltd.
- 5.4. Amicus Horizon Ltd entered into an admission agreement on 6 April 2010 in place of the admission agreement with Swale Housing Association Ltd.
- 5.5. Amicus Horizon Ltd amalgamated with Viridian Housing on 22 May 2017 to form Optivo who entered into a Deed of Modification on 5 June 2017 to take over the admission agreement with Amicus Horizon Ltd.
- 5.6. On or around 16 December 2022 it is understood Optivo will merge with Southern Housing Group Ltd to form a new entity, Southern Housing, who will take over the admission agreement from Optivo.
- 5.7. All the rights and responsibilities under the admission agreement with Optivo will pass to Southern Housing and it is proposed the Fund enters into a Deed of novation to give effect to the change once any outstanding information is received from Optivo and diligence by Invicta Law completed.
- 5.8. There is no impact on the company's active, deferred, pensioner and survivor pensioner members whose benefits are set out in the LGPS regulations.

6. Skanska Construction UK Ltd

- 6.1. Skanska Construction UK Ltd (Skanska) is an admission body who joined the Fund on 1 November 2014 concerning a transfer of staff from KCC relating to a facilities management contract.
- 6.2. Skanska's commercial contract ended on 31 October 2022 and a cessation report will be commissioned from Barnett Waddingham.
- 6.3. KCC awarded a new 10-year facilities management contract to Skanska from 1 November 2022 and so this is a second-generation transfer.
- 6.4. Skanska has applied retrospectively for admission to the Kent Pension Fund to ensure the continuity of pension arrangements for staff.
- 6.5. The admission application has been made under Schedule 2 Part 3 1(d) (i) of the LGPS Regulations 2013, as amended, and under this regulation the admitted body is required to provide some form of security.
- 6.6. The completed questionnaire and supporting documents provided by Skanska have been examined by officers to ensure compliance with the LGPS Regulations, and Invicta Law has given a favourable opinion.
- 6.7. The Fund actuary will assess the employer contribution rate and the required Bond.

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December 2022

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From:	Chairman Pension Fund Committee Corporate Director of Finance
To:	Pension Fund Committee – 8 December 2022
Subject:	Pensions Administration
Classification:	Unrestricted

Summary:

This report brings members up to date with a range of issues concerning the administration of the Kent Local Government Pension Scheme (LGPS) for the period 1 August to 31 October 2022.

Recommendations:

The Committee is recommended to note the report.

REPORT SUMMARY

1. Performance Update
2. Staffing
3. Projects
4. Administration Strategy

For Information**1. Performance**

- 1.1 Standards of service levels against some priority cases continues to be high: Death Notifications – 97%, Balance of Death Payments/Recovery of Death Overpayments – 92%, Provision of Retirement Estimates – 92%, Pension Sharing on Divorce – 100%.
- 1.2 The team continue to be impacted by the additional work created at year end from employers submitting late notifications of new joiners and scheme leavers. This has resulted in the number of outstanding cases at the end of the period being higher than at the start.
- 1.3 However, a change to the way in which work is allocated is allowing for the focus of resource on backlog areas which we hope will become evident in future reporting.
- 1.4 Although some lower priority areas continued to struggle to meet minimum targets, the average service level against all targets was 84%.

1.5 The team are continuing to work through the backlog of unclaimed Death Grants which is impacting the service level attainment for these cases. With Payment of Retirement and Survivor Benefits, although not all cases are completed within target, the team always strive to ensure new pensions are set up for the next available payroll run.

2. Staffing

2.1 Recruitment to four Pension Administrator vacancies has been successful and the team are pleased with the standard of candidates that have been successful. The new recruits will join the team on 9 January 2023.

2.2 Phase 1 of the additional recruitment previously discussed with Committee has started in earnest. This includes a Business Support Officer, Team Manager and Pensions Assistants on the Communications & Support Team, a Senior Pensions Programme Manager, a Technical Consultant and two Training Officers. The Committee will be updated at the next meeting of progress, which should be more or less complete by then.

3 Projects

3.1 **Administration System Contract** – A proposal has now been received from the current system provider. The Fund is now taking procurement and legal advice to ensure that we have a practical and pragmatic solution in place well ahead of May 2023 when the current contract expires.

3.2 **Guaranteed Minimum Pension (GMP) Rectification** – The Fund is seeking support for the GMP rectification project, and the tender was recently issued. It is anticipated that evaluation of any submissions will take place on 9 December with Intention to Award letters issued 9 January 2023. The contract will be awarded 23 January with the service due to commence on 1 February.

3.3 **Printing Solution** – Costs have been agreed and a proposal approved by IT colleagues to implement the new printing solution with an external mailing house. We now await the implementation of a print driver to the network so the new service can commence.

3.4 **Telephony Solution** – In evaluating the best solution for the telephony system, a number of quick wins have been identified (and some implemented) which will significantly improve the service which is currently offered to customers calling the team. This should see a reduction in the number of e-mails received as customers have enquiries dealt with more efficiently. There remains a longer-term ambition to develop the offering more, but the team will assess the solutions currently being implemented before reaching any definitive conclusions.

- 3.5 **Annual Allowance** – All Pension Saving Statements were dispatched by the statutory deadline of 6 October 2022. This year saw a 65% increase in the number of statements issued, however the team still delivered all in the same timeframe, which is very pleasing.
- 3.6 **Pensions Dashboard** – Following its earlier consultations, the Department for Work and Pensions has now laid before Parliament its regulations for pensions dashboards. As well as setting out the details of how dashboards will operate and the obligations on schemes, the regulations confirm the staging deadlines where all Public Service Pension Schemes will be required to connect to the initial dashboard by 30 September 2024.

4 Administration Strategy

- 4.1 At the previous Committee meeting, the draft Administration Strategy was presented and agreed as a basis for consultation with Scheme Employers. As a reminder, the document has been created to bring together the employer and pensions team performance expectations in one document.
- 4.2 The document will be presented to employers at the Annual Employer Forum being held on 9 December at Ashford International Hotel. Following this there will be a period of formal consultation with all scheme employers.
- 4.3 After the consultation, the Strategy will be brought back to the Committee for ratification at the next meeting in March 2023. Subject to agreement in March, it is anticipated that the strategy will be implemented from 1 April 2023.
- 4.4 This will also allow the team a period of time to consider and plan how the strategy will be managed and reported on.

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September 2022

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From: Chairman Pension Fund Committee
Corporate Director of Finance

To: Pension Fund Committee – 8 December 2022

Subject: ACCESS update

Classification: Unrestricted

Summary:

This update provides a summary of the activities of the ACCESS pool

Recommendation:

The Pension Fund Committee is recommended to note this report

FOR INFORMATION

1. Introduction

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

2. Joint Committee

2.1 The Joint Committee (JC) has not met since the last update. As previously reported the meeting scheduled for 12 September was cancelled due to the death of HM Queen Elizabeth II and postponed until 12 October. The October meeting was subsequently cancelled due to concerns over reaching a quorum and an informal briefing session was held instead. Copies of the agenda and unrestricted papers for the cancelled October meeting are available here: [Agenda for ACCESS Joint Committee on Thursday, 6th October, 2022, 11.00 am \(kent.gov.uk\)](#)

2.2 The next meeting of the JC takes place on 5 December. Copies of the original agenda and unrestricted papers for the upcoming meeting are available here: [Agenda for ACCESS Joint Committee on Monday, 5th December, 2022, 11.00 am \(kent.gov.uk\)](#).

2.3 At the December meeting the JC will consider an update on the Business Plan and Budget for 2022/23 alongside the risk register. Restricted items cover topics including business-as-usual evaluation, a presentation from the pool operator (Link), non-listed (alternative) asset classes, commissioning a third-party governance review, procurement items surrounding communications and responsible investment, sub-fund implementation, and contract and supplier relationship management.

3. Recent Activity

- 3.1 As at 30 September 2022 the Kent Fund had invested in 5 sub-funds in the ACCESS authorised contractual scheme (ACS) operated by Link Financial Solutions, with a combined value of £3.06bn (or 40% of the overall Fund).
- 3.2 Since the last report to the Committee the Officer Working Group (OWG) as well as other working groups with Kent being represented on each group, have continued to meet on a periodic basis. Progress continues to be made on the set up of new sub-funds as well as on the establishment of suitable platforms for pooling non listed assets. Non-investment procurement activity is underway surrounding communications, an independent third-party review, and preparation for that of the pool operator.

4. Local Pension Board observation of Joint Committee meetings

- 4.1 Following the JC's decision on 7 March 2022 to invite two observers from each Local Pension Board to attend JC meetings on an observer basis, it has now been confirmed that two members from the Kent Pension Board will be able to observe the JC meeting on 6 March 2023.
- 4.2 At their meeting on 24 November 2022, the Kent Pension Board agreed that Cllr Rob Thomas and Joe Parsons would attend the March JC meeting as observers.

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November 2022

From:	Chairman Pension Fund Committee Corporate Director of Finance
To:	Pension Fund Committee – 8 December 2022
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 of 30 September 2022

FOR INFORMATION

1. Introduction

- 1.1 This report provides an update on the Fund's asset allocation and performance.
- 1.2 A copy of the Fund Position Statement is at Appendix 1

2. Fund value and asset allocation

- 2.1 As of 30 September 2022, the Fund's value was £7.64bn, an increase of £68m over the quarter.
- 2.2 All asset classes remain within their target allocation ranges and therefore no rebalancing is required.

3. Investment performance quarter to 30 September 2022

- 3.1 As central banks continued to raise interest rates and tighten monetary policy to fight rising inflation, the fear of recession put pressure on all asset classes and increased volatility. Towards the end of the quarter, news of significant changes to the UK's fiscal plans in Chancellor Kwarteng's mini-budget caused volatility to increase further, with sterling depreciating and gilt yields rising sharply. Certain, mainly corporate, pension schemes operating Liability Driven Investment (LDI) programmes, began to liquidate their gilt holdings to meet collateral calls which exacerbated the sell-off in gilts. The Bank of England needed to intervene to prevent a feedback loop from becoming embedded, and ultimately managed to stabilise gilt prices.
- 3.2 Whilst local currency returns in most asset classes were negative, for UK investors, the fall in the GBP against the USD partially – and in some cases

entirely - offset some of these negative returns. Whereas the MSCI All Companies World Index (ACWI) index returned -6.8% in USD, its returns were +1.5% when translated into GBP. UK equities saw a fall of -3.9%. The prominence of energy and financials stocks as well as global nature of revenue of multinationals in the UK index cushioned the fall in the UK index.

- 3.3 Rising interest rates also had a negative impact on property which recorded a return of -4.1% for the quarter.
- 3.4 Among the Fund's liquid asset class mandates (UK equity, global equity, fixed income and absolute return), most appointed managers (with the exception of Baillie Gifford and Ruffer) underperformed their benchmarks over the quarter. However, the Fund continued to benefit from the equity protection programme in place against its global equities' exposure, which added £137m to the Fund. As a result, the overall Fund generated a small positive return of 0.85% over the quarter, which compares favourably to the benchmark (-0.52%).
- 3.5 Among the illiquid asset classes, private equity and Infrastructure returns continued to be strong due to the lagged timing of valuations. However, the impact of the economic slowdown is expected to flow through eventually to be reflected in coming quarters.
- 3.6 Rising interest rates and the slowing down of the economy also had a negative impact on UK property, with the benchmark IPD UK Property Fund Index recording a -4.1% return for the quarter. The Pension Fund's investments performed relatively well against the index: DTZ, Fidelity and Aegon (Kames) each outperformed the index (albeit still returning negatively) whilst the M&G UK Residential Fund gained 1.7%.

4. Longer term performance

- 4.1 For the year ended September 2022, the Fund achieved a return of -2.60% against a benchmark return of 0.95%, an underperformance of 3.55%. The Fund is heavily weighted towards equities and bonds, both of which came under pressure in the 12 months as central banks raised interest rates to combat inflation aggravated by continued pandemic supply chain disruption as well as geopolitical events, most notably the Ukraine conflict.
- 4.2 The Fund's equity and fixed income managers have had mixed performance against their individual benchmarks over the period. The largest negative contribution came from growth manager Baillie Gifford, who returned -36.6% over the 12 months to 30 September. Conversely, the M&G Global Dividend Fund and the Schroders Global Active Value Fund added value over the year, a period in which cyclical/value strategies have benefitted from the emergence from pandemic induced lockdowns. Property assets have also recorded strong growth recovering from post covid lockdown.
- 4.3 The Fund operates a diversified asset allocation, across a range of asset classes and styles, together with an equity protection programme, in order to manage risk and meet its investment objectives.
- 4.4 Over three years, the Fund has outperformed with a return of 5.90% per annum compared to the benchmark return of 4.75% p.a.

5. Outlook

- 5.1 The investment outlook remains challenging. Although there has been a significant repricing of financial assets during the year to date, a slowing global economy will limit corporate earnings growth, and further rises in interest rates to battle inflation will continue to weigh on returns. The Fund aims to limit volatility by diversifying sources of return within the portfolio. The Fund will be reviewing its investment strategy over the winter to take advantage of the revised valuation results.

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December 2022

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FUND POSITION STATEMENT

Summary of Fund Asset Allocation and Performance

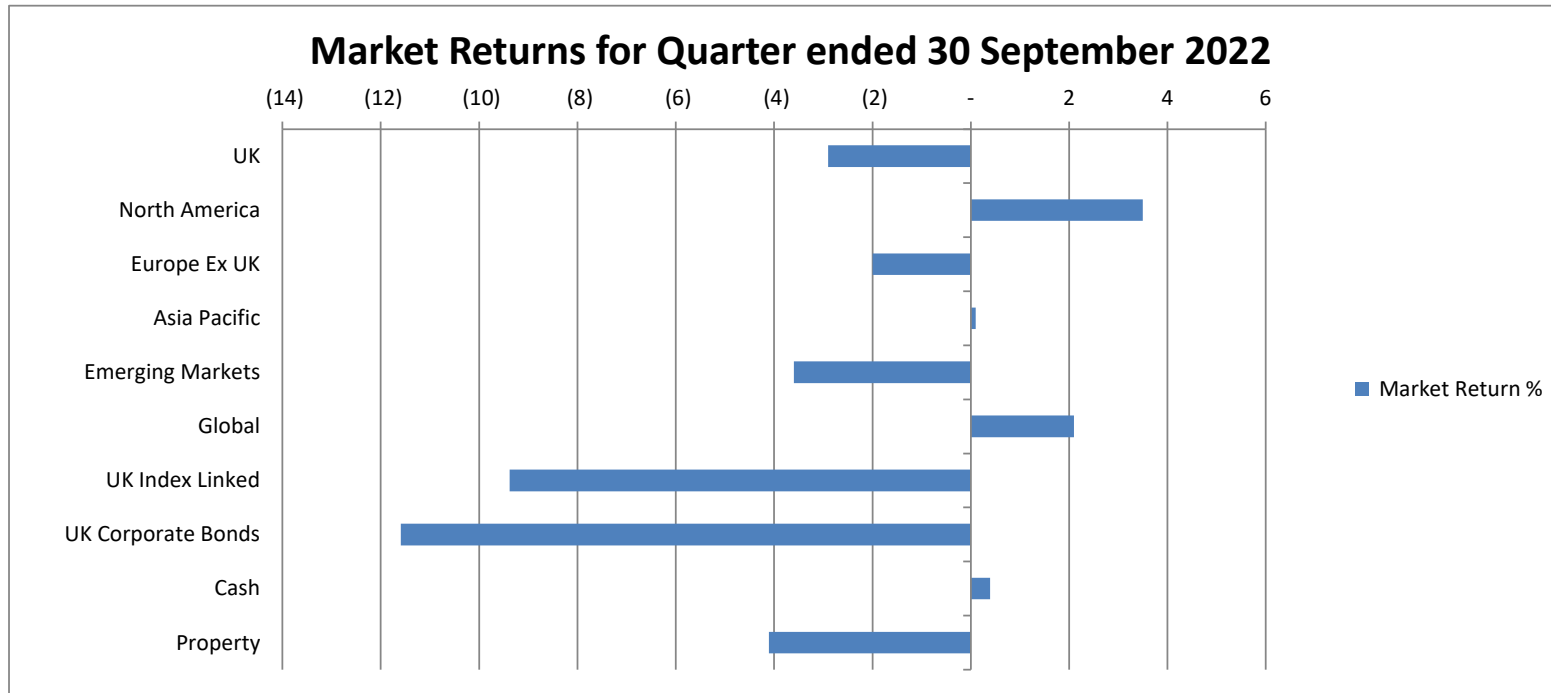
Pension Fund Committee

By: Chairman Pension Fund Committee
Corporate Director of Finance

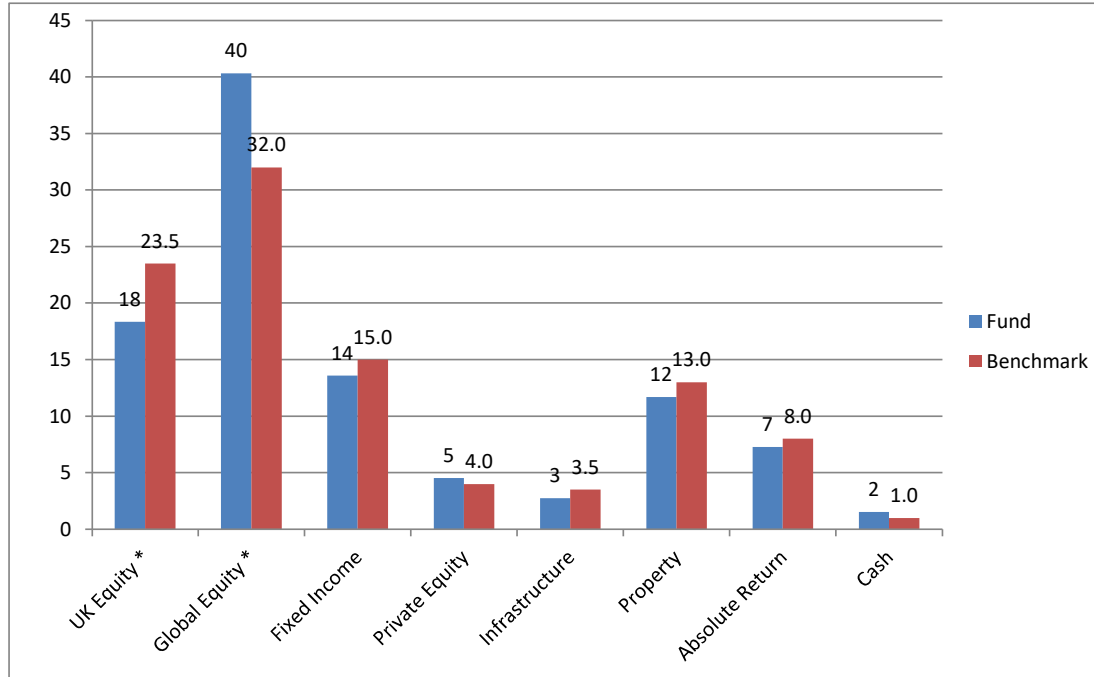


Kent Pension Fund
Q2 2022-23
Katherine Gray- Principal Accountant

Market Returns for Quarter ended 30 September 2022



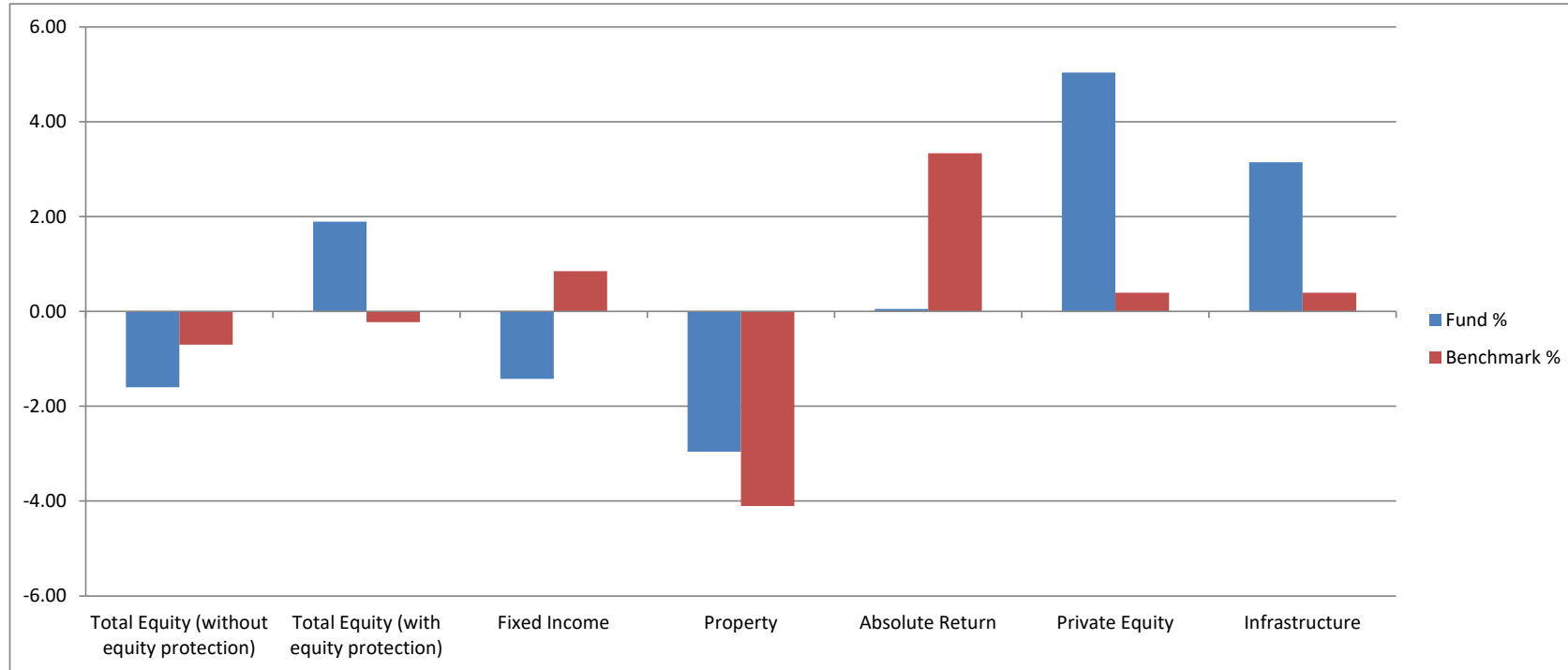
Fund Asset Allocation vs Benchmark as at 30 September 2022



Asset Class	Fund		Benchmark	Over / (under) weight
	£m	%	%	%
UK Equity *	1,402	18.3	23.5	-5.2
Global Equity *	3,082	40.3	32	8.3
Fixed Income	1,037	13.6	15	-1.4
Private Equity	346	4.5	4	0.5
Infrastructure	209	2.7	3.5	-0.8
Property	893	11.7	13	-1.3
Absolute Return	557	7.3	8	-0.7
Cash	117	1.5	1	0.5
Total	7,643	100	100	

* Synthetic equity exposure with Insight is included in UK and Global Equities

Fund Asset Class Performance for Quarter ending 30 September 2022



Asset Class	Fund %	Benchmark %	Outperformance %
Total Equity (without equity protection)	-1.60	-0.70	-0.90
Total Equity (with equity protection)	1.89	-0.23	2.12
Fixed Income	-1.43	0.85	-2.27
Property	-2.96	-4.10	1.14
Absolute Return	0.05	3.33	-3.28
Private Equity	5.03	0.39	4.64
Infrastructure	3.15	0.39	2.75

Market Value Summary by Fund Manager as at 30 September 2022

Fund Manager	Asset Class	Market Value as at 30 June 2022 (£m)	Market Value as at 30 September 2022 (£m)	Change in Market Value (£m)	% of Total Fund 30 September 2022
Insight	Equity Protection Program	1,057	1,194	137	15.6%
Schroders - LF ACCESS UK Equity Fund	UK Equity	1,095	1,042	-53	13.6%
Baillie Gifford - LF ACCESS Global Equity Core Fund	Global Equity	951	971	20	12.7%
DTZ	Direct Property	590	566	-24	7.4%
M&G - LF ACCESS Global Dividend Fund	Global Equity	489	475	-15	6.2%
Schroders GAV - LF ACCESS Global Active Value Fund	Global Equity	385	383	-2	5.0%
Pyrford	Absolute Return	373	365	-8	4.8%
Goldman Sachs	Fixed Interest	375	362	-13	4.7%
Sarasin	Global Equity	349	347	-2	4.5%
Harbourvest	Private Equity	262	282	20	3.7%
Schroders	Fixed Interest	238	237	0	3.1%
M&G Alpha Opportunities	Fixed Interest	230	231	1	3.0%
CQS	Fixed Interest	219	216	-3	2.8%
Partners	Infrastructure	192	209	17	2.7%
Ruffer - LF ACCESS Absolute Return Fund	Absolute Return	183	192	9	2.5%
Fidelity	Pooled Property	174	168	-5	2.2%
M&G Residential Property	Pooled Property	69	70	1	0.9%
Impax Environmental Markets	Global Equity	68	68	0	0.9%
YFM	Private Equity	57	64	6	0.8%
DTZ Pooled Funds	Pooled Property	52	48	-4	0.6%
Aegon (Kames)	Pooled Property	42	40	-3	0.5%
Woodford	UK Equity	7	5	-2	0.1%
Internally managed cash	Cash	117	107	-10	1.4%
Total Kent Fund		7,575	7,643	68	100.0%

Total investments in ACCESS pooled funds

3,103

3,062

Percentage of the total Fund

41%

40%

Performance Returns as at 30 September 2022

	Quarter		1 Year		3 Year (p.a.)	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
Total Fund *	0.85	-0.52	-2.60	0.95	5.90	4.76
UK Equity						
Schroders - LF ACCESS UK Equity Fund	-4.87	-3.86	-4.64	-2.54	1.17	0.43
Woodford	-26.73	-3.45	-35.84	-4.00	-31.89	0.80
Global Equity						
Baillie Gifford - LF ACCESS Global Equity Core Fund	2.13	-0.36	-36.60	-7.30	4.35	4.49
Sarasin	-0.51	1.37	-8.46	-4.17	7.06	7.22
Schroders - LF ACCESS Global Active Value Fund	-0.60	1.37	1.87	-4.17	7.48	7.22
Impax	0.18	1.37	-14.33	-4.17	9.47	7.22
M&G - LF ACCESS Global Dividend Fund	-2.98	1.37	-1.19	-4.17	8.31	7.22
Fixed Interest						
Goldman Sachs	-3.50	0.86	-14.42	3.50	-3.28	3.50
Schroders Fixed Interest	-0.20	0.20	-6.04	0.49	-1.58	0.46
CQS	-1.28	1.18	-10.18	4.49	--	--
M&G Alpha Opportunities	0.55	1.18	-4.16	4.49	--	--
Property						
DTZ	-3.60	-4.10	11.42	13.05	8.57	7.76
Fidelity	-3.10	-4.10	12.69	13.05	8.37	7.76
Aegon (Kames)	-0.39	-4.10	14.66	13.05	5.05	7.76
M&G Property	1.74	-4.10	6.55	13.05	2.57	7.76
Private Equity						
Harbourvest	4.14	0.39	32.97	0.69	30.95	0.28
YFM	9.13	0.39	26.25	0.69	25.66	0.28
Infrastructure						
Partners	3.15	0.39	12.17	0.69	-0.51	0.28
Absolute Return						
Pyrford	-2.22	3.33	-0.13	17.69	1.84	11.14
Ruffer - LF ACCESS Absolute Return Fund	4.69	3.33	5.36	17.69	9.80	11.14

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

Fund Manager Benchmarks and Performance Targets

Asset Class / Manager	Performance Benchmark	Performance Target
UK Equities:		
Schroders - LF ACCESS UK Equity Fund	Customised	+1.5% pa over rolling 3 years
Woodford	FTSE All Share	Unconstrained
Global Equities:		
Baillie Gifford - LF ACCESS Global Equity Core Fund	Customised	+1.5% pa over rolling 3 years
Sarasin	MSCI AC World Index NDR	+2.5% over rolling 3 - 5 years
M&G - LF ACCESS Global Dividend Fund	MSCI AC World Index GDR	+3% pa
Schroders - LF ACCESS Global Active Value Fund	MSCI AC World Index NDR	+3% - 4% pa over rolling 3 years
Impax	MSCI AC World Index NDR	+2% pa over rolling 3 years
Fixed Income:		
Schroders Fixed Interest	ICE BofA Sterling 3 month Gov Bill Index	+4% pa over a full market cycle
Goldman Sachs	+3.5% Absolute	+6% Absolute
CQS	ICE BofA Sterling 3 month Gov Bill Index + 4%	
M&G Alpha Opportunities	ICE BofA Sterling 3 month Gov Bill Index + 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	SONIA	
Private Equity – HarbourVest	SONIA	
Infrastructure – Partners Group	SONIA	
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	SONIA	

From: Chairman – Pension Fund Committee
Corporate Director of Finance

To: Pension Fund Committee – 8 December 2022

Subject: Governance review - update

Classification: Unrestricted

Summary:

To report to the Committee on the progress made with the implementation of the recommendations arising from the Barnett Waddingham review. This report also advises the Committee of progress made on the drafting of Fund policies in line with LGPS regulations and TPR code of practice.

Recommendation:

The Committee is recommended to note the report and to resolve to approve the Fund policies:

- (a) A Fund Conflicts of Interest Policy
- (b) A policy for reporting breaches of the law
- (c) An administering authority discretions policy
- (d) An abatements policy

FOR DECISION**Introduction**

1. As previously agreed, the Committee will be updated at each meeting on the progress made on the implementation of the Barnett Waddingham recommendations.

Progress to date

2. Of the 139 recommendations made by Barnett Waddingham 127 have been implemented or in are in progress per the following table.

Recommendation	Number	Completed	o/s	comments
Review of the representation on the Superannuation Fund Committee & engagement with the employer & Scheme membership	16	16	0	
Review of the Committee's annual work programme & the structure of its meetings	7	7	0	
Review of the Committee's terms of reference	7	7	0	
Review of the Fund's key decision-making process to ensure appropriate governance arrangements apply to these processes	13	13	0	
Review of the Pension Board's role, membership, responsibilities and duties, & its relationship with the Superannuation Fund Committee, & make recommendations to ensure its effectiveness & compliance with LGPS regulations & the Pension Regulator's Code of Practice	48	46	2	Final review pending publication of the TPR single code
Audit of the Fund's Governance Compliance statement & review of compliance with statutory guidance & good practice	17	15	2	Final review pending publication of finalised Good Governance project recommendations
Review of the Fund's approach to risk management & mitigation of risks including the maintenance of the Fund's risk register	18	14	4	Risk policy outstanding, final review pending publication of finalised Good Governance project recommendations
Review & update of the Fund's training policy taking account of the requirement for committee & board members as well as for the s151 officer & other officers to have appropriate levels of knowledge & understanding. Preparation of a training plan	13	9	4	Training plan to be prepared based on the results of the 2022 National Knowledge assessment Survey
Total	139	127	12	

3. The outstanding items should be completed when the delayed Good Governance review report is published and new regulations come into force in 2023, and the Pension Regulator's single Code of Practice is published next year.
4. The Fund is recommended to commission a follow up review considering the regulations and code requirements in 2023.

Follow up to the 2019 Internal Audit review

5. The Committee are reminded that the Barnett Waddingham reviews of the financial support for the Fund and the Governance of the Fund were commissioned in response to the report of the Internal Audit review of Pension Fund Governance and Lessons Learnt issued in December 2019.
6. Audit's 16 recommendations have been completed as a result of the completion of the work on the reviews, and the proposed changes included in the Fund's business as usual procedures.

Fund policies

7. The status of the Fund's policies is as per the following table.

Policy	Last reviewed by the Committee	Next update and review due	Responsibility
Funding Strategy Statement	September 2022	March 2023 as part of the 2022 actuarial valuation exercise	Nick Buckland
Investment Strategy Statement	September 2022	March 2023 after review of Investment Strategy	Nick Buckland
Governance policy and compliance statement	September 2022	September 2023	James Graham
Responsible Investment policy	September 2022	March 2023	James Graham
Communications policy	March 2018	Tbc	Clare Chambers
Administration Strategy	n/a	New strategy, March 2023	Clare Chambers
Fund Conflicts of Interests Policy	n/a	New policy, December 2022	Nick Buckland
Breaches of the Law policy	n/a	New policy, December 2022	Nick Buckland
Discretions policy	n/a	New policy, December 2022	Clare Chambers
Abatements policy	December 2007	Updated November 2022, December 2022	Clare Chambers
Training Strategy	March 2022	March 2024	James Graham
Data Quality policy	n/a	New policy, tbc	Clare Chambers
Escalations policy	n/a	New policy, tbc	Clare Chambers
Privacy Notice	n/a	New policy, tbc	Clare Chambers

8. The Pension Board reviewed and endorsed these policies at their meeting on 24 November

9. The Committee is recommended to approve the following policies at appendices a - d.

10. Fund conflicts of interest policy (appendix a)

10.1 The Conflicts of Interest policy is a guide for Pension Fund Committee members and officers to ensure they do not act improperly or create a perception that they may have acted improperly. It is an aid to good governance, encouraging transparency and minimising the risk of any matter prejudicing decision making or management of the Fund otherwise.

10.2 Barnett Waddingham have confirmed that this policy is compliant with the recommendations of the Scheme Advisory Board Good Governance Review published in draft in February 2021.

10.3 Members and officers are now required to take the following action as set out on page 10 of the policy:

- (i) Once the Committee has agreed the policy all Members and officers are required to complete a declaration of interest and this information will be recorded in the register of conflicts of interest.
- (ii) All new Members on appointment will be required to complete a declaration.
- (iii) At the commencement of all meetings of the Committee and of any working groups the Chair will ask all those present to declare any interests.
- (iv) Individuals should also advise the Head of Pensions and Treasury and the Chair of the meeting if they consider they have a potential conflict of interest relating to an item of business at a meeting prior to that meeting.

11. A policy for reporting breaches of the law (appendix b)

11.1 The document sets out the Kent Pension Fund's policy and procedures for identifying, monitoring and where necessary reporting breaches as required in the Pensions Act 2004 and detailed in the Pensions Regulator's code of Practice no 14 - Governance and administration of public service pension schemes (the Code). Barnett Waddingham have confirmed that the Kent Fund's policy is compliant with the Code.

11.2 All members of the Committee and Board as well as officers, advisors and employers are responsible for reporting breaches and the Head of Pensions and Treasury has responsibility for the implementation, review and monitoring of the Fund's procedures including reporting breaches to the Pensions Regulator.

12. An administering authority discretions policy (appendix c)

12.1 The discretions policy has been drafted in accordance with the Local Government Pension Scheme Regulations (LGPS) 2013 (as amended), and related legislation which addresses, among other matters, the resolution of disputes, admission agreements, payments relating to the death of a member and transfer of benefits.

13. **An abatements policy** (appendix d)

13.1 The abatements policy sets out the Kent Pension Fund policy as agreed in 2008 that if a member has a pension with us, the pension will not be subject to reduction or suspension should they start a new period of employment with an LGPS eligible employer.

14. **Administration Strategy**

14.1 The strategy outlines the policies and performance standards to be achieved by the Fund and its stakeholders to enable the provision of a cost-effective and high-quality administration service.

14.2 At its meeting in September the Committee was provided with a copy of the first draft of the Administration Strategy. Officers have since updated this and the intention is to consult with Fund employers on the strategy following the employer forum on 9 December and then to seek the Committee's approval for the strategy taking account of the employers' feedback at their meeting in March 2023.

Training Update

15. Since the last meeting Hymns Robertson have completed the National Knowledge Assessment Survey with the closing date being 18 November and it is pleasing to report that 74% of members of the Committee and Board submitted responses. We expect to receive the Hymans report within 2-3 weeks of the assessment closing and will circulate it to members. The recommendations for further training will form the basis for the Fund's training plan for the next year or so.

Membership of the Committee and Board

16. At their meeting in September the Committee was advised that we were recruiting scheme members to the Committee and Board. Advertisements inviting scheme members to apply to fill the vacancies on the Committee and Board were published in the Open-lines newsletter to pensioners, in the employers' newsletter and on the KCC staff intranet site.

17. Applications were received from 3 pensioner members and 1 active member for the Committee positions and interviews held with the applicants to confirm their suitability for the member representative role. 1 pensioner member and 1 active

member were appointed, and they have been invited to attend the Committee meeting on 8 December.

18. Applications were received from 2 pensioner members and 1 active member for the positions on the Board. Following interviews all 3 were appointed to the Board, and 1 pensioner member and 1 active member were invited to join the Board meeting on 24 November. The other pensioner member will join the Board in January 2023.
19. The non-local authority representative vacancy on the Committee will be advertised to employers including at the Employer forum on 9 December and Unison is progressing the nomination of their representative. In addition, the Kent Leaders have been asked to nominate a successor to Councillor Paul Clokie who recently left the Committee. It is hoped the replacement will be in place before the March meeting.

Kent Pension Fund compliance with the Pensions Regulator's (TPR's) code of practice and Scheme Advisory Board Good Governance recommendations

20. When Barnett Waddingham published their report in October 2021 it was anticipated that a final version of the TPR single code of practice published in draft in March 2021, would shortly be published, and the good governance recommendations published in February 2021 would also be finalised in early 2022.
21. It is now anticipated that the TPR single code will be published in 2023.
22. It is also understood that DLUHC ministers have given their approval to take the recommendations of the Scheme Advisory Board Good Governance Project forward though they are expected to be the subject of further consultation in 2023 making April 2023 the most likely date for any changes to come into force. One draft recommendation relating to fiduciary duties of the Committee has been withdrawn and an additional proposal made for LGPS funds to produce a workforce plan.
23. The Fund has been assessed as mostly compliant with the draft single code of practice and an action plan has been prepared to address the remaining issues which will be followed up by the Head of Treasury and Pensions. This will be updated on publication of the single code.
24. The recommendations of the Barnett Waddingham reviews of the Pension Fund governance and KCC finance support for the Fund were aligned with those of the Good Governance project and the Kent Fund as intended is now mostly compliant with the project's draft recommendations. An action plan has been prepared for follow up by the Head of Pensions and Treasury. This will be updated when the regulations come into force in 2023

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December 2022

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Kent Pension Fund

Conflicts of Interest Policy

December 2022

DRAFT

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Introduction

In the LGPS environment there is the potential for conflicts of interest to arise. This simply reflects the fact that many of those managing or advising LGPS funds will have a variety of other roles and responsibilities - for example as a member of the scheme, as an elected member of an employer participating in the LGPS or as an adviser to more than one LGPS administering authority. Further, any of those persons may have an individual personal, business, or other interest which might conflict, or be perceived to conflict, with their role of managing or advising LGPS funds.

It is generally accepted that LGPS administering authorities have both fiduciary and public law duties to act in the best interest of both the scheme beneficiaries and participating employers. This, however, does not preclude those involved in the management of the fund from having other roles or responsibilities which may result in an actual or potential conflict of interest. Accordingly, it is good practice to document within a policy, such as this, how any such conflicts or potential conflicts are to be managed.

This is the Conflicts of Interest Policy of Kent County Council as the Administering Authority responsible for the management and administration of the Local Government Pension Scheme including the maintenance of the Kent Pension Fund.

The Policy details how actual and potential conflicts of interest are identified and managed by those involved in the management and governance of the Kent Pension Fund ("the Fund") whether directly or in an advisory capacity and seeks to ensure consistency with the Council's policies and codes.

This Conflicts of Interest Policy is established to guide the Pension Fund Committee members and officers. It aims to ensure that those individuals do not act improperly or create a perception that they may have acted improperly. It is an aid to good governance, encouraging transparency and minimising the risk of any matter prejudicing decision making or management of the Fund otherwise.

The policy also identifies areas of potential conflict that are specific to the Local Government Pension Scheme (LGPS) that would be dealt with in the same manner as conflicts of interest under the Members' codes of conduct and Officers' codes of conduct.

The policy does not apply to the Kent Pension Board whose members are required to abide by the Board's code of conduct and conflict of interest policy.

Aims and Objectives

In relation to the governance of the Fund, the Administering Authority's objectives are to:

- Provide a high-quality service whilst maintaining value for money
- ensure compliance with the LGPS regulations, other relevant legislation, and the Pension Regulator's Codes of Practice
- ensure the Fund is managed, and its services delivered by people who have the appropriate knowledge and expertise
- evolve and look for new opportunities, ensuring efficiency at all times
- act with integrity and be accountable to our stakeholders
- understand and monitor risk and compliance
- continually measure and monitor success against our objectives
- ensure the confidentiality, integrity and accessibility of the Fund's data, systems and services is protected and preserved

The identification and management of potential and actual conflicts of interest is integral to the Council achieving its governance objectives as the administering authority of the Fund.

To whom this Policy Applies

This Policy applies to all members of the Pension Fund Committee, including scheme member and employer representatives, whether voting members or not. It applies to all officers in the Council's Pensions and Treasury Management Team and to the Corporate Director of Finance (Section 151 Officer). The Head of Pensions and Treasury will monitor potential conflicts for officers involved in the daily management of the Fund and highlight this Policy to them as they consider appropriate.

This Policy and the issue of conflicts of interest in general must be considered in light of each individual's role, whether this is a management, advisory or assisting role and including responsibilities representing the Fund on other committees, groups and bodies.

The Policy also applies to all advisers and suppliers to the Fund. In this Policy, reference to advisers includes all advisers, suppliers and other parties providing advice and services to the Administering Authority in relation to pension fund matters. This includes but is not limited to actuaries, investment consultants, independent advisers, benefits consultants, third party administrators, fund managers, lawyers, custodians and AVC providers. Where an advisory appointment is with a firm rather than an individual, reference to "advisers" is to the lead adviser(s) responsible for the delivery of advice and services to the Council rather than the firm as a whole.

In accepting any role covered by this Policy, all individuals to which this Policy applies agree that they must:

- acknowledge any potential conflict of interest they may have

- be open with the Council and any other body on which they represent the Council, on any actual or potential conflicts of interest they may have
- adopt practical solutions to managing those conflicts, and
- plan ahead and agree with the Council how they will manage any conflicts of interest which arise in future.

The procedures outlined later in this Policy provide a framework for each individual to meet these requirements.

Legislative and related context

The overriding requirements in relation to the management of potential or actual conflicts of interest for those involved in LGPS funds are contained in various elements of legislation and guidance.

The Public Service Pensions Act 2013 section 5, the Local Government Pension Scheme Regulations 2013 regulations 108 and 109 and the Pensions Act 2004 sections 90A and 13

This legislation sets out the requirements of members of the Local Pension Board and these are covered in the Kent Pension Board terms of reference at <https://www.kentpensionfund.co.uk/local-government/about-us/management-of-the-fund/pension-board>

CIPFA Investment Pooling Governance Principles for LGPS Administering Authorities Guidance

The CIPFA governance principles guidance states "the establishment of investment pooling arrangements creates a range of additional roles that committee members, representatives, officers and advisors might have." It includes some examples of how conflicts of interest could arise in these new roles. It highlights the need for administering authorities to:

- update their conflicts policies to have regard to asset pooling;
- remind all those involved with the management of the fund of the policy requirements and the potential for conflicts to arise in respect of asset pooling responsibilities; and
- ensure declarations are updated appropriately.

This Conflicts of Interest Policy has been updated to take account of the possibility of conflicts arising in relation to asset pooling in accordance with the CIPFA governance principles guidance.

Localism Act 2011

All members and co-opted members of the Pension Fund Committee are required by the Localism Act 2011 to register and declare 'disclosable pecuniary interests' and

abide by the Council's Code of Conduct for Members as set out in the Council's constitution. That Code contains provisions relating to Code Interests and Disclosable Pecuniary Interests, their disclosure, and limitations on members' participation where they have any such interest.

The Seven Principles of Standards in Public Life

Sometimes known as the 'Nolan Principles,' the seven principles of public life apply to anyone who holds public office. This includes people who are elected or appointed to public office, nationally and locally, and all people appointed to work in:

- the civil service
- local government
- the police
- the courts and probation services
- non-departmental public bodies
- health, education, social and care services

The principles also apply to all those in other sectors that deliver public services. Many of the principles are integral to the successful implementation of this Policy.

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

Advisers' Professional Standards

Many advisers will be required to meet professional standards relating to the management of conflicts of interest, for example, the Fund Actuary will be bound by the requirements of the Institute and Faculty of Actuaries. Any protocol or other document entered into between an adviser and the Council in relation to conflicts of interest, whether as a requirement of a professional body or otherwise, should be read in conjunction with this Policy.

Other Administering Authority Requirements

Local Pension Board Members

Pension Board Members are required under the Pension Board Terms of Reference to adopt a policy for identifying and managing potential conflicts of interest. The Kent Local Pension Board has adopted the policy as set out at appendix 1 to the Board's terms of reference at [Kent Pension Board](#) and agreed to abide by it.

Members of the Board will provide any information to Kent County Council as the Scheme Manager as they reasonably require from time to time to ensure that members do not have a conflict of interest.

Officers

In addition to the requirements of this Policy, officers of the Council are required to adhere to the Council's Code of Officers Conduct at section 23 of the [Council's Constitution](#) which includes requirements in relation to the disclosure and management of all potential conflicts of interests that may impact on their work or that of the Council.

Advisers

The Administering Authority appoints its own advisers. There may be circumstances where these advisers are asked to give advice to scheme employers, or even to scheme members or member representatives such as the Trades Unions, in relation to pension matters. Similarly, an adviser may also be appointed to another administering authority which is involved in a transaction involving the Kent Pension Fund and on which advice is required or to a supplier or organisation providing services to the Kent Pension Fund. An adviser can only continue to advise the Administering Authority and another party where there is no conflict of interest in doing so.

An adviser appointed to advise the Pension Fund Committee, Local Pension Board or Fund officers can be the same person, as long as there is no conflict of interest between the multiple responsibilities.

Conduct at Meetings

There may be circumstances where a representative of employers or members wishes to provide a specific point of view on behalf of an employer (or group of employers) or member (or group of members). The Administering Authority requires that any individual wishing to speak or advocate on behalf of a specific person or organisation or to represent the views of a group of such persons must state this clearly at the meeting, and that this will be recorded in the minutes.

What is a Conflict or Potential Conflict of interest and how will they be managed?

Identifying conflicts of or potential conflicts of interest

The Public Service Pensions Act 2013 defines a conflict of interest as a financial or other interest which is likely to prejudice a person's exercise of functions.

Therefore, a conflict of interest may arise when an individual:

- has a responsibility or duty in relation to the management of, or provision of advice to, the LGPS fund administered by Kent County Council
- at the same time, they:
 - o have a separate personal interest (financial or otherwise), or
 - o have another responsibility in relation to that matter, or
 - o have an interest due to a family member or close colleague having a specific responsibility or interest in a matter which gives rise to a possible conflict with their first responsibility.

As Administering Authority, Kent County Council, will:

- encourage a culture of openness and transparency
- encourage individuals to be vigilant, have a clear understanding of their role and the circumstances in which they may have a conflict of interest, and of how potential conflicts should be managed
- evaluate the nature of any dual interests or responsibilities that are highlighted and assess the impact on pension fund operations and good governance were an actual conflict of interest to materialise.

Areas of potential conflict that are specific to the LGPS

Some of the key areas of potential conflict relate to KCC's responsibility for managing the Kent Pension Fund and the dual roles held by Kent County Council as administering authority and employer in the Fund:

- Any commercial relationships between KCC and other employers in the fund/or other parties which may impact decisions made in the best interests of the fund. These may include shared service arrangements which impact the fund operations directly but will also include outsourcing relationship and companies related to or wholly owned by the Council, which do not relate to pension fund operations
- Contribution setting for KCC and other employers
- Cross charging for services or shared resourcing between KCC and the Fund and ensuring the service quality is appropriate for the Fund
- Dual role of the administering authority as an owner and client of the ACCESS pool
- Investment decisions directly related to companies, development, infrastructure or other projects within the Council's area
- How the Kent Pension Fund appropriately responds to Council decisions or policies on global issues such as climate change

- Any other roles within the Council being carried out by committee members or officers which may result in a conflict either in the time available to dedicate to the fund or in decision making or oversight. For example, some roles on other finance committees, audit or health committees or cabinet should be disclosed.

Other examples of potential conflicts including relating to these dual roles are included at appendix 1.

Further details of how potential conflicts of interest should be identified and managed are set out in table 1 below.

Monitoring and recording potential conflicts of interest

All declarations should be collated and recorded on the Fund's Register of Conflicts of Interests (see Appendix 2 for details on the format of the register).

In order for the Administering Authority to fulfil its obligations to manage and monitor potential conflicts of interests the Pension Fund Committee must include an item on conflicts of interest at each meeting.

The Fund's Register of conflicts of interest may be viewed by any interested party at any point in time. It will be made available on request by the Head of Pensions. In order to identify whether the objectives of this Policy are being met, the Administering Authority will review the Register of conflicts of interest on an annual basis and consider whether there have been any potential or actual conflicts of interest that were not declared at the earliest opportunity.

Further details are set out in table 1 below.

Managing and mitigating potential conflicts of interest

It is inevitable that conflicts of interest will arise, and it is important to recognise that there are various ways that conflict can be managed depending on the individual circumstances. These include:

- the individual concerned abstaining from discussion, decision-making or providing advice relating to the relevant issue
- the individual being excluded from the meeting(s) and any related correspondence or material in connection with the relevant issue (for example, a report for a Pension Fund Committee meeting), or

- a working group or sub-committee being established, excluding the individual concerned, to consider the matter outside of the formal meeting (where the terms of reference permit this to happen).

Provided that the Administering Authority, (having taken any professional advice deemed to be required) is satisfied that the method of management is satisfactory, Kent County Council shall endeavour to avoid the need to advise an individual to resign due to a conflict of interest or to request the appointing body to reconsider their appointment to the Committee.

Table 1 – What is required?

What is required?	How this will be done
<p><i>Step 1 - Initial identification of interests which do or could give rise to a conflict</i></p>	<p>On appointment to their role or on the commencement of this Policy if later, all individuals will be provided with a copy of this Policy and be required to complete a Declaration of Interest the same or similar to that included in Appendix 3.</p> <p>The information contained in these declarations will be collated into the Pension Fund Register of conflicts of interest in a format the same or similar to that included in Appendix 2.</p> <p>At the commencement of any Pension Fund Committee or other formal meeting where pension fund matters are to be discussed, the Chair will ask all those present who are covered by this Policy to declare any interests.</p>
<p><i>Step 2 - Management of potential or actual conflicts of interest</i></p>	<p>Where an actual conflict of interest on an agenda item is identified, an individual will be expected to exclude themselves from participating in the discussion and from voting on the relevant matter.</p> <p>Where a potential conflict of interest on an agenda item is Identified prior to the meeting the individual will be expected to advise the Chair and Head of Pensions and Treasury who will consult with the Monitoring Officer (or their representative) regarding the individual's participation in the relevant discussion and vote based on all the available information.</p>
<p><i>Step 3 - Monitoring conflicts</i></p>	<p>All interests declared in meetings of the Committee and any other formal Pension Fund meetings will be recorded in the minutes of the meeting and noted in the Fund's Register of conflicts of interest.</p> <p>Any potential or actual conflicts of interest identified outside of a meeting and the action taken will also be recorded on</p>

	<p>the Fund's Register of conflicts of interest.</p> <p>The Register will be kept under review by the Head of Pensions and Treasury and the Monitoring Officer (or their representative). Annually all relevant individuals will be required to confirm in writing to the Head of Pensions and Treasury that the information held in respect to them is correct.</p> <p>The Fund's Register of Conflicts of Interest may be viewed by any interested party at any point in time. It will be made available to view by the Head of Pensions and Treasury Fund on request.</p>
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Minor Gifts and Hospitality

For the purposes of this Policy, gifts such as t-shirts, pens, trade show bags and other promotional items (subject to a notional maximum value of £25 per item) obtained at events such as conferences, training events, seminars, and trade shows, which are offered equally to all members of the public attending the event do not need to be declared. Kent County Council Officers are also required to comply with the Council's applicable Declaration of Interests, Gifts and Hospitality policy. Members and Co-Opted Members of the authority are also required to comply with the Kent Code of member Conduct rules on gifts and hospitality.

Operational procedures for advisers

The contract between the adviser or supplier and the Administering Authority will specify how conflicts of interest are managed. This will include all of the advisers and suppliers to the Kent Pension Fund being expected to have their own policies on how conflicts of interest will be managed in their relationships with their clients, and these should have been shared with, Kent County Council.

All advisers must:

- be provided with a copy of this Policy on appointment and whenever it is updated,
- adhere to the principles of this Policy,
- provide, on request, information to the Head of Pensions and Treasury in relation to how they will manage and monitor actual or potential conflicts of interest relating to the provision of advice or services to the Council
- notify the Head of Pensions and Treasury immediately should a potential or actual conflict of interest arise, and
- highlight at all meetings should a potential or actual conflict of interest arise, preferably at the start of the meeting.

All potential or actual conflicts notified by advisers will be recorded in the Fund's Register of conflicts of interest.

Responsibility

The Council as the Administering Authority for the Kent Pension Fund must be satisfied that conflicts of interest are appropriately managed. For this purpose, the Head of Pensions and Treasury is the designated individual for ensuring the procedure outlined above is carried out.

However, it is the responsibility of each individual covered by this Policy to identify any potential instances where their personal, financial, business or other interests might come into conflict with their pension fund duties, to declare and register interests and seek advice and to withdraw from meetings if they are not complying.

Key Risks

The key risks to the delivery of this Policy are outlined below. All of these could result in an actual conflict of interest arising and not being properly managed. The Head of Pensions and Treasury will monitor these and other key risks and consider how to respond to them.

- Insufficient training or poor understanding in relation to individuals' roles on pension fund matters,
- Insufficient training or failure to communicate the requirements of this Policy,
- Failure by an individual to follow the requirements of this Policy,
- Absence of the individual nominated to manage the operational aspects of this Policy and no one deputising, or failure of that individual to carry out the operational aspects in accordance with this Policy, and
- Failure by the Chair to take appropriate action when a conflict is highlighted at a meeting

Costs

All costs related to the operation and implementation of this Policy will be met directly by Kent Pension Fund. However, no payments will be made to any individuals in relation to any time spent or expenses incurred in the disclosure or management of any potential or actual conflicts of interest under this Policy.

Approval, Review and Consultation

This Conflicts of Interest Policy was approved on *8 December 2022* by the Kent Pension Fund Committee. It will be formally reviewed and updated by the Committee at least every three years or sooner if the conflict management arrangements or

other matters included within it merit reconsideration, including if there are any changes to the LGPS or other relevant Regulations or Guidance which need to be taken into account.

Further Information

If you require further information about anything in or related to this Conflicts of Interest Policy, please contact:

Nick Buckland

Head of Pensions and Treasury, Kent County Council

E-mail – nick.buckland@kent.gov.uk

Telephone – 03000 418934

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Appendix 1 - Examples of Potential Conflicts of Interest

The examples provided are for illustrative purposes only and are not designed to be an exhaustive list.

a) An elected member on the Pension Fund Committee may be required to provide views on a funding strategy which could result in an increase in employer contributions payable by the employer he or she represents.

b) A member of the Pension Fund Committee is a board member of an Investment Manager that the Committee is considering appointing.

c) An officer of the Fund or member of the Pension Fund Committee is on an ACCESS group and a matter is being considered that would benefit their originating Council or Pension Fund to a greater degree than other participating Councils or Funds.

d) An officer of the Fund or member of the Pension Fund Committee accepts a dinner invitation from a Fund Manager who has submitted a bid as part of a tender process or might be in the process of preparing a bid for an open tender process.

e) The senior pension fund officer appointed to consider internal disputes is asked to review a case relating to a close friend or relative.

f) The senior pension fund officer is asked to provide technical advice to a scheme employer about an outsourcing contract. This includes questions about the impact on that employer and their employer requirements relating to the outsourcing contract. That senior pension fund officer is also (or will be) involved in similar matters from a Pension Fund perspective relating to that outsourcing.

g) An administrator in the Fund receives a case to calculate a benefit which relates to a family member, close friend, or colleague.

h) A Fund adviser is party to the development of a strategy which could result in additional work for their firm, for example, providing delegated or fiduciary management of Fund investments, providing assistance with monitoring the covenant of employers or where they are also advisers to the ACCESS Pool.

Appendix 2 – Kent Pension Fund – Register of Potential and Actual Conflicts of Interest

All reported conflicts of interest will be recorded in the minutes, and we will maintain and review a register of conflicts annually.

Date identified	Name of Person	Role of Person	Details of Conflict	Actual or potential conflict	How notified (1)	Action (2)	Follow up required	Date resolved

(1) e.g. verbal declaration at meeting, written conflicts declaration, etc

(2) e.g. withdrawing from a decision-making process, left meeting

Appendix 3 – Declaration of Interests relating to the management of the Kent Pension Fund as administered by Kent County Council

I, _____(insert full name), am:

- an officer involved in the management of
- a Pension Fund Committee Member

of the Kent Pension Fund and I set out below under the appropriate headings my interests, which I am required to declare under the Kent Pension Fund Conflicts of Interest Policy. I have put 'none' where I have no such interests under any heading.

Responsibilities or other interests that could result in a conflict of interest

(please list and continue overleaf if necessary):

A) relating to me
B) Relating to family members or associated persons

Undertaking:

I declare that I understand my responsibilities under the Kent Pension Fund Conflicts of Interest Policy. I undertake to notify the Head of Pensions and Treasury of any changes in the information set out above.

Signed: _____ Date: _____

Name: (CAPITAL LETTERS): _____

Kent Pension Fund

Policy for Recording and Reporting Breaches of the Law

December 2022

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Policy for Reporting Breaches of the Law

Background and Introduction

Kent County Council acting as an administering authority of the Local Government Pensions Scheme (referred to from this point forward as the Kent Pension Fund or KPF) seeks to conduct its affairs in a responsible manner, to ensure that all its activities are open and effectively managed, and that KPF's integrity and principles of public interest disclosure are sustained.

This document sets out KPF's policy and procedures for identifying, monitoring and where necessary reporting breaches of the law as required in the Pensions Act 2004 (the Act) and detailed in The Pensions Regulator's (TPR) Code of Practice no 14 - Governance and administration of public service pension schemes (the Code).

Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and making investment or investment-related decisions.

The procedure set out in this Policy has been developed to:

- assist those individuals who have a legal responsibility to report certain breaches of the law to the TPR in determining whether a breach they have identified should be reported.
- assist KPF in ensuring it is aware of all breaches of the law in relation to the KPF and that these are appropriately recorded and then dealt with.

The Pensions Regulator's proposed single code of practice

The Pensions Regulator is due to publish a single code of practice replacing the 15 existing codes of practice including code of practice 14, in either late 2022 or early 2023. This policy reflects the requirements of [The Pensions Regulator's new code of practice](#). References to the code will be updated once the final version of the new code is published.

Requirements and to whom this Policy applies

The following have responsibility for reporting breaches (known as "**reporters**"):

- all members of the Pension Fund Committee and the Local Pension Board
- all officers involved in the management or administration of the scheme including officers in the Kent County Council Pension Fund and Treasury Team, the Head of Pensions and Treasury, the General Counsel, and the Corporate Director of Finance (Section 151 Officer).
- professional advisers including investment advisers, auditors, actuaries, legal advisers, fund custodians, fund managers and administration software

providers in relation to the reporting of legal breaches relating to the administration of the Pension Fund.

- all participating employers in the scheme.
- any other person otherwise involved in advising the managers of the scheme.

Reporters are required to report breaches of the law to TPR where there is reasonable cause to believe that:

- (a) a legal duty which is relevant to the administration of the scheme has not been or is not being complied with; and
- (b) the failure to comply is likely to be of material significance to TPR.

The Head of Pensions and Treasury has responsibility for the implementation, review, and monitoring of these procedures, and can seek such advice as they consider necessary including from the Council's legal team or external advisors.

However, under this Policy, the **reporter** would be expected to report the matter to the Head of Pensions and Treasury for their assistance in the first instance, provided that requesting this assistance will not result in alerting those responsible for any serious offence (where the breach is in relation to such an offence).

A person can be subject to a civil penalty if he or she fails to comply with this requirement without a reasonable excuse.

The duty to report breaches under the Pensions Act 2004 overrides any other duties **reporters** may have. However, the duty to report does not override 'legal privilege.' This means that, generally, communications between a professional legal adviser and their client, or a person representing their client, in connection with legal advice being given to the client, do not have to be disclosed.

Practical guidance in relation to this legal requirement is provided in [the pensions regulator code 1-reporting-breaches-of-the-law](#) including in the following areas:

- implementing adequate procedures to consider and record breaches
- judging whether a breach must be reported
- submitting a report to TPR
- whistleblowing protection and confidentiality.

Even where a breach of the law is not required to be reported, it is important that it is notified to the Head of Pensions and Treasury so that it can be assessed and recorded.

Other Administering Authority or Organisational Requirements

This Procedure should be followed in addition to the following procedures and policies that Kent County Council has in place.

- [Anti-fraud and corruption strategy](#) – setting out the Council's strategy for preventing, deterring and investigating fraud, corruption and other wrongdoing.
- Anti-Money Laundering Policy - procedures that must be followed to enable the County Council to comply with its legal obligation to prevent criminal activity through the use of Money Laundering, as well as providing contact details for the Money Laundering Reporting Officer
- Whistleblowing Policy – setting out how someone working for Kent County Council or on our behalf, including members can raise an issue in confidence, as well as what sort of concerns should be reported.

The Head of Pensions and Treasury can assist if an individual is uncertain how to deal with the interaction between this Procedure and any other KCC policy or procedure.

Kent Pension Fund Breaches Procedure

This Procedure aims to ensure **reporters** are able to meet their legal obligations and avoid placing any reliance on others to report. The procedure will also assist in providing an early warning of possible malpractice and reduce risk. There are four key steps to this procedure:

1. Understanding the law and what is a breach
2. Determining whether there is reasonable cause to believe a breach has occurred
3. Determining whether the breach is likely to be of material significance and so should be reported to TPR
4. Recording the breach, even if it is not reported, so that remedial steps can also be monitored

These steps are explained below:

1. Understanding the law and what is a breach

Reporters may need to refer to regulations and guidance when considering whether or not there has been a breach of the law. Some of the key provisions are shown below:

- Section 70(1) and 70(2) of the Pensions Act 2004: www.legislation.gov.uk/ukpga/2004/35/contents
- Employment Rights Act 1996: www.legislation.gov.uk/ukpga/1996/18/contents
- Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (Disclosure Regulations): www.legislation.gov.uk/uksi/2013/2734/contents/made
- Public Service Pension Schemes Act 2013: www.legislation.gov.uk/ukpga/2013/25/contents

- Local Government Pension Scheme Regulations (various):
<http://www.lgpsregs.org/timelineregs/Default.html> (pre 2014 schemes)
<http://www.lgpsregs.org/index.php/regs-legislation> (2014 scheme)
- TPR Code of Practice:
<http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-public-service-pension-schemes.aspx>

In particular, reference should be made to the section on 'Reporting breaches of the law,' and for information about reporting late payments of employee or employer contributions, to the section of the Code on 'Maintaining contributions'

The Head of Pensions and Treasury can provide further guidance and assistance, provided that requesting this assistance will not result in alerting those responsible for any serious offence (where the breach is in relation to such an offence). Some examples of potential breaches are included in [appendix A](#).

2. *Determining whether there is reasonable cause to believe a breach has occurred*

Reporters need to have reasonable cause to believe that a breach of the relevant legal provision has occurred, not just a suspicion.

Where a breach is suspected the Head of Pensions and Treasury should be informed as soon as practicable, and no later than 5 days from when they suspect there has been a breach. The Head of Pensions and Treasury will then carry out further checks, to establish whether or not a breach has in fact occurred and keep the individual informed. This does not preclude the individual who first raised the issue undertaking further checks themselves should they consider it appropriate to do so.

However, there are some instances where it would not be appropriate to make further checks, for example, if the **reporter** has become aware of theft, suspected fraud or another serious offence and they are also aware that by making further checks there is a risk of either alerting those involved or hampering the actions of the police or a regulatory authority. In these cases, TPR should be contacted without delay.

3. *Determining whether the breach is likely to be of material significance and so should be reported to the Regulator*

Should a **reporter** have reasonable cause to believe that a breach of the law has occurred, they must decide whether that breach is likely to be of material significance to TPR, and therefore should be reported to the Regulator. To do this, an individual should consider the following, both separately and collectively:

- cause of the breach (what made it happen)
- effect of the breach (the consequence(s) of the breach)
- reaction to the breach
- wider implications of the breach.

The Head of Pensions and Treasury can assist with determining whether the breach should be reported and can assist with completing the document to report the

breach. However, the **reporter** is ultimately responsible for determining what should be included in the report and for submitting the report to TPR.

Further details of the approach to determining whether the breach is material are at [appendix B](#) and a copy of the Traffic light framework for deciding whether or not to report the breach to the Pensions Regulator is at [appendix C](#)

4. *Recording the breach, even if it is not reported, so that remedial steps can also be monitored*

The Head of Pensions and Treasury will maintain a log of all breaches identified and the breaches log may be relevant in deciding whether to report a breach (for example it may reveal a systemic issue). Therefore, **reporters** should provide the following information to the Head of Pensions and Treasury so that all identified breaches can be recorded:

- copies of reports submitted to TPR
- copies of information relating to any other breach the individual has identified.

The information should be provided to the Head of Pensions and Treasury as soon as reasonably practicable and certainly no later than within 10 working days of the decision made to report or not.

The key purpose of the breaches log is to ensure there is a clear record of what action has been taken to resolve that breach but also to ensure that the necessary controls have been put in place to ensure that the breach does not reoccur.

The breaches log will be included at each Pension Committee meeting and shared with the Pension Board. An example of the report is at [appendix D](#).

Supplier and advisor responsibilities

Where a breach has been identified relating to the Fund including a breach notified by supplier or advisor, the supplier or advisor must alert the Head of Pensions and Treasury immediately. They must produce a preliminary report setting out an assessment of the breach. The preliminary assessment must contain:

- the circumstances leading to the breach
- the impact and scale of the breach, both financial and with regard to the impact of service on members or other affected persons / organisations
- the steps that have been taken to rectify the breach; and
- a preliminary assessment, based on the Regulator's traffic light flowchart, of the materiality of the breach.

The Head of Pensions and Treasury can assist with the production of this report.

For the avoidance of doubt all breaches of the law (regardless of whether they are deemed material) must be reported to the Head of Pensions and Treasury in this way.

Referral to a level of seniority for assistance

Kent County Council has designated the Head of Pensions and Treasury to assist any individual with following this procedure. The Head of Pensions and Treasury is considered to have appropriate experience to help investigate whether there is reasonable cause to believe a breach has occurred, to check the law and facts of the case, to maintain records of all breaches and to assist in any reporting to the Pensions Regulator, where appropriate.

Reporters must bear in mind, however, that the involvement of the Head of Pensions and Treasury is to help clarify their thought process and to ensure this procedure is followed. They remain responsible for the final decision as to whether a matter should be reported to TPR and for completing the reporting procedure.

The matter should not be referred to the Head of Pensions and Treasury if doing so would alert any person responsible for a possible serious offence to the investigation (as highlighted in step 2 above). If that is the case, the **reporter** may instead refer the matter to the Council's Monitoring Officer. Otherwise, they should report the matter to TPR setting out the reasons for reporting, including any uncertainty – a telephone call to TPR before the submission may be appropriate, particularly in the case of a more serious breach.

Dealing with complex cases

The Head of Pensions and Treasury may be able to provide guidance on particularly complex cases. Guidance may also be obtained by reference to previous cases, information on which will be retained by Kent County Council, or via discussions with those responsible for maintaining the records. Information may also be available from national resources such as the Scheme Advisory Board or the Local Government Association - <http://www.lgpsregs.org> . If timescales allow, legal advice or other professional advice can be sought, and the case can be discussed at the next Pension Fund Committee or Local Pension Board meeting.

Reporting a breach to the KPF and Pensions Regulator

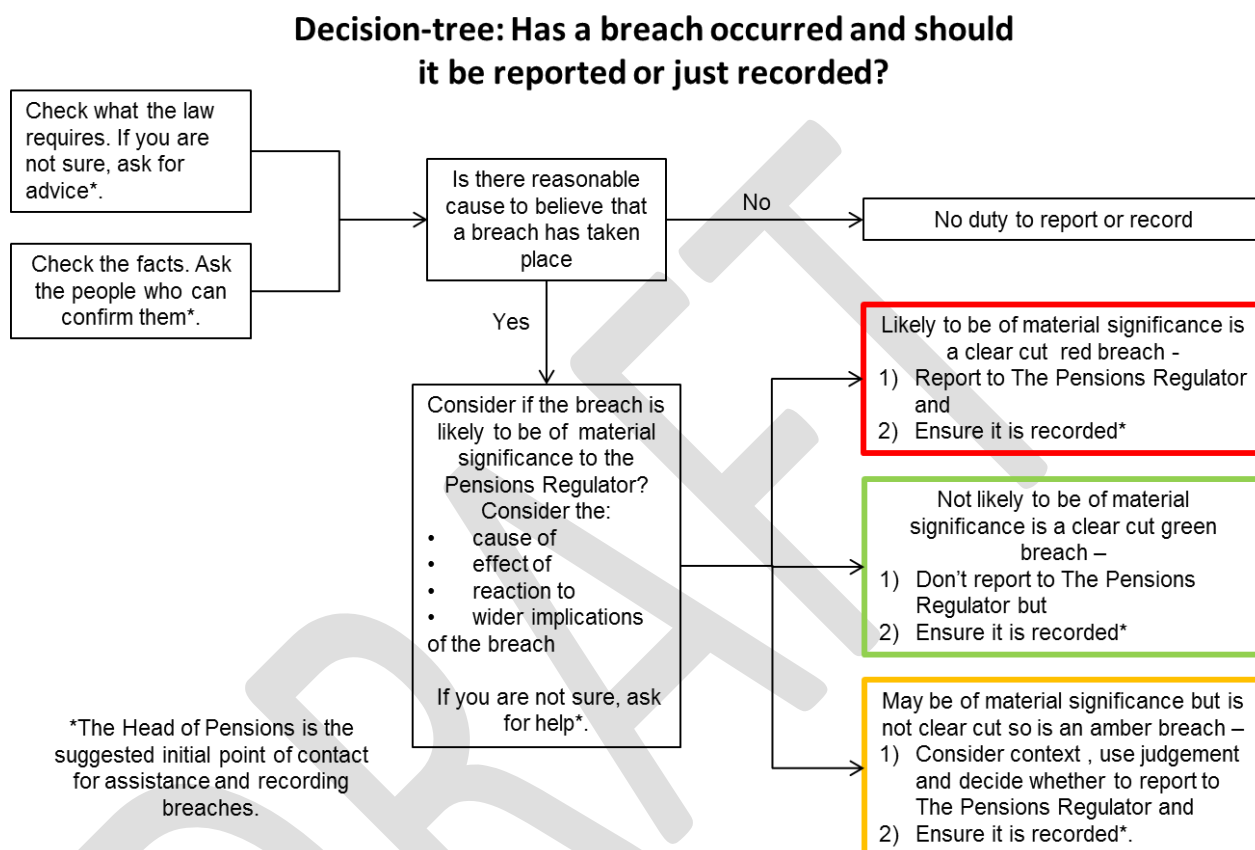
Reports must be submitted to the Head of Pensions and Treasury, Nick.buckland@kent.gov.uk

If the individual decides the breach is of material significance to TPR, reports must be submitted in writing via the Regulator's online system at <https://login.thepensionsregulator.gov.uk> or by post, or email and should be marked urgent if appropriate. If necessary, a written report can be preceded by a telephone call. Further details on how to report can be found on TPR website <https://thepensionsregulator.gov.uk>.

The Pensions Act and the Pension Regulator's Code require that, if an individual decides to report a breach, the report must be made in writing as soon as reasonably practicable and if possible, within 10 working days from having reasonable cause to believe that there is a material significance.

Decision tree

A decision tree is provided below which summarises the process for deciding whether or not a breach has taken place, whether it is materially significant to TPR and therefore needs to be reported, and then ensuring it is recorded.



Confidentiality

If requested, TPR will do its best to protect the identity of an individual who has reported a breach and will not disclose information except where it is lawfully required to do so.

An employee may also have protection under the Employment Rights Act 1996 if they make a report in good faith in relation to their employer.

Reporting to the Pension Fund Committee and Local Pension Board

Material breaches which have been reported to the Regulator will be reported to the Pension Fund Committee on a quarterly basis. This information will also be shared with the Pension Board.

Training

The Head of Pensions and Treasury will ensure that all relevant officers and members of the Pension Fund Committee, as well as members of the local pension board receive appropriate training on this policy at the commencement of their employment or appointment to the Pension Fund Committee or Pension Board as appropriate and on an ongoing basis.

Suppliers and advisers must ensure that all staff with responsibilities in relation to the Fund receive appropriate training with regard to this policy and their obligations under it. They must advise the Head of Pensions and Treasury immediately if they do not feel they have the appropriate training to discharge their responsibility and training will be arranged for them by the Head of Pensions and Treasury.

Approval and Review

This Reporting Breaches Policy was approved on *8 December* by the Kent Pension Fund Committee. It will be formally reviewed and updated by the Committee at least every three years or sooner if breaches arrangements or other matters included within it merit reconsideration, including if there are any changes to the LGPS or other relevant Regulations or Guidance which need to be taken into account.

Further Information

If you require further information about reporting breaches or this policy or wish to discuss reporting a breach, please contact:

Nick Buckland
Head of Pensions and Treasury, Kent County Council
E-mail – nick.buckland@kent.gov.uk
Telephone – 03000 418934

Zena Cooke
Corporate Director of Finance and s151 Officer, Kent County Council
E-mail – zena.cooke@kent.gov.uk
Telephone – 03000 419205

Ben Watts
General Counsel, Kent County Council
E-mail – Benjamin.watts@kent.gov.uk
Telephone – 03000 416814

Appendix A – Example breaches of the law

In this appendix we provide some examples of breaches of the law. This is not an exhaustive list given there are many sets of legislation that must be followed and some of these are extremely lengthy and complex. It should, however, provide a useful indication of the range of potential breaches that may arise.

Funding strategy not having regard to CIPFA guidance

Regulation 58 of the Local Government Pension Scheme Regulations 2013, as amended, requires the administering authority to prepare, maintain and publish a statement setting out its funding strategy and, in doing so, to consult with such persons as it considers appropriate. In doing this, the Administering Authority must also have regard to CIPFA guidance on preparing and maintaining a Funding Strategy Statement which clearly states employers should be consulted. The Funding Strategy impacts on the employers of the Fund and therefore a breach of the law by the Administering Authority is likely to have arisen if a statement was prepared which impacts on employers without first consulting with those employers.

Late notification of benefits

Various regulations dictate timescales for notifying scheme benefits, some of which are summarised below. Most of these requirements are included in more general pensions legislation i.e., not the Local Government Pension Scheme Regulations. A breach would arise every time one of these timescales was not met. All of the breaches would relate to the Administering Authority apart from the last one which would be a breach by an employer in the Fund. However, the first five listed could have been a result of delayed or incorrect information from an employer, which could be a separate and additional breach of the law by that employer.

Process	Legal Requirement
To provide new starters with information about the scheme	2 months from date of joining (provide information about the scheme in this timeframe, or within 1 month of receiving jobholder information where the individual is being automatically enrolled / re-enrolled)
To inform members who leave the scheme of their leaver rights and options	As soon as is practicable, and no more than 2 months from date of initial notification (from employer or scheme member)
To notify the amount of retirement benefits	1 month from date of retirement if on or after Normal Pension Age 2 months from date of retirement if before Normal Pension Age
To notify dependant(s) the amount of death benefits	As soon as possible but in any event no more than 2 months from date of becoming aware of the death, or from date of request
Provide annual benefit statements to active members	31st August in the same calendar year
Receipt of employee contributions from employers	19th of the month following their deduction

Errors in benefit calculations

The Local Government Pension Scheme Regulations 2013, as amended, and previous LGPS legislation relating to historical service or leaves, dictate how benefits should be calculated. This includes elements such as what fraction of pay is used to calculate a pension and what counts as pay for LGPS purposes. A breach of the law by the Administering Authority would arise in the situation that any calculation was carried out that was not in accordance with those provisions.

Errors in deducting contributions

Regulation 20 of the Local Government Pension Scheme Regulations 2013, as amended, states which elements of pay should be treated as pensionable and therefore should have pension contributions deducted from them and should be used for calculating benefits from 1 April 2014. Regulation 4 of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007, as amended, is the equivalent provision for pre-1 April 2014 scheme membership and therefore it details how pensionable pay should be calculated by an employer for benefits accruing prior to 1 April 2014. Under these provisions, non-contractual overtime is pensionable from 1 April 2014 but not classed as pensionable for benefits accruing before 1 April 2014. A breach of the law by an employer would arise if any of the following happened:

- an employer **did not** deduct pension contributions from non-contractual overtime since 1 April 2014
- an employer **did not** include non-contractual overtime in the amount of any pensionable pay notified to the Administering Authority for membership from 1 April 2014
- an employer **did** include non-contractual overtime in the amount of final pay notified to the Administering Authority to be used to calculate benefits accrued prior to 1 April 2014.

Late notifications from year-end information by an employer

Regulation 80 of the Local Government Pension Scheme Regulations 2013 require each employer to provide to the Administering Authority a list of specific information for each scheme member, such as pensionable pay, by 30 June each year. A breach of the law by an employer would arise if they failed to provide this year end list to the administering authority by 30 June or if the information was incomplete or inaccurate.

Inadequate knowledge of a Pension Board member

Section 248A of the Pensions Act 2004 requires every Pension Board member to be conversant with the LGPS rules and Pension Fund policies as well having knowledge and understanding of pension matters at a degree appropriate for the purpose of them exercising their Pension Board functions. Where a Pension Board member has failed to attend training or demonstrate that they already have the required level of knowledge, it is possible that a breach of the law will have occurred by that Pension Board member.

Appendix B – Determining whether a breach is likely to be of material significance

To decide whether a breach is likely to be of material significance **reporters** should consider the following elements, both separately and collectively:

- cause of the breach (what made it happen)
- effect of the breach (the consequence(s) of the breach)
- reaction to the breach
- wider implications of the breach

The cause of the breach

Examples of causes which are likely to be of concern to TPR are provided below:

- Acting, or failing to act, in deliberate contravention of the law.
- Dishonesty.
- Incomplete or inaccurate advice.
- Poor administration, i.e., failure to implement adequate administration procedures.
- Poor governance.
- Slow or inappropriate decision-making practices.

Reporters may also request the most recent breaches report from the Head of Pensions and Treasury, as there may be details on other breaches which may provide a useful precedent on the appropriate action to take.

When deciding whether a cause is likely to be of material significance **reporters** should also consider:

- whether the breach has been caused by an isolated incident such as a power outage, fire, flood, or a genuine one-off mistake
- whether there have been any other breaches (reported to TPR or not) which when taken together may become materially significant

The effect of the breach

Examples of the possible effects (with probable causes) of breaches which are considered likely to be of material significance to TPR in the context of the LGPS are given below:

- Committee/Board members not having enough knowledge and understanding, resulting in pension boards not fulfilling their roles, the scheme not being properly governed and administered and/or scheme managers breaching other legal requirements
- Conflicts of interest of Committee or Board members, resulting in them being prejudiced in the way in which they carry out their role and/or the ineffective governance and administration of the scheme and/or scheme managers breaching legal requirements
- Poor internal controls, leading to schemes not being run in accordance with their scheme regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the scheme at the right time

- Inaccurate or incomplete information about benefits and scheme information provided to members, resulting in members not being able to effectively plan or make decisions about their retirement
- Poor member records held, resulting in member benefits being calculated incorrectly and/or not being paid to the right person at the right time
- Misappropriation of assets, resulting in scheme assets not being safeguarded
- Other breaches which result in the scheme being poorly governed, managed or administered

The reaction to the breach

A breach is likely to be of concern and material significance to TPR where a breach has been identified and those involved:

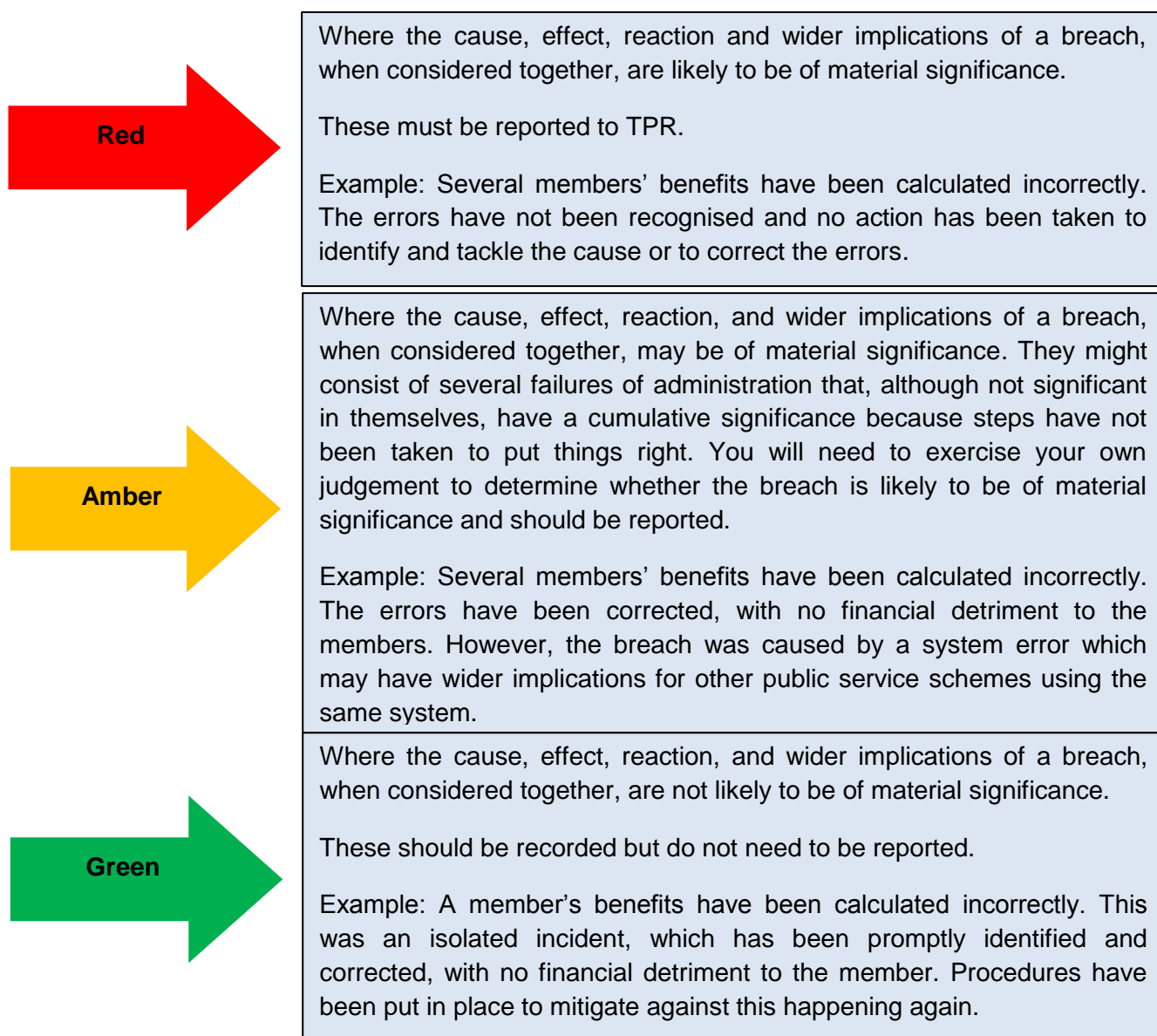
- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence
- are not pursuing corrective action to a proper conclusion, or
- fail to notify affected scheme members where it would have been appropriate to do so.

The wider implications of the breach

Reporters should also consider the wider implications when deciding whether a breach must be reported. The breach is likely to be of material significance to TPR where the fact that a breach has occurred makes it more likely that further breaches will occur within the Fund or, if due to maladministration by a third party, further breaches will occur in other pension schemes.

Appendix C - Traffic light framework for deciding whether or not to report

Kent County Council recommends those responsible for reporting to use the traffic light framework when deciding whether to report to TPR. This is illustrated below:



All breaches should be recorded even if the decision is not to report. When using the traffic light framework **reporters** 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. Some useful examples of this framework are provided by TPR at the following link [http:// www.thepensionsregulator.gov.uk/codes/code-related-report-breaches.aspx](http://www.thepensionsregulator.gov.uk/codes/code-related-report-breaches.aspx)

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Kent Pension Fund

Statement of Administering Authority
Discretions Policy

Approved: December 2022

Administering Authority statement of discretions policies

Introduction

Kent County Council, as Administering Authority to the Kent Pension Fund, has determined its discretionary policies in accordance with the Local Government Pension Scheme Regulations 2013 (as amended), and related legislation, and these are outlined in this statement. The Fund will apply these policies to all members of the Pension Fund, regardless of who their employer is. Where relevant, these policies equally apply to members who left pensionable service prior to 1 April 2014 (albeit only in relation to discretions exercised since the effective date of these policies), to councillor members and to pension credit members.

The Fund updated the content of these policies in December 2022 in line with current legislation. These amended policies were approved at the Kent Pension Fund Committee meeting on 8 December 2022 and are effective from that date unless stated otherwise within this document.

The Fund retains the right to change these policies at any time as long as we republish the amended policy at least within one month of when the change(s) we are introducing come(s) into effect.

These policies do not give, nor shall they be deemed to give, any contractual rights to any member of the Pension Fund, or to any other person whatsoever. Nothing in this document will cause the Administering Authority's capacity to exercise its discretionary powers to be unlawfully fettered or restricted in any way.

The Fund will exercise these discretions in line with the provisions of the various LGPS Regulations and other legislation. Nothing within this statement can overwrite the legal requirements within those provisions.

The Fund will review the policies within this statement as required in the light of future changes to the LGPS legislation or other relevant legislation. It will also be reviewed at least every three years. The next review of this statement will be done no later than December 2025.

Administering Authority Discretions under the Local Government Pension Scheme

Ref	Regulation Reference (see key at end)	Description of Discretion	Kent Pension Fund Policy
Key Strategies and Policies			
1	R13 - 55	Publish a Governance Policy stating how functions are delegated and whether the Administering Authority complies with guidance given by the Secretary of State	A copy of the current Governance Policy Statement can be found on the Pension Fund's website.
2	R13 - 58	Decide on the Funding Strategy for inclusion in funding strategy statement	Agreed in co-operation with actuary and in consultation with employers. A copy of the current Funding Strategy Statement can be found on the Pension Fund's website.
3	R13 - 61	Develop a Communication Policy setting out how the Administering Authority communicates with members, representatives of members, prospective members and employing authorities and the format, frequency and method of communications	A copy of the current Communications Policy Statement can be found on the Pension Fund's website.
4	R13 – 59(1) and (2)	Decide whether to have a written Pensions Administration Strategy and, if so, the matters it should include	A copy of the current Pensions Administration Strategy can be found on the Pension Fund's website.
5	R13 – 105(2)	Whether to delegate any Administering Authority functions under the Regulations	The Administering Authority does delegate certain functions to senior officers and to the Pension Fund Committee as appropriate. Details of these are set out in the Council's Constitution and in the Governance Policy Statement.
6	R13 – 106(3)	Whether to establish a joint local pensions board (if approval has been granted by the Secretary of State)	The Administering Authority did not establish a joint pension board.
7	R13 – 106(6)	Decide procedures applicable to the local pensions board	Procedures have been decided and are detailed in the Governance Policy Statement and the Board's Terms of Reference.

Ref	Regulation Reference (see key at end)	Description of Discretion	Kent Pension Fund Policy
8	R13 – 107(1)	Decide appointment procedures, terms of appointment, and membership of the local pensions board	The appointment procedures and terms have been decided and are detailed in the Governance Policy Statement and the Appointment and Termination process for Board members on the website. The membership of the local pension board is set out on the County Council's website.
Disputes			
9	R13 – 74(1) A58 R97 - 100	Appoint a person for dealing with applications under Stage One of the dispute resolution procedures (IDRP) in relation to any disputes relating to the role as Administering Authority (includes in relation to councillor members)	The Assistant Director (Finance, Administration and Governance) West Yorkshire Pension Fund will act as the Stage One IDRP adjudicator for Administering Authority disputes.
10	R13 – 76(4) A60(8) R97 - 99	Decide the procedure to be followed by the Administering Authority when exercising its Stage Two IDRP functions (includes in relation to councillor members)	Stage 2 determinations are dealt with by the Head of Pensions and Treasury, after obtaining relevant advice and guidance.
11	R13 – 79(2) A63(2) R97 – 105(1)	Whether Administering Authority should appeal to the Secretary of State against an employer decision (or lack of a decision) (includes in relation to councillor members).	The Fund will appeal to the Secretary of State when there is sufficient evidence that an employer has made a decision or committed an act (or failed to act) that is both wrong in law and material, where we have been unable to persuade the employer to alter its actions (or inactions). Such matters will be decided by the Head of Pensions and Treasury.
Admission Agreements and Employer Management			
12	R13 – 3(5) and Sch 2, Part 3, Para 1	Whether to agree to an admission agreement with an external employer.	Agreement to admission as a scheme employer for an admission body will be decided by the Pension Fund Committee, after obtaining any relevant advice and guidance.
13	R13 – Sch2, Part 3, Para 14	Whether to backdate the effective date of an admission agreement with an external employer.	The Head of Pensions and Treasury will decide this, after obtaining any relevant advice and guidance.
14	R13 – 4(2)(b)	Whether to agree to an admission agreement with a Care Trust, NHS Scheme employing authority or Care Quality Commission	The Pension Fund Committee will decide this, after obtaining any relevant advice and guidance.

Ref	Regulation Reference (see key at end)	Description of Discretion	Kent Pension Fund Policy
15	R13 – Sch 2, Part 3, para 9(d)	<p>Whether to terminate a transferee admission agreement in the event of</p> <ul style="list-style-type: none"> • insolvency, winding up or liquidation of the body • breach by that body of its obligations under the admission agreement • failure by that body to pay over sums due to the Fund within a reasonable period of being requested to do so 	The Head of Pensions and Treasury will decide this, after obtaining any relevant advice and guidance.
16	R13 – Sch 2, Part 3, para 12(a)	Employees of a contractor are only entitled to remain in the LGPS whilst they continue to be "employed in connection with" the original services that were transferred. This expression should be defined by the Administering Authority.	This is defined as meaning an employee will be expected to work at least 75% of their time on the services covered by the contract to remain in the LGPS.
17	R13 - 54(1)	Whether to set up a separate admission agreement fund	The Administering Authority does not operate a separate admission agreement fund.
18	R13 – 64(2A)	Whether to suspend, for up to 3 years, an employer's obligation to pay an exit payment where the employer is again likely to have active members within the specified period of suspension.	This will be decided by the Head of Pensions and Treasury, taking into consideration the advice of the Fund Actuary.
19	R13 – 64 (2ZAB)	To determine the amount of any exit credit that may be payable to an exiting employer, taking into account the factors set out in the regulations	This will be decided by the Head of Pensions and Treasury, taking into consideration the advice of the Fund Actuary – please see the Funding Strategy Statement and Exit Credit policy for more detail.
20	R13 – 64(2ZA)	Whether to agree to pay an exit credit which is payable to an exiting employer, beyond six months of the date on which that employer ceases to be a Scheme employer. This would be an extension of the usual timescale and would only be permitted if agreement is also received from the exiting employer.	The Head of Pensions and Treasury and the exiting employer will decide this.

Ref	Regulation Reference (see key at end)	Description of Discretion	Kent Pension Fund Policy
21	R13 – 64(4)	Whether to obtain a revision of the rates and adjustments certificate if there are circumstances that make it likely that a Scheme Employer will become an exiting employer.	The Head of Pensions and Treasury will decide this – please see the Funding Strategy Statement for more detail.
22	R13 – 68(2) TP14 – Sch 2, Para 2(3) R97 – 80(5)	Whether to require any strain on Fund costs to be paid “up front” by an employer following redundancy / business efficiency retirement, flexible retirement, or the waiver (in whole or in part) of any actuarial reduction on voluntary or flexible retirement.	Employers are invoiced upfront for all strain costs, upon crystallisation of the benefits, except in certain circumstances as set out in the Funding Strategy Statement where payment over 3 years is permitted.
23	R13 – 80(1)(b) TP14 – 22(1) A64(1)(b)	What information should be supplied by employers to enable Administering Authority to discharge its functions	Details are available in the Pension Administration Strategy, which can be found on the Pension Fund's website.
24	R13 – 69(1)	Decide frequency of payment of contributions to the Fund by employers and whether to make an administration charge for late receipt.	Details are available in the Pension Administration Strategy, which can be found on the Pension Fund's website.
25	R13 – 69(4)	Decide the format and frequency of information from employers to accompany payments of contributions to the Fund	Details are available in the Pension Administration Strategy, which can be found on the Pension Fund's website.
26	R13 – 70 TP14 – 22(2)	Whether to issue an employer with a notice to recover additional costs incurred as a result of the employer’s level of performance	Details are available in the Pension Administration Strategy, which can be found on the Pension Fund's website.
27	R13 – 71(1)	Whether to charge interest on overdue payments by employers	Interest may be charged on any amount overdue by more than one month at one percentage point above base rate on a day-to-day basis from the due date to the date of payment and compounded with three-monthly rests.
28	R13 – 36(3) A56(2) R97 – 97(10)	The Administering Authority is required to approve medical advisors used by employers (for the determination of ill health benefits) (including in relation to councillor members).	Independent Registered Medical Practitioners used by employers will be accepted as long as the appropriate declaration is signed on the ill-health retirement certificate.

Ref	Regulation Reference (see key at end)	Description of Discretion	Kent Pension Fund Policy
Payments relating to Death			
29	R13 – 82(2) A52(2) R97 - 95	A death grant due to a scheme member's estate can be paid to the personal representative(s), or anyone appearing to be, without the need for grant of probate / letters of administration if the death grant is less than the amount specified in any order under Section 6 of the Administration of the Estates (Small Payments) Act 1965 (£5,000 at the time of the making of this policy). This also relates to councillor members.	Having obtained details of relevant documentation, potential beneficiaries and circumstances, the Pensions Administration Manager will determine on behalf of the Fund and at the Fund's absolute discretion, to whom payment of the death grant is to be made. The Fund will not normally insist on production of grant of probate / letters of administration where the sum due is less than £5,000 and will usually make payment on completion of an indemnity form, subject to circumstances.
30	R13 – 17(12), 40(2), 43(2) & 46(2) TP14 – 17(5) to (8) B23(2), 32(2) & 35(2) T08Sch1 R97 - 38(1) & 155(4) R95 - E8	The Administering Authority may, at its absolute discretion, pay any death grant due (including AVCs, SCAVCs and life assurance relating to AVCs) to or for the benefit of the member's nominee, personal representatives or any person appearing to the authority to have been a relative or dependent of the member. This also relates to councillor members.	Having obtained details of relevant documentation, potential beneficiaries and circumstances, the Pensions Administration Manager will determine on behalf of the fund and at the Fund's absolute discretion, to whom payment of the death grant is to be made.
31	R13 – Sch 1 TP14 – 17(9)(b) B25	The Administering Authority must decide the evidence required to determine financial dependence of a cohabiting partner on a scheme member or financial interdependence between the cohabiting partner and the scheme member.	The appropriate parties will be provided with the details of the evidence required to determine financial dependence or interdependence. Where required, the Pensions Administration Manager will make the final decision.
32	TP14 – 3(6), 4(6)(c), 8(4), 10(2)(a), 17(2)(b) B10(2)	Where a member to whom regulation B10 applies (use of average of three years pay for final pay purposes) dies before making an election, whether to make that election on behalf of the deceased member.	The Administering Authority, where it has been made aware that regulation B10 applies, would make the election on behalf of the member to ensure that the highest benefits are paid.

Ref	Regulation Reference (see key at end)	Description of Discretion	Kent Pension Fund Policy
33	TP14 – 3(6), 4(6)(c), 8(4), 10(2)(a) & 17(2)(b) T08 - Sch 1 R97 - 23(9)	Whether to make an election on behalf of a deceased member who had a certificate of protection of pension benefits so their benefits may be calculated using the best pay figure.	The Administering Authority, where it has been made aware that a certificate of protection applies, would make the election on behalf of the member to ensure that the highest benefits are paid.
34	R13 – Sch 1 "Eligible Child" TP17(9)	Whether to treat a child as being in continuous education or vocational training, despite a break (including a child of a councillor member) so that the child's pension resumes after the break.	The Fund will cease the pension upon the child initially ceasing education. Should the child return to education following a break and subsequently take further breaks then the Pensions Administration Manager, having obtained details of the relevant circumstances, will determine on behalf of the Fund, whether to re-instate the child's pension.
35	R97 - 47(1) R95 – G11(1)	How to apportion children's pension amongst eligible children (applies to children of leavers between 1 st April 1998 and 31 st March 2008 and children of councillor members)	Where there is more than one eligible child, the Fund will normally divide the child's pension equally between the eligible children, with delegated authority given to the Pensions Administration Manager to determine what is appropriate.
36	B27(5) R97 – 47(2) R95 – G11(2)	Whether to pay the whole or part of a child's pension to another person for the benefit of the child (includes children of councillor members). This applies to pre-1st April 2014 leavers only.	Where a child is below the age of 18, the Fund will normally pay his/her pension to the person who has the care of the child, to be applied for the benefit of that child. This will be decided on a case-by-case basis by the Pensions Administration Manager.
37	R95 - F7	Whether to suspend spouses' pensions during remarriage or cohabitation.	The Fund will not suspend survivors' pensions during any period of remarriage or cohabitation.
<i>Transferring or Linking Benefits</i>			
38	R13 – 98(1)(b)	Whether to agree to the payment of a bulk transfer	Bulk transfer terms will be negotiated and agreed on a case-by-case basis in consultation with the Fund Actuary and the Scheme employer.

Ref	Regulation Reference (see key at end)	Description of Discretion	Kent Pension Fund Policy
39	R13 – 100(6)	The Administering Authority (with the agreement of the employer) may extend the 12-month time limit for a scheme member to elect to transfer in benefits from a non-local government pension scheme or personal pension plan.	A request to transfer in previous pension rights must be made within of 12 months of joining (or such longer period as the employer and Administering Authority may allow). The Fund will allow such transfers subject to the agreement of the Scheme employer
40	R13 – 100(7)	Whether to allow transfers of pension rights into the Fund	The Fund will allow transfers in as agreed by the employer and Administering Authority, see ref 39 above.
41	TP14 – 15(1)(d) & A28(2)	Whether to charge a scheme member for the provision of an estimate of the additional pension that would be provided in the Fund in return for a transfer in of in house AVC/SCAVC funds (only applies where the arrangement was entered into before 1 st April 2014)	Scheme members may request one quote per financial year that is provided free of charge. In the exceptional case that a further quote is requested by the same member, the Fund reserves the right to impose an administration charge on the scheme member. The decision as to whether to impose a charge will be made on a case-by-case basis by the Pensions Administration Manager.
42	TP14 – 10(9)	Where a deferred member also has ongoing multiple concurrent employments, the member may be able to choose which employment the deferred benefits are aggregated with. The Fund can decide this where the member does not make their own election within 12 months.	Where the member does not make a decision, the Fund will aggregate benefits in the way that appears most beneficial to the member, which is usually aggregating to the highest paid post or main employment.
43	R97 - 118	Whether the Fund will retain the Contributions Equivalent Premium (CEP) where a scheme member transfers out to a contracted in pension scheme (for councillor members and pre-1.4.08. leavers)	The Fund will retain the CEP in these circumstances.
<i>Other Miscellaneous Discretions</i>			
44	R97 – 106A(5)	The date to which benefits shown on deferred Annual Benefit Statements are calculated	All annual benefit statements will be calculated as at 31st March preceding their distribution.

Ref	Regulation Reference (see key at end)	Description of Discretion	Kent Pension Fund Policy
45	TP14 – 3(13) A70(1) & A71(4(c)) T08 – 12 R97 – 109 & 110(4)(b)	Abatement of pensions on re-employment (applies to pre-1 April 2014 retirees only including councillor members)	The Fund will not abate pensions on re-employment.
46	R13 – 22(3)(c)	The pension account may be kept in such form as is considered appropriate	Pension accounts will be kept in the format specified by the Fund's pensions administration software provider.
47	R13 – 83 A52A	An Administering Authority may determine how and to whom benefits may be paid if the recipient is incapable of managing their affairs by reason of mental disorder or otherwise	In these circumstances the Fund may decide to pay some or all of the benefit to someone else to be applied for the benefit of the scheme member. The Pensions Administration Manager will decide these matters on a case-by-case basis.
48	R13 – 16(1)	Whether to turn down a request to pay an APC/SCAPC by regular contributions over a period of time where it would be impractical to allow such a request, for example, due to the pension being bought resulting in very small payments	The Fund will delegate the decision to agree the request to the employer.
49	R13 – 16(10)	Whether to require a satisfactory medical before agreeing to an application to pay an APC or SCAPC, and whether to turn down the application if not satisfied that the member is in reasonably good health.	Any scheme member wishing to purchase additional pension via an APC/SCAPC by paying regular contributions will be required to provide a medical declaration completed by their GP.
50	R13 – 32(7)	A scheme member wishing to receive benefits other than at normal pension age, or on flexible retirement, must elect to do so within certain time limits. The Administering Authority may extend these time limits.	The Administering Authority will extend these time limits.
51	TP14 – 15(1)(c) T08 - Sch1 & R97 - 83(5)	Whether to extend the time period for a scheme member electing to capitalise remaining contributions to an added years contract in cases of redundancy	The Fund expects any elections to be made within the time limits in the regulations. However, the time limit may be extended by the Pensions Administration Manager depending on the circumstances of the case.

Ref	Regulation Reference (see key at end)	Description of Discretion	Kent Pension Fund Policy
52	R13 – 34(1) B39 T08 - 14(3) R97 – 49 & 156	The Administering Authority may commute small pensions into a lump sum where they are below nationally prescribed limits.	The Administering Authority will only allow commutation on request for crystallised benefits and survivor benefits.
53	R13 – 49(1)(c) B42(1)(c)	Decide, in the absence of an election from the scheme member, which benefit is to be paid where the member would be entitled to a benefit under two or more regulations in respect of the same period of Scheme membership	These will be decided on a case-by-case basis by the Pensions Administration Manager and the decision will usually be to award the highest benefit.
54	R97 - 147	Whether to permit a Pension Credit to remain in the Fund or require a transfer out	Pension Credit benefits will remain in the Fund unless an election to transfer-out is received from the Pension Credit member.
55	R97 - 50 and 157	Whether to commute benefits due to exceptional ill-health (applies to councillor members and pre-1st April 2008 leavers only)	The Fund will provide a member with the option to commute to a lump sum payment in lieu of a pension where evidence of exceptional ill-health is received, and the Fund has been informed by the employer that the member has been made aware of the exceptional ill- health criteria.
56	R97 - 91(6)	The Administering Authority may determine the timing of pension increase payments by employers to Fund (applies to pre-1st April 2008 leavers only)	Pension increase payments made on behalf of the employers will be recharged on a quarterly basis.
<i>Discretions relating to employers which no longer exist</i>			
57	R13 – 38(3) & 38(6) B31(4) and 31(7)	A former employer must decide whether a deferred member meets the criteria for permanent ill health. This also applies to a scheme member who was formerly in receipt of Tier 3 ill-health benefits. The Administering Authority may decide this if that employer no longer exists.	The Administering Authority will make a decision based on the medical evidence. The Head of Pensions and Treasury will make the decision.

Ref	Regulation Reference (see key at end)	Description of Discretion	Kent Pension Fund Policy
58	TP14 – Sch 2, Paras 1(2) and 2(2)	An employer can choose to allow rule of 85 protections to apply to a scheme member’s benefits on voluntary retirement. In doing this some or all of the early retirement reduction would not apply. This provision can only apply to scheme members who have reached age 55. The Administering Authority may decide this if that employer no longer exists.	The Fund will not normally allow the rule of 85 protections to apply on voluntary retirement. The Head of Pensions and Treasury will decide these matters on a case-by-case basis.
59	TP14 – 3(1), Sch 2, Paras 2(1) and 2(2) B30(5) and 30A(5)	An employer can choose whether to waive on compassionate grounds any reduction to benefits that might otherwise apply. This can also apply to former Tier 3 Ill-Health members. The Administering Authority may decide this if that employer no longer exists.	Where the employer no longer exists, the decision whether to waive actuarial reductions on compassionate grounds will be made by the Head of Pensions and Treasury and each case will be considered on its merits.
60	R13 – 30(8)	An employer can choose to waive, in whole or in part, any reduction that might otherwise apply to that scheme member’s benefits on flexible retirement. The Administering Authority may decide this if that employer no longer exists.	The Fund will not normally waive any actuarial reductions in flexible retirement cases. The Head of Pensions and Treasury will decide these matters on a case-by-case basis.
61	R13 – 30(8)	An employer can choose to waive, in whole or in part, any early retirement reduction that might otherwise apply to a scheme member’s benefits on voluntary retirement. These provisions only apply to scheme members who have reached age 55. The Administering Authority may decide this if that employer no longer exists.	The Fund will not normally waive any actuarial reductions in retirement cases. The Head of Pensions and Treasury will decide these matters on a case-by-case basis.

Discretions under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 (as amended)

Ref	Regulation Reference	Description of Discretion	Kent Pension Fund Policy
62	31(2)	Where an employer terminates employment early, the Administering Authority may agree to pay compensation on behalf of employer from the Fund and recharge payments to employer	The Administering Authority will pay compensation on behalf of the employer from the Fund and recharge payments to the employer.

*Key to Regulation References:

- R13 – The Local Government Pension Scheme Regulations 2013
- TP14 – The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014
- A – The Local Government Pension Scheme (Administration) Regulations 2008
- B – The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007
- T08 – The Local Government Pension Scheme (Transitional Provisions) Regulations 2008
- R97 – The Local Government Pension Scheme Regulations 1997
- R95 - The Local Government Pension Scheme Regulations 1995

*Note that references to old provisions (e.g., R97) generally apply in relation to scheme members who left under those provisions.

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Policy for Abatement of Retirement Pension in New Employment for the Kent Pension Fund

December 2022

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Introduction

This document outlines the position on the abatement of pensions adopted by the Kent Pension Fund (the Fund).

If you built up any pension in the Local Government Pension Scheme (LGPS) before 1 April 2014, take payment of your pension and then return to work in local government, or with an employer who offers membership of the LGPS, you must tell the LGPS fund that pays your pension about your new job. This is regardless of whether or not you join the LGPS in your new job. The LGPS fund that pays your pension will then let you know whether your pension in payment is affected in any way.

The Kent Pension Fund has resolved, that if a member has a pension with us, **the pension will not be subject to reduction or suspension** should they start a new period of employment with an LGPS eligible employer.

The only exception will be if you are in receipt of a tier 3 ill health pension benefit, which will be stopped if you take up "gainful" employment¹; so, your pension may be affected if you return to work in this situation.

Regulatory Basis

Where a Scheme Member is in receipt of a pension in respect of previous membership of the LGPS, that pension may be subject to reduction or suspension where the Member enters a new employment with any Scheme Employer and is eligible to join the LGPS in that employment. A full definition of effected employments is described in Schedule 2 The Local Government Pension Scheme (Administration) Regulations 2008.

The Administering Authority is required to have, and regularly review, a policy on abatements. The relevant requirements can be found in Reg. 70 The Local Government Pension Scheme (Administration) Regulations 2008.

It is for the Administering Authority to decide its policy on abatements.

Policy Decision

In formulating this policy, the Administering Authority has had regard to:

- The level of potential financial gain² at which it wishes abatement to apply;
- The administrative costs which are likely to be incurred as a result of abatement in the different circumstances in which it may occur;

¹ Gainful employment is defined in the scheme rules as any type of paid work, for at least 30 hours a week over a period of at least 12 months

² This is a reference to the financial gain which it appears to the Administering Authority may be obtained by a member as a result of their entitlement both to a pension and to pay under any new Local Government employment

- The extent to which a policy not to apply abatement could lead to a serious loss of confidence in the public service;
- The changing pensions landscape and approach taken by other schemes and funds to ensure fairness and consistency for members
- The impact of our employers' recruitment policies and needs.

What this policy means for members

Previously when a member of the Fund had already started to claim their pension but started a new period of employment, where they were eligible to join the LGPS, the amount of pension paid was subject to a possible reduction or suspension if they breached their re-employed earnings limit.

This review will no longer happen, and the pension amount paid will not be reduced or suspended. Members with an abated pension will be put back in the position they would have been in as if their pension had not been reduced from April 2021. If this applies to you, please contact the Pensions team.

Ill Health tier 3 members should continue to inform us of changes to their employment status to ensure our records are correct going forward. The Fund will let you know whether your pension payments should stop in this case.

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