

PENSION FUND COMMITTEE

Tuesday, 26th September, 2023

10.00 am

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





AGENDA

PENSION FUND COMMITTEE

**Tuesday, 26th September, 2023 at
10.00 am
Council Chamber, Sessions House,
County Hall, Maidstone**

Ask for: **Matt Dentten**
Telephone: **03000 418381**

Membership

Conservative (8):	Mr C Simkins (Chairman), Mr N J D Chard (Vice-Chairman), Mr P Bartlett, Mr P C Cooper, Mr P M Hill, OBE, Mr J P McInroy, Mr H Rayner and Mr J Wright
Labour (1):	Ms M Dawkins
Liberal Democrat (1):	Mr C Passmore
Green and Independent (1):	Mr P Stepto
District Council (3):	Cllr S Beer, Cllr J Burden and Cllr R Yates
Medway Council (1):	Cllr M Prenter
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
To note that Mr C Passmore, Mr M Hill OBE (replacing Mr P Cole), Mr H Rayner (replacing Mr S Webb), Cllr S Beer and Cllr R Yates have joined the committee.
- 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 22 June 2023 (Pages 1 - 6)
- 5 Committee Work Programme and Action Log (Pages 7 - 12)
- 6 Employer Governance (Pages 13 - 20)
- 7 Pensions Administration (Pages 21 - 48)
- 8 McCloud Remedy (Pages 49 - 56)
- 9 Pension Board update (Pages 57 - 58)
- 10 Investment Performance and Asset Allocation (Pages 59 - 74)
- 11 Responsible Investment (Pages 75 - 80)
- 12 Governance and Policies (Pages 81 - 88)
- 13 Member Training (Pages 89 - 94)
- 14 Annual Report, Accounts and External Audit (Pages 95 - 158)

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 Exempt Minutes of the meeting held on 22 June 2023 (Pages 159 - 162)
- 16 Investment Strategy (Pages 163 - 236)
- 17 Funding and Employer Governance (Pages 237 - 270)
- 18 LGPS: Next steps on investments consultation - To follow
- 19 ACCESS (Pages 271 - 276)

20 Date of the next meeting

The next meeting of the committee will be held on 12 December, commencing at 10.00 am at Sessions House, Maidstone.

Benjamin Watts
General Counsel
03000 416814

Monday, 18 September 2023

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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 Thursday, 22 June 2023.

PRESENT: Mr C Simkins (Chairman), Mr N J D Chard (Vice-Chairman), Mr P Bartlett, Cllr J Burden, Mr P Cole, Ms M Dawkins, Mr P Doust, Cllr M Jones, Mr J P McInroy, Mr S Sim, Mr P Stepto and Mr J Wright.

ALSO PRESENT: Mr R J Thomas

IN ATTENDANCE: Ms Z Cooke (Corporate Director of Finance), Mr N Buckland (Head of Pensions and Treasury), Mr J Graham (Pension Fund Treasury and Investments Manager), Mrs C Chambers (Pensions Administration Manager), Ms S Surana (Investments, Accounting and Pooling Manager), Mr S Tagg (Senior Accountant - Employer Governance and Compliance), Mrs E Green (Senior Pensions Programme Manager) and Mrs H Savage (Democratic Services Officer).

UNRESTRICTED ITEMS**133. Apologies and Substitutes**

(Item 1)

Apologies for absence were received from Mr Webb and Cllr Prenter who was substituted by Cllr Jones.

134. Membership

(Item 2)

It was noted that Cllr Mark Prenter had joined the committee.

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

(Item 3)

The following declarations were made:

- Mr Cole declared, in relation to item 19, that he was a Member of Sevenoaks District Council.
- Mr Bartlett declared that he was employed by the Bank of New York Mellon, the parent company of Insight which was involved with the Fund's equity protection. He stated that he would participate in the Investment Strategy item but not in future business involving equity protection.
- Mr Doust declared that he was in receipt of a Kent LGPS pension.

136. Minutes of the meeting held on 29 March 2023

(Item 4)

RESOLVED that the minutes of the meeting held on 29 March 2023 are correctly recorded and that they be signed by the Chairman.

137. Committee Work Programme and Action Log

(Item 6)

1. Mr Buckland introduced the committee's work programme and action log. He agreed to report the Risk Register to all future meetings of the committee.

RESOLVED to note the work programme for 2023/24 and the updated action log.

138. Fund Employer Matters

(Item 7)

1. Mr Tagg introduced the report which updated the committee on Fund employers for the three months ending 31 March 2023 as well as 'deemed employer' status and proposed an admission to the Fund.
2. Concerning the October and January employer contributions to the Fund, a member asked whether there were any underlying cash flow problems which had caused the late contributions. Mr Tagg explained that the two instances where late contributions had been received were the result of the 19th of the month contribution date falling on a weekend. He assured the committee that the issue had been raised with the employer concerned.
3. Following a question from a member on the officer time expended chasing late payments, Mr Tagg noted that the time required averaged two hours a month.

RESOLVED to note the report and agree:

- a) to the admission to the Kent County Council Pension Fund of Churchill Contract Services Ltd (re Inspire Partnership Academy Trust);
- b) that the Chairman may add recommendation a) to the Record of Decision at the end of today's meeting; and
- c) that once legal agreements have been prepared for matter a) the Kent County Council seal can be affixed to the legal documents.

139. Pensions Administration

(Item 8)

1. Mrs Chambers introduced the report which updated members on the administration of the Kent LGPS for the period 1 February to 30 April 2023, including performance; recruitment; annual benefit illustrations and member newsletters; benchmarking; end of year returns; breaches of law; complaints, compliments and comments; a new telephony solution; the pensions dashboard; and the Superannuation Contributions Adjusted for Past Experience (SCAPE) Rate. She gave thanks to Mr Sim for his contributions to reviewing the annual benefit illustrations templates and member newsletters. She informed the committee that CEM had been commissioned to deliver benchmarking against other LGPS funds, with their report expected at the end of 2023. She noted that end of year had gone well, was ahead of the previous year and made members aware of an issue with one payroll provider, which had been monitored closely, with data anticipated at the end of June. The possible impact on the issuing of annual statements by the statutory deadline was detailed.
2. In response to a question from a member, Mrs Chambers explained that high priority cases included deaths, retirements and refunds, whilst low priority cases

included deferred benefits and transfers. She added that statutory deadlines also heavily influenced priority. It was explained that methods for automating low priority cases into bulk processes were under investigation.

3. Mr Buckland explained, following a question from a member, that CEM benchmarking had been used on the Fund's investment side and that their administration benchmarking system had been developed over recent years. He detailed the criteria that CEM considered, including cost, performance and delivery to members. Mrs Chambers confirmed that the benchmarking cost £16,000.

RESOLVED to note the report.

140. McCloud Remedy Update

(Item 9)

1. Mrs Chambers introduced the report which detailed the McCloud remedy regulations and actions taken by officers of the Kent Pension Fund to prepare in advance of the regulations becoming law. She highlighted the Department for Levelling Up, Housing and Communities (DLUHC) further consultation which had been issued in May, with a deadline of the end of June, and sought responses on areas of the remedy which weren't included in the previous consultation. She noted that the Fund were awaiting the Local Government Association's (LGA) response before deciding on whether to provide a Fund response. Members were informed that a decision had been taken to begin employer data collection, with an external supplier to be contracted as part of broader data rectification efforts.

RESOLVED to note the report.

141. Pension Administration Audit

(Item 10)

1. Mrs Green introduced the report which outlined the findings of an internal audit of the administration of the Kent Pension Fund. She noted that the audit took place in February and March 2023, and had been reported to Governance and Audit Committee on 18 May 2023. She drew members' attention to the audit opinion, which had been classified as 'Adequate.' Mrs Green explained a range of management actions had been identified, several of which were already in progress.

RESOLVED to note the report.

142. Report from the Pension Board

(Item 121)

1. Mr Thomas, Chairman of the Pension Board, presented his report which summarised proceedings of Pension Board's 8 June meeting. He noted that the Board has also considered the training plan, as training was mandatory for Board members, and highlighted the Board's concerns that continued difficulties with the cost of living could impact pension opt outs.

RESOLVED to note the update from the Board.

143. Fund Position Statement

(Item 12)

1. Mr Graham introduced the report which detailed the Fund's asset allocation and performance as of 31 March 2023. He noted that the Fund's value was £7.83bn, an increase of £92m (1.4%) over the quarter, which when factoring in challenging market conditions was positive performance and 1% ahead of the benchmark. He added that over the past three years, the Fund had outperformed its 9.9% per annum benchmark, with a return of 11%.

RESOLVED to note the Fund's asset allocation and performance as of 31 March 2023.

144. Governance and Policy update

(Item 13)

1. Mr Buckland introduced the report which detailed two Fund policy proposals, the Communications Policy 2023/24 and Data Quality Policy, and provided an update on the implementation of the recommendations arising from the Barnett Waddingham review, with 46 of the 48 recommendations implemented or in progress. The purpose of the Communications Policy, to publish a statement setting out the methods of communication with stakeholders of the Fund was explained, including how the 'Digital by Default' objective would be achieved. He noted the intention for the Communications Policy to be updated and reviewed by the committee annually.
2. Mr Buckland agreed to provide an update to the committee at a future meeting concerning data security and assurance that the Fund was fully protecting its pensioners and members, following a request from a member.
3. In response to a question from a Member, Mr Buckland reassured the committee that whilst Fund members would be encouraged to digital by default, there was no intention to deny access to members who preferred existing arrangements and that the ambition was to provide the best possible service in the best way.
4. Following a question from a member on the scope for communicating with Fund members in different languages, Mrs Chambers assured the committee that, to ensure full accessibility, alternative formats were used when requested. It was noted that requests of this nature had not been made, though, arrangements were already in place for members requiring braille annual benefit illustrations.

RESOLVED to approve the Kent Pension Fund Communications Policy 2023/24 and Data Quality Policy.

145. Training Plan

(Item 14)

1. Mrs Green introduced the report which provided an update on the development of a training plan for Pension Board and Pension Fund Committee members. Pensions accounting, audit standards and pensions administration were highlighted as the areas prioritised for development, with it noted that the

priorities took account of the findings of Hymans Robertson's November 2022 assessment.

RESOLVED to note the report.

EXEMPT BUSINESS

Open access

146. Investment Strategy

(Item 15)

Tony English and Nick Page (Mercer) were in attendance for this item.

1. Mr Buckland explained that the broad themes of the Investment Strategy Review had been discussed at the last meeting of the committee and since then Mercer had completed a detailed analysis, the proposals of which had been considered by the Chairman and Vice-Chairman of the committee prior to this meeting.
2. Mr English and Mr Page introduced the report in relation to recommendations (a) and (b). They provided an overview of the Investment Strategy Review 2023 by way of a series of slides which included key considerations of the review.
3. The Chairman and Vice-Chairman thanked Mr English and Mr Page, along with KCC officers, for the significant amount of work that had been undertaken and stressed the importance of the strategy to the Council.
4. Members asked a series of questions on risk, equities, gilts and pooling which were duly answered by Mr English.

RESOLVED to note the report and to:

- a) Comment on the outcome of the investment strategy review;
- b) Agree the proposed changes to the investment strategy (as detailed in Appendix 1) to:
 - i. Reduce the overall exposure to equities and increases exposure to fixed income via the introduction of an allocation to index linked gilts.
 - ii. Rationalise the listed equities allocation by reducing the allocation to UK equities and adding one to Emerging Markets.
 - iii. Remove the strategic allocation to cash.
 - iv. Re-organise the allocation to illiquid / alternative asset classes by varying the target allocations to property, private equity, and infrastructure.
 - v. As a result of the above changes this reduces its allocation to diversified growth funds;
- c) Agree that the Fund's asset allocation should not be changed in accordance with the Fund's rebalancing policy;
- d) Delegate authority to vote in favour of the extension proposal concerning the Active Value Fund (subject to a satisfactory opinion from the Fund's Investment Consultant) to the Corporate Director of Finance in consultation with the Chairman of the Committee, and to undertake all necessary steps to execute the decision and associated paperwork required; and
- e) Delegate authority to vote in favour of the scheme of arrangement for the Fund's holding in the Woodford Equity fund to the Corporate Director of Finance in consultation with the Chairman of the Committee, and to undertake all necessary steps to execute the decision and associated paperwork required, subject to

officers being content that the final proposal is broadly in line with that set out in paragraph 9 of the report.

147. Responsible Investment

(Item 16)

1. Mr Graham introduced the report which updated the Committee on the voting activity of the Fund's investment managers, their engagement with the companies in which they were invested on the Fund's behalf and detailed the Fund's securities lending activity.

RESOLVED to note the report and to agree that the Fund becomes a member of Pensions for Purpose.

148. Guaranteed Minimum Pension update

(Item 17)

1. Mrs Chambers introduced the report regarding the current position of the Guaranteed Minimum Pension rectification project.

RESOLVED to agree to:

- a) apply a £60 per annum trivial threshold for changes (+/-) to pensions in payment;
- b) that historic underpayments above £30 (gross) are to be made to members; and
- c) that no historic overpayments are to be recovered.

149. ACCESS Update

(Item 18)

1. Mr Graham introduced the report and highlighted the decisions taken at the June meeting of the ACCESS Joint Committee.

RESOLVED to note the report.

150. Funding and Employer Matters

(Item 19)

1. Mr Tagg introduced the report which provided an update on a Fund Employer matter and information on the security held by other Fund employers.

RESOLVED to note the report.

From: Chairman Pension Fund Committee
Corporate Director of Finance

To: Pension Fund Committee – 26 September 2023

Subject: Committee Work Programme and Action Log

Classification: Unrestricted

Summary:

To report on the updated Committee work programme for the next four meetings and note the action log from previous meetings.

Recommendation:

The Committee is asked to note the work programme and 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 four formal Committee meetings.
- 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 Members will now be familiar with the manager monitoring meetings that are happening outside of the formal Committee meetings. This process was agreed at the meeting of the Committee in March.

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 2023/24 with notes showing progress against these. In addition, it includes any outstanding actions from 2022/23. This is shown in addition to the formal minutes as a way of the Committee monitoring progress.
- 2.3 Actions that have been completed since the last meeting are struck through and shaded to show that action has been taken, and they will be removed from the log for the next meeting. 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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Draft Committee workplan

	12 December 2023	26 March 2024	27 June 2024	TBC September 2024
Work programme update	Y	Y	Y	Y
Governance update including Fund policies due for review	Y	Y	Y	Y
Update from the Pensions Board meeting	Y	Y	Y	Y
Pension Fund Business plan and budget update	Y	Y	-	Y
ACCESS update	Y	Y	Y	Y
Fund Employer matters	Y	Y	Y	Y
Administration update <ul style="list-style-type: none"> • McCloud • KPI reporting 	Y	Y	Y	Y
Training update	Y	Y	Y	Y
Investment Performance	Y	Y	Y	Y
Risk register update	Y	Y	Y	Y
Investment Strategy (a) <ul style="list-style-type: none"> • Rebalancing • Manager monitoring • Implementation update 	Y	Y	Y	Y
Investment Strategy Statement	Y	-	-	-
Responsible Investment (b) <ul style="list-style-type: none"> • RI Policy update • Net Zero ambition • Impact investments 	Y	Y	Y	Y

Notes

- (a) Investment Strategy was presented to Committee for approval in June 2023, and will be finalised at September 2023 meeting.
- (b) RI working group to meet monthly.

Pension Fund Committee Action Log – 2023-24

Date of Meeting	Agenda Item	Action/Question	Outcome	Complete (Y/N)
03/02/2022	RI Training	RI working group has progressed workplan	RI integration and review of RI Policy considered in 2023. Workplan for 2023 agreed by RI working group in February 2023	Remains 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 – December 2023	N
22/06/2022	15 - Investment Strategy	Should we limit our exposure to a single manager?	To be considered as part of implementation of the Strategy implementation	N
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. Impact of increase in payment not significant. Will continue to monitor	Y
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.	Remains ongoing

8/12/2022	1 – Membership update	Mr Eden-Green resigned his membership of the Committee	NB to contact district councils, via KFOs and Kent Leaders to request replacements for Mr Eden-Green and Mr Glokie. Contact has been made in June 2023 to seek replacements.	Y
8/12/2022	6 – Employer and Governance matters	Deed of novation be entered into with Southern Housing in relation to Optivo	Legal agreement agreed	Y
8/12/2022	12 – ACCESS update	Training on pooling and ACCESS requested	ACCESS updates given regularly, and training scheduled as part of training plan	Y
29/03/2023	20 - Employer Matters	Provide an update on Sevenoaks leisure	Update on today's agenda	Ongoing
29/03/2023	20 - Employer Matters	Provide a list of employers in the fund where there is no bond or guarantee, and /or not scheme employer	Update on today's agenda to be linked with Actuary review of employer covenant	Ongoing
29/03/2023	22 – Risk Register	Provide an update on Woodford position	Update in today's papers	Y
29/03/2023	22 - Risk Register	Address font size issue on Risk Register	Wider review of RR underway, including consulting KCC risk officer to ensure consistency of approach	N
22/06/2023	13-Governance and Policies	Business Plan update to September meeting	Included on today's agenda	Y
22/06/2023	13-Governance and Policies	Full update on outstanding actions to next Committee	Included on today's agenda	Y

22/06/2023	15-Investment Strategy	Equity Protection group to review EP and impact on Strategy	Included in today's papers	Y
22/06/2023	16-Responsible Investment	Fund to join Pensions for Purpose	Application process complete	Y
22/06/2023	19-Funding and Employer Matters	Report on Employer covenant analysis to September meeting	Included on today's agenda	Y

To: Kent Pension Fund Committee – 26 September 2023

From: Chairman Pension Fund Committee
Corporate Director of Finance

Subject: Employer Governance

Classification: Unrestricted

Summary:

This report provides information on Fund employers and admission matters. It also provides an update on actuarial procurement.

Recommendations:

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

- a) to the admission to the Kent Pension Fund of Compass Contract Services UK Ltd (re Crest Infants and Nursery School);
- b) to the admission to the Kent Pension Fund of Churchill Contract Services Ltd (re KCC 2022);
- c) to the admission to the Kent Pension Fund of Purgo Supply Services Ltd (re Leigh Academies Trust)
- d) the exit surplus in respect of Tascor Services Ltd is allocated to the Police and Crime Commissioner's notional share of the Fund;
- e) the decision for awarding the actuarial contract be delegated to the Corporate Director of Finance, in consultation with the Chairman; and
- f) that once legal agreements have been prepared for matters a) to c) the Kent County Council seal be affixed to the legal documents.

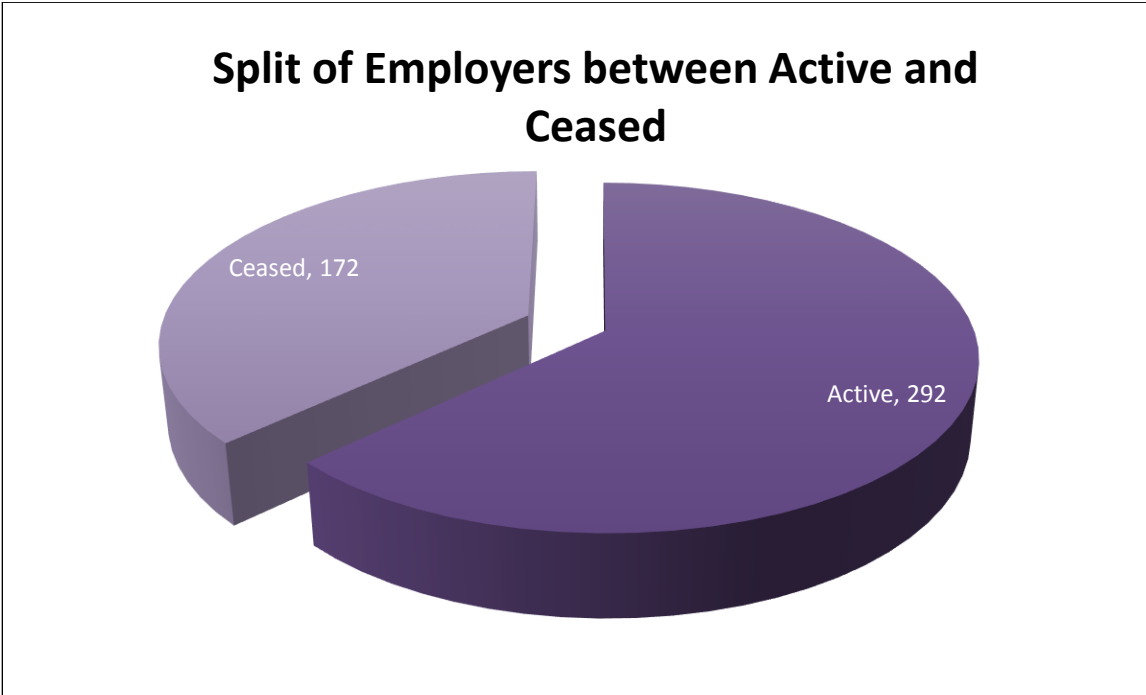
FOR DECISION

Summary:**1. Introduction**

This report provides information on Fund employers for the 3 months ending 30 June 2023. The report also proposes three employer admissions, an allocation of an exit surplus and provides an update on the actuarial procurement project with a delegation proposed to the Corporate Director of Finance in conjunction with the Committee Chair and Vice Chair.

2. Employer Update for the 3 months to 30 June 2023

- 2.1 At its last meeting the Committee received an update on employer numbers as at 31 March 2023, when there were 466 employers in the Fund. This number decreased by 2 over the second quarter of 2023, as 3 academy trusts merged with existing multi-academy trusts and one new employer joined the Fund. Therefore, there were 464 employers in the Fund on 30 June 2023.
- 2.2 During the 3-month period one new employer joined the Fund as a backdated admission and then became a ceased employer. In addition, 4 employers changed from being active to ceased. There were also 2 employers previously categorised as active, non-contributing who are now ceased. These employers do not affect the overall total number of 464.



2.2 The following table lists employers who left the Fund as well as those who ceased to have active members in the Fund during the 3 months to 30 June 2023.

New Employers	Effective Date
Admission Bodies	
Dolce Ltd	6 September 2021 (backdated admission)

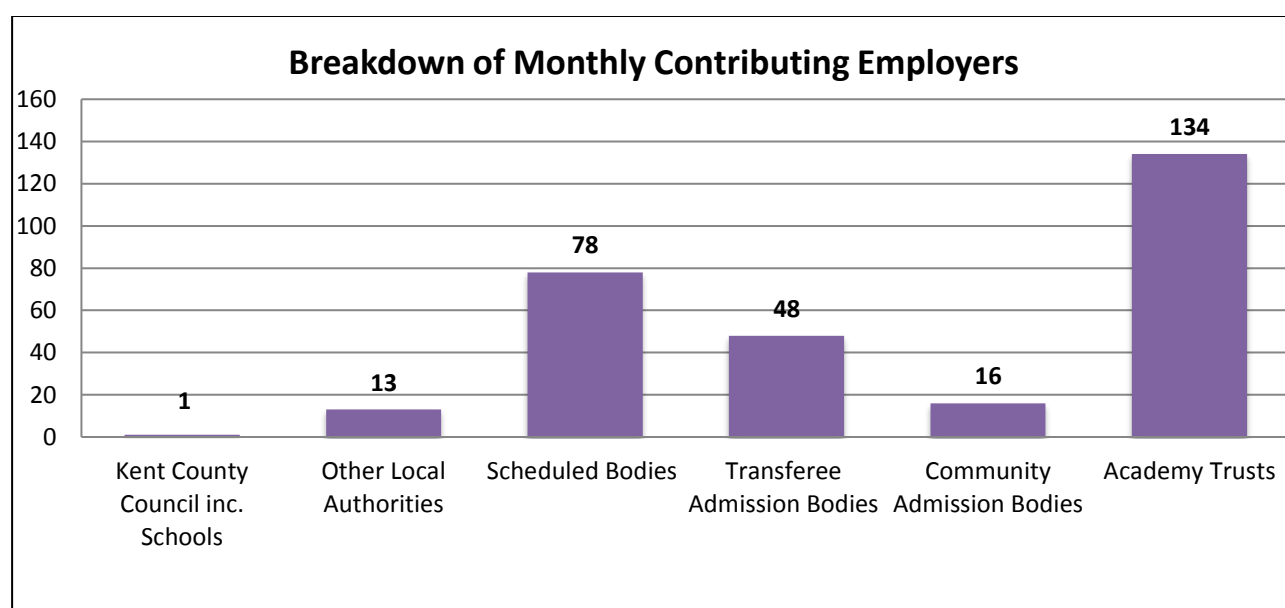
Ceased Employers	Effective Date
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Admission Bodies	
Sevenoaks Leisure Ltd	20 March 2023
Nourish Contract Catering Ltd (re Swale Academies Trust)	31 March 2023
Cater Link (re Sir Roger Manwood School)	31 March 2023
Solo Services Ltd	31 March 2023
Dolce Ltd	1 June 2023

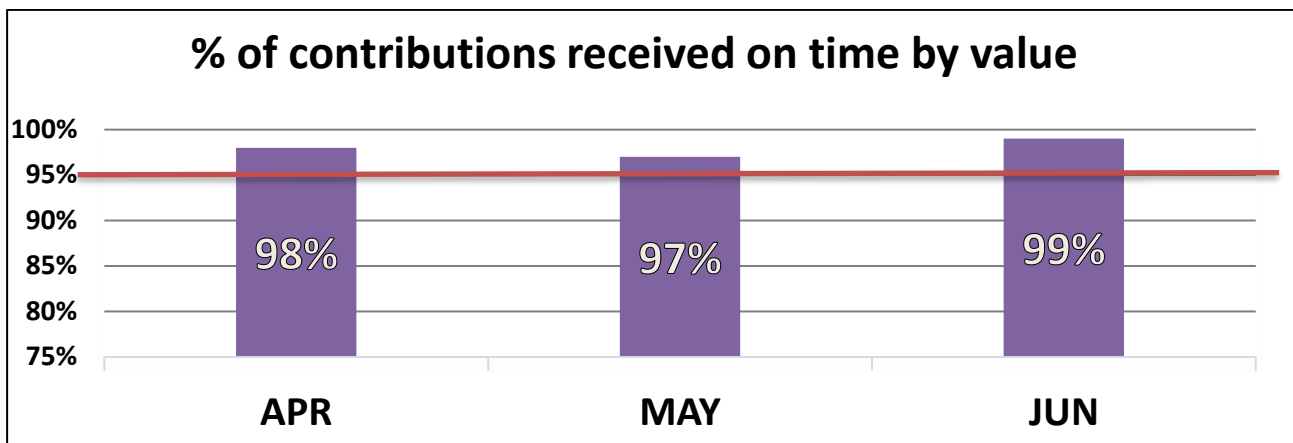
2.2 In the 3 months to 30 June 2023 the Fund received £76.21m from employers in respect of their monthly contributions (employer and employee) as follows:

	Received Early	Cash on 19th	Received Late	Total
	£	£	£	£
April	15,142,991	9,535,893	539,725	25,218,609
May	14,966,215	9,581,544	772,969	25,320,728
June	15,444,021	10,037,167	187,304	25,668,492
Total	45,553,227	29,154,604	1,499,998	76,207,829

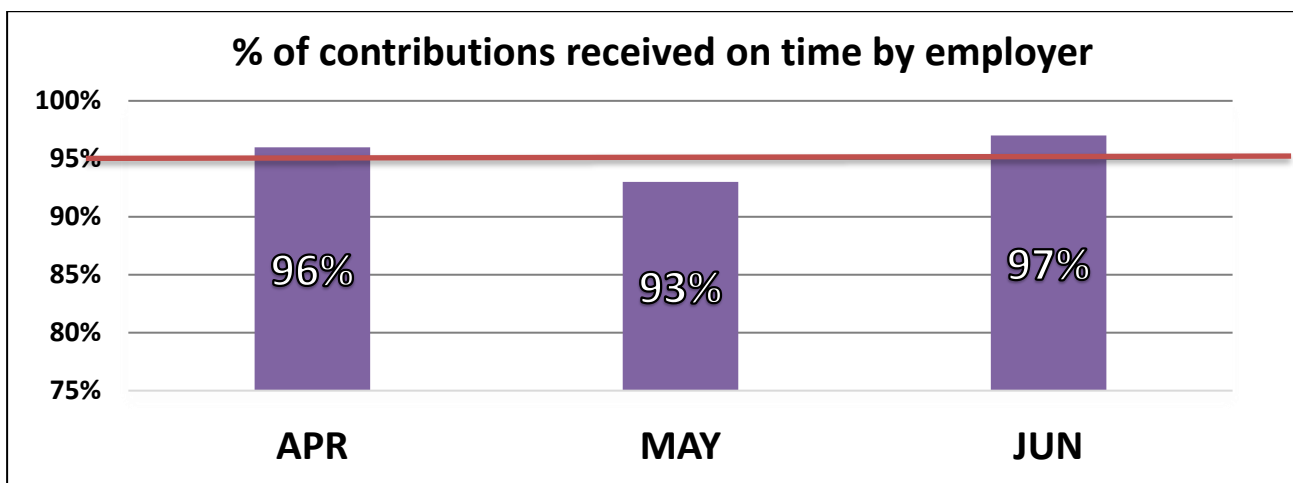
2.3 The following table shows employers from whom the Fund receives monthly contributions by Employer Group.



2.4 The Key Performance Indicator (KPI) of 95% for % of contributions was met every month April to June 2023.



2.5 The Key Performance Indicator (KPI) of 95% for % of employers was met every month April to June 2023 bar May 2023. 22 employers paid late or didn't pay and 11 of these related to a single payroll provider (Cintra) who did not make the May payment in time. Although these outstanding payments have now been resolved, the payroll provider in question subsequently notified the Fund on that they were withdrawing from the local government market with effect from 1 September 2023. Officers are liaising with affected employers to ensure contributions and associated payroll information continue to be received on a timely basis. The other outstanding payments have now been received excepting one which relates to a backdated admission which is being followed up by officers.



3. **Compass Contract Services UK Ltd (re Crest Infants and Nursery School)**

3.1 Pursuant to a framework agreement issued by Medway Council, Crest Infants and Nursery School has awarded a contract for catering services from 1 August 2021 which ended on 14 April 2023. This involves the transfer of 4 employees to Compass Contract Services UK Ltd.

- 3.2 A retrospective 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.
- 3.3 The Fund Actuary has assessed the employer contribution rate as 20% for a closed agreement and the bond for the first year as £7,000.
- 3.4 The completed questionnaires and supporting documents provided by Compass Contract Services UK Ltd have been examined by officers to ensure compliance with the LGPS regulations, and Invicta Law has given a favourable opinion.
- 3.5 The Committee is asked to agree that Compass Contract Services UK Ltd (re Crest Infants and Nursery School) be admitted to the Fund.

4. Churchill Contract Services Ltd (re KCC 2022)

- 4.1 Kent County Council has awarded a contract for cleaning services from 1 November 2022. This involved the transfer of 11 LGPS eligible employees to Churchill Contract Services Ltd.
- 4.2 A retrospective 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.
- 4.3 The Fund actuary has assessed the employer contribution rate as 24.8% for a closed agreement and the bond for the first year as £64,000.
- 4.4 The completed questionnaires and supporting documents provided by Churchill Contract Services Ltd have been examined by officers to ensure compliance with the LGPS regulations, and Invicta Law has given a favourable opinion.
- 4.5 The Committee is asked to agree that Churchill Contract Services Ltd (re KCC 2022) be admitted to the Fund.

5. Purgo Supply Services Ltd (re Leigh Academies Trust)

- 5.1 Leigh Academies Trust has awarded a contract for cleaning services from 1 August 2023. This involved the transfer of 20 LGPS eligible employees to Purgo Supply Services Ltd.
- 5.2 A retrospective 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.
- 5.3 The Fund actuary has assessed the employer contribution rate as 24.2% for an open agreement and the bond for the first year as £141,000.

5.4 The completed questionnaires and supporting documents provided by Purgo Supply Services Ltd have been examined by officers to ensure compliance with the LGPS regulations, and Invicta Law has given a favourable opinion.

5.5 The Committee is asked to agree that Purgo Supply Services Ltd (re Leigh Academies Trust) be admitted to the Fund.

6. Tascor Services Ltd

6.1 Tascor Services Ltd joined the Fund as Reliance Secure Task Management Ltd on 15 July 2008 as an admission body and exited on 28 January 2022. The company changed its name to Tascor Services Ltd (Tascor) in 2016. The Kent Police and Crime Commissioner (Kent Police) is the scheme employer.

6.2 The admission agreement makes Tascor responsible for any deficit although is silent on the treatment of any surplus.

6.3 Tascor's cessation report shows a surplus of £186k.

6.4 As per the LGPS regulations, any surplus paid is capped at the total employer contributions received which does not apply in this case.

6.5 Officers have established with Tascor that under their commercial contract it is Kent Police who were exposed to any underfunding risk on the cessation of their agreement which was confirmed by legal representation from Kent Police.

6.6 The Committee is asked to agree the surplus is allocated to Kent Police's notional Share of the Fund, (being £186k) less £2.2k of outstanding actuary fees payable by Tascor as advised by Barnett Waddingham.

7. Actuary procurement project

7.1 At their meeting on 26 June 2023 the Committee was advised it is proposed to re-tender for actuarial services with a likely start date in 2024/2025 and that a detailed update will be provided to Committee at their next meeting.

7.2 The Fund actuary is a key advisor to the Fund, providing daily advice on employer related matters, the triennial valuation (which certifies employer contribution rates), employer accounting reports and matters of Fund policy such as the Funding Strategy Statement. Given the critical importance of these activities in pursuit of the Fund's objectives, securing access to actuarial services is a regulatory requirement under the LGPS Regulations 2013.

7.4 The current Pension Fund actuary is Barnett Waddingham who were appointed on 1 November 2009.

7.5 The Fund is using a relevant framework from the Norfolk County Council-run National LGPS Frameworks platform for this tender which has 4 providers for actuarial services. The procedure will involve a further (mini) competition

amongst the 4 pre-selected suppliers who, between them, comprise the market for actuarial advice within the scheme.

- 7.6 The contract duration is 6 years with an optional 3-year extension. The contract length and extension period have been set so as not to coincide with critical points in the triennial valuation cycle, which would entail significant disruption. An estimated £3m is expected to be spent on this contract over 9 years (if the proposed extension option is exercised after the initial 6-year contract term) of which approximately 80% is recovered from Fund employers.
- 7.7 Fund officers have been working with KCC procurement colleagues and the Fund went to the market in September 2023 with bidders required to submit their responses in October 2023 leading to interviews and a presentation to the Committee Chair, Vice Chair and key officers on 3 November 2023.
- 7.8 An Intention to Award letter is to be issued on 14 November 2023, followed by a Standstill Period with the new contract for actuarial services starting on 1 February 2024.
- 7.9 It is proposed that the decision for awarding the actuarial contract is delegated to the Corporate Director of Finance in conjunction with the Committee Chair and Vice Chair and that a further update will be provided at the next meetings of the Committee and Board.

Steven Tagg, Senior Accountant Employer Governance and Compliance – Kent Pension Fund

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26 September 2023

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From: Chairman – Kent Pension Fund Committee
Corporate Director of Finance

To: Kent Pension Fund Committee – 26 September 2023

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 May to 31 July 2023.

Recommendations:

The Committee is asked to note the report.

REPORT SUMMARY

1. Performance
2. Recruitment
3. Project Updates
4. Overpayment Recovery and Write Off Limits
5. Communications and Support Update
6. Technical Updates
7. Training and Development

FOR INFORMATION**1. Performance**

- 1.1 During the period 1 May to 31 July 2023 a total of 15,526 new cases were received by the Pensions Team. This is a slight decrease of 515 from the previous period. 11,423 cases were completed during the period May to July. A decrease of 2,369 compared to the previous period. This is mainly attributed to the changes to the Superannuation Contributions Adjusted for Past Experience (SCAPE) factors and cases needing to be put on hold awaiting the release of new factors from the Government Actuary Department (GAD).
- 1.2 Although the number of outstanding cases has increased, average performance across all casework has improved slightly from 79% to 82%.

	Aug to Oct 2022	Nov 2022 to Jan 2023	Feb to Apr 2023	May to July 2023
Cases Open	13,226	12,193	14,364	16,029
Cases	17,334	14,777	16,041	15,526

Received				
Cases Completed	16,385	11,878	13,792	11,423
Cases Outstanding	13,448	14,266	15,741	19,085
Overall SLA Performance	84%	86%	79%	82%

2. Recruitment

- 2.1 In May the team welcomed five new **Pensions Assistants** to the team who have settled in well and successfully completed their initial onboarding training. The introduction of a number of new colleagues in one cohort does have an impact on the remainder of the team as they support with training and onboarding, however once they have progressed with their training, they will start to make a positive contribution to the success of the team.
- 2.2 Two new **Team Manager** positions have also been filled. With one being an internal promotion from the role of Deputy Team Manager and one an external candidate with significant management experience and previous pension scheme administration experience. The number of Team Managers has now increased from four to five, with the purpose of creating a 5th administration team. This was required to relieve some of the line management pressures on the existing four Team Managers. As the size of the team increased the number of direct reports to each manager also increased. From 1 October a new work allocation structure is being implemented to allow for more focus on priority areas.
- 2.3 The role of **Pensions Project Officer – Continuous Improvement** was filled during the period with the role reporting into the Senior Pensions Programme Manager. This role will allow the team to really focus on service improvements and innovations, and implement the changes required at pace.
- 2.4 **Appendix 1** details the current team structure including information on current vacancies.

3. Project Updates

- 3.1 **Benchmarking** – data has been submitted to CEM for the administration benchmarking. It is anticipated that the report will be provided by CEM by the end of September with the results being presented to Board and Committee in December.
- 3.2 **Police Pension Scheme Administration Exit** – the administration of the Kent Police Pension Scheme is being transferred to XPS with effect from 1 October. Project Board, Communications and Administration workstream meetings have commenced between the Pensions Team, Kent Police and

XPS. Updates will be added to the Kent Pension Fund website to keep members informed throughout the process.

3.3 **Guaranteed Minimum Pension (GMP) Rectification** – at the last Pension Fund Committee (and subsequent to the meeting) recommendations were accepted by the Committee as detailed on page 14 of Appendix 1. ITM have now completed the live run and issued the outputs. The report at Appendix 1 summarises the impact of changing GMP values. In total the data for 23,439 pensioner records were analysed, with 296 members having benefits recalculated, 2,171 members have their GMP only corrected, 4 members requiring manual calculations by the Pensions Section and 20,968 members not requiring rectification. For those requiring full rectification, this will take effect from the October payroll. Letters are being sent to affected individuals to explain the changes.

4. Overpayment Recovery and Write Off Limits

4.1 The number of pension overpayment write offs for the period 1 May to 31 July are set out below:

	May 2023		June 2023		July 2023	
	Number	Total	Number	Total	Number	Total
£200- £5,000	-	-	-	-	£2,135.88	1 member (x2 pensions)
£5,000- £50,000	-	-	-	-	-	-
£50,000+	-	-	-	-	-	-

4.2 Ongoing discussions are being held with Pensioner Payroll to establish the current process for suspending pensions following a death, how and when overpayments occur, and the process for reclaiming monies.

4.3 An Overpayment Recovery and Write Off Limits Policy is still being drafted with the view to present to Board and Committee in December.

5. Communications and Support Update

5.1 **Annual Benefit Illustrations (ABI's)** have been produced for 50,279 Active members and 48,976 Deferred members. These are sent to the home address held on member records. From 2024 Active ABI's will be published on Member Self Service, and the ABI's for Deferred members will be available online from 2025. This will remove the issue of members not receiving their ABI if they have not kept their address details up to date (a particular issue for Deferred members) and will make access to ABI's quicker also encouraging more members to use Member Self Service. For those that require a paper copy, these can still be posted upon request.

5.2 The team have planned an **iConnect** rollout programme to employers, with an aim to get all employers using iConnect to submit their data by the end of

2025. In April, the team successfully onboarded Capita which is a large payroll provider used by many of the scheme employers.

- 5.3 The move to **digital by default** is progressing, with members being informed of the intention to use digital methods of communication in the future. There is a legal obligation to notify members three times before using digital methods, and the first notification is included within the ABI for 2023. Members can, of course, choose to continue to receive correspondence by paper.
- 5.4 The team are planning to upgrade the **Member Self Service (MSS)** portal to the latest version offered by Heywood's in the first quarter of 2024. The updated version of MSS has a completely fresh look and has been designed to make this service easier for members to use. Member Self Service registration is growing steadily with activation letters done within a day or two of receipt, and majority of queries dealt with within two days.

	Active	Deferred	Pensioner
No. of registered users	4,384	2,687	2,984

6. Technical Updates

- 6.1 **SCAPE changes – updated actuarial factors** - since the last Pension Board meeting on 8 June, a further three batches of actuarial factors from the Government Actuary Department (GAD) have been issued. All of these are now live within the administration software.
- 6.2 **Annual Allowance** - work has been ongoing since May on preparing for the annual statutory exercise of notifying scheme members of their Pension Input Amount, where they have exceeded the Standard Annual Allowance in the Local Government Pension Scheme.

Since the end of the Year End Contribution Posting project, the team are now in a position to start undertaking the calculations for the scheme members identified as exceeding the Annual Allowance for 2022/23.

The deadline for sending statements to scheme members is 5 October 2023. It is anticipated that statements will start to be issued from 29 September 2023.

- 6.3 **McCloud ruling and the remedy in the LGPS** - On 8 September 2023, DLUHC laid [The Local Government Pension Scheme \(Amendment\) \(No. 3\) Regulations 2023](#) and published its response to the most recent McCloud consultation. It also published updated versions of the member factsheet (English and Welsh versions).
- 6.4 The regulations implement the McCloud remedy and change the existing underpin to ensure it works effectively and consistently for qualifying members. The regulations take effect from 1 October 2023.

6.5 The Local Government Association (LGA) are currently:

- reviewing the regulations and plan to issue guidance in the coming weeks.
- working on member communications

In addition, they plan to run McCloud pension surgeries at the end of October.

6.6 The LGA understand that:

- DLUHC will publish guidance on prioritisation and set up an implementation group to identify what other statutory guidance is needed.
- GAD is currently reviewing the actuarial guidance notes that will need to be updated.

7. Training and Development

7.1 The Training Officers are dedicating a proportion of their time establishing a Pensions Knowledge Hub on SharePoint. The Hub will eventually have every subject of pensions administration covered by the LGPS Regulations. It will be easily accessible for team members to view procedure notes, process videos and knowledge quizzes to enhance their learning and adapt formats to their individual needs. The Hub will be easy to update on Regulation changes and to review in line with Audit requirements. The content will be reviewed by the Technical Consultants on the team.

7.2 The Training Officers have also been working on producing 'learning pathways' for the Pensions Assistants and Pensions Administrators. The two pathways are an excellent overview of the subjects to be learned by team members and the route to obtain that knowledge. The pathways not only cover the learning of an administration subject but also when the checking of previously learned subjects should commence. The pathways will help the management team identify immediately gaps in knowledge and to actively manage this. The pathways are an excellent tool for management to map progress and development. It enables team members to feel ownership of their learning journey and career pathway. The Training Officers will be heavily relying on the pathways to assist in the planning and delivery of training for team members when the schedule is set.

Clare Chambers – Pensions Administration Manager – Kent Pension Fund

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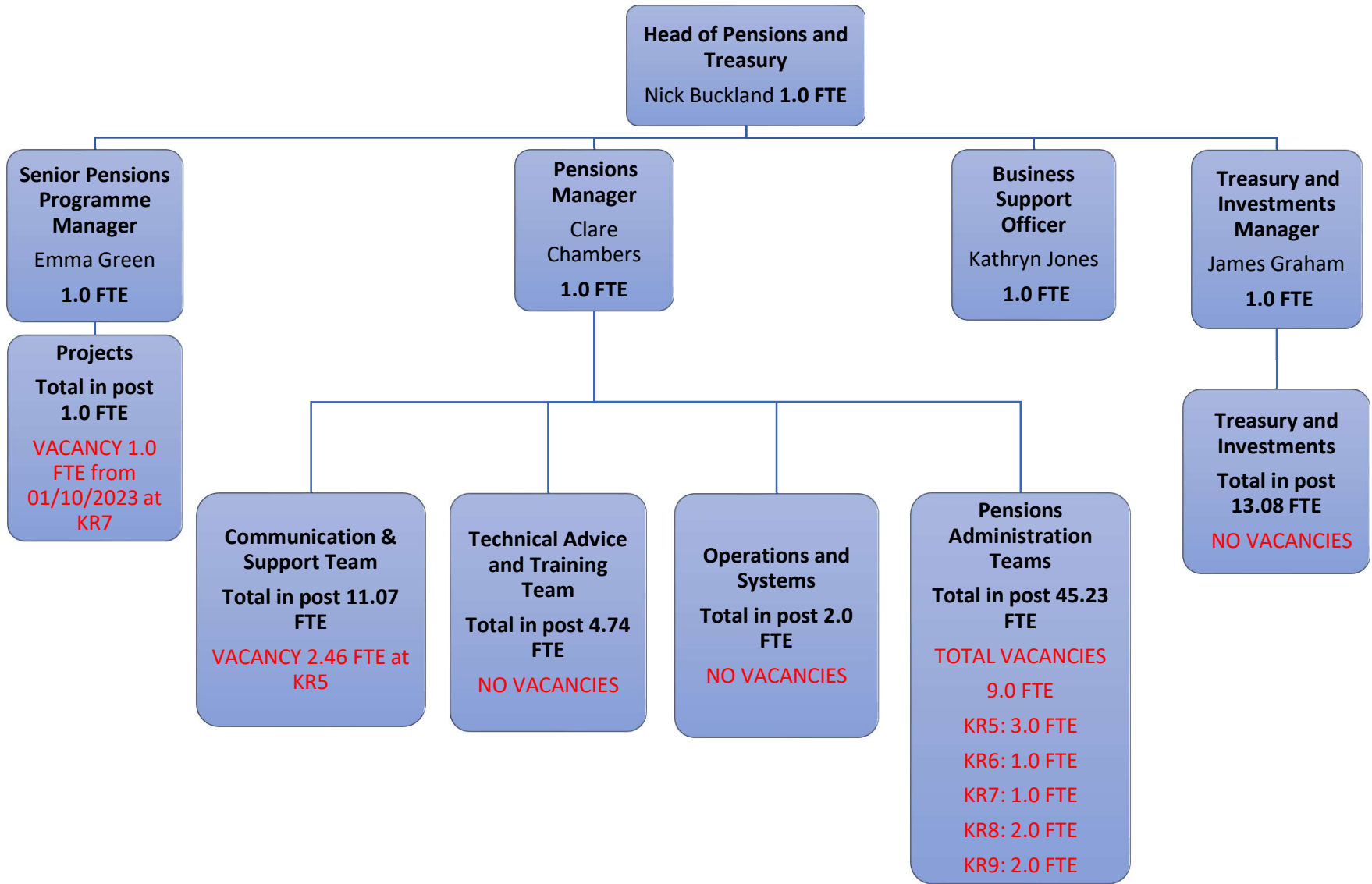
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September 2023

Appendix 1 – Team Structure Chart

Appendix 2 – Kent GMP Rectification – Final Results v1.0

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Page 29

GMP rectification – Final results for the Kent Pension Fund

*Prepared by Victoria Franklin
August 2023*

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What you wanted to achieve

We have been undertaking a GMP rectification project for the Kent Pension Fund. Following the dry run that we completed in June 2023 and subsequent analysis, we have now completed the live benefit rectification calculations.

This report summarises the impact of changing GMP values for your membership, and the calculation results that have been provided alongside this report.

This report provides you with:

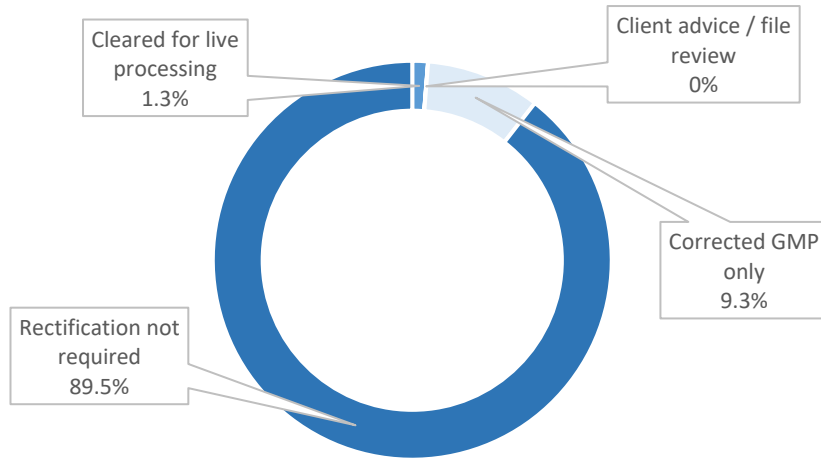
- ✓ Results of our analysis and calculations
 - + We've adopted HMRC's GMP where appropriate and recalculated benefits to the rectification date
 - + Our calculations have resulted in both under and overpayments
 - + We've summarised the results



Our key findings

We have applied corrected GMP values to all members where HMRC values were accepted or agreed with in the earlier reconciliation phase of GMP work. We then calculated the impact of this on members' benefits to create the results in this report. In total we used our calculation tool to analyse the pension data for 20,620 pensioners and 2,819 dependant members. Around 10% of the population reviewed required a correction.

1.3% of the total population have been fully rectified



- ✓ 296 members have had benefits recalculated (band 4)
- ✓ 2,171 members have corrected GMP only (band 3)
- ✓ 20,968 members did not require rectification (band 1 and 3)
- ✗ 4 members will need to be corrected manually as part of BAU (BAU)

Population

We defined our opening population of 23,439 pensioners over GMP payment age and dependant members as where one of the following conditions was met:

- + A decision was made for the case to accept HMRC's contracted out record and associated GMP.
- + The case had an exact match or within tolerance result in the GMP reconciliation/comparison projects. In general we would expect these members not to require rectification, however including them ensures any material changes since the original work (e.g. a member having changed status), or discrepancies between admin and payroll, are reassessed against the reconciliation conclusion.

Any pensioners and dependants where the admin position was accepted in the reconciliation work were excluded.

Rectification not required (bands 1 and 2)

Out of the 23,439 members analysed, 20,968 were determined to not require rectification as they fell into one of the following categories:

- + *Band 1*: either,
 - For a dependant, no difference was found at the WGMP becoming due on the original member's date of death (DOD)
 - For a pensioner, state pension age (SPA) was before the payroll extract date, and no difference was found at the GMP due date
 - For a pensioner, SPA was after the payroll extract date (GMP is therefore not yet in payment), the case was an exact match or within tolerance in the reconciliation work, and no new discrepancy was found
 - Cases where following a file review it was determined that the member was out of scope either because the admin GMP was accepted, or the member was deceased with no surviving spouse
- + *Band 2*: there is a difference between the scheme and HMRC GMP at GMP payment date (SPA/DOD), however it is within the £2 p/w tolerance level advised by HM Treasury in its easement guidance for public service pension schemes

Corrected GMP only (band 3)

There are 2,171 members where full rectification is not required, but corrected GMP will be provided:

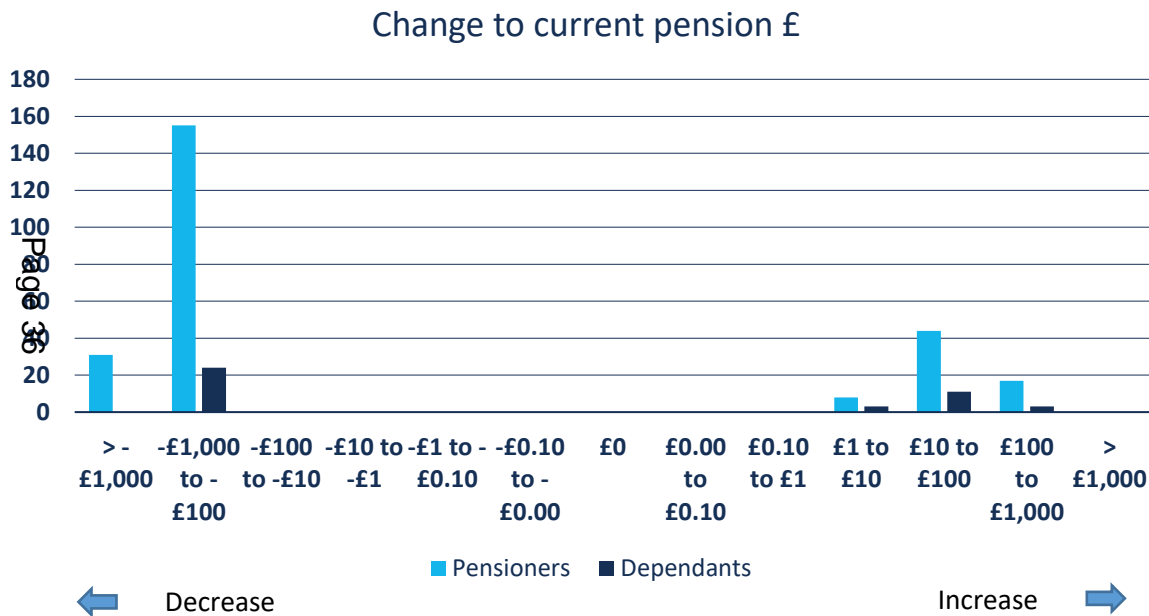
Category	Pensioners over GMP age	Dependants
SPA after payroll extract date	38	0
SPA after rectification date	308	0
SPA/DOD before rectification date but after April 2016	1,475	61
Retranche only as under trivial threshold	208	65
Retranche only to correct GMP on Altair	15	1
Total	2,044	127

- + *SPA after payroll extract date*: pensioners where HMRC was accepted in the reconciliation, their state pension age (SPA) is after the payroll extract date, and there is no GPD excess delta (i.e. the unrectified basic pension covers the rectified GMP at GMP age). Since the GMP is not yet in effect, full rectification is not applicable, however the GMP/excess split should be corrected.
- + *SPA after rectification date*: as above, but where SPA is also after the rectification date.
- + *SPA/DOD before rectification date but after April 2016*: where state pension age (pensioner) or date of death (dependant) is before the rectification date, a full correction would be due, but the case falls under the interim solution for GMP equalisation for public sector schemes, i.e. full Pensions Increase (PI) is due to the GMP in payment.
- + *Retranche only as under trivial threshold*: where the annual change to pension is below the trivial threshold of £120 per annum (overpayments only)
- + *Retranche only to correct GMP on Altair*: other cases where the GMP requires correction, but full rectification is not required

Members with recalculated benefits (band 4)

In total we used our calculation tool to recalculate the pensions for 255 pensioners and 41 dependants under band 4

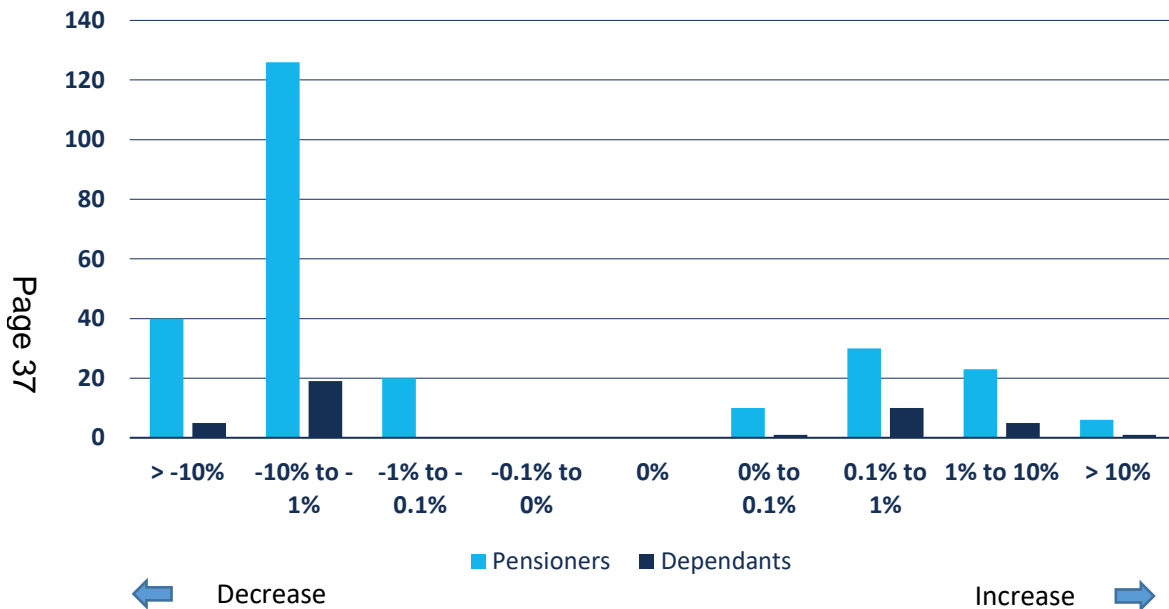
The final results are shown in the graphs below and show the change to the current pension as a result of accepting HMRC's GMP figure as correct.



	PENSIONERS	DEPENDANTS	%
> -£1,000	31	0	6%
-£1,000 TO -£100	155	24	35.5%
-£100 TO -£10	0	0	41%
-£10 TO -£1.01	0	0	3%
-£1.00 TO -£0.11	0	0	0%
-£0.01 TO -£0.10	0	0	0%
£0.00	0	0	0.5%
£0.01 TO £0.10	0	0	0%
£0.11 TO £1.00	0	0	0%
£1.01 TO £10	8	3	1.5%
£10 TO £100	44	11	9.5%
£100 TO £1,000	17	3	3%
> £1,000	0	0	0%
TOTAL	255	41	100%

The following diagrams show the same results broken down according to the percentage change projected to members' current pensions.

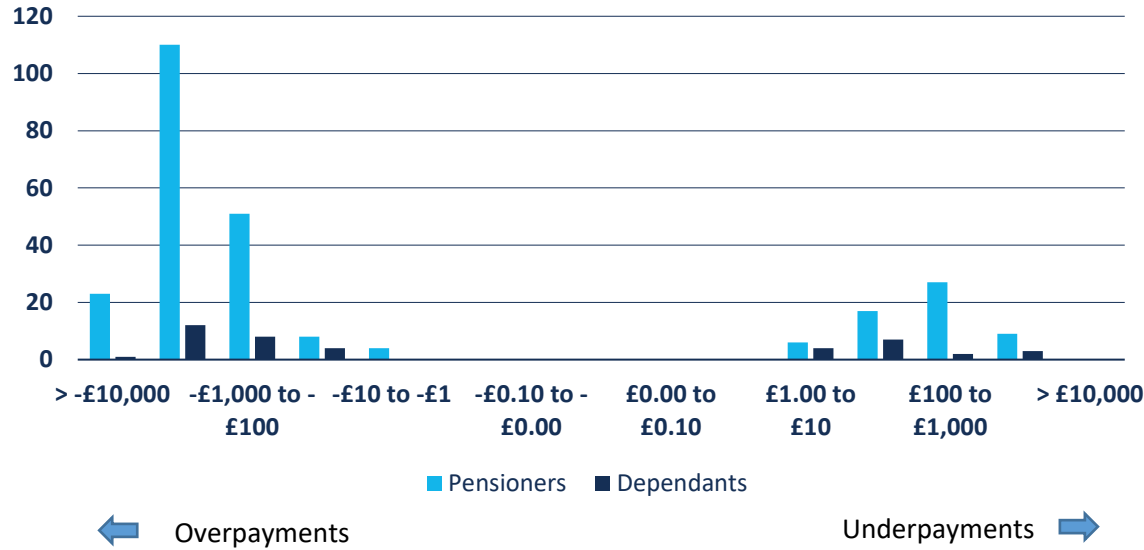
Change to current pension %



	PENSIONERS	DEPENDANTS
> -10%	40	5
-10% TO -1%	126	19
-1% TO -0.1%	20	0
-0.1% TO 0%	0	0
0%	0	0
0% TO 0.1%	10	1
0.1% TO 1%	30	10
1% TO 10%	23	5
> 10%	6	1
TOTAL	255	41

The results below show the spread of total historical underpayments and overpayments, with positive numbers showing underpayments and negative numbers representing overpayments.

Historical under and overpayment



	PENSIONERS	DEPENDANTS
> -£10,000	23	1
-£10,000 TO -£1,000	110	12
-£1,000 TO -£100	51	8
-£100 TO -£10	8	4
-£10 TO -£1.01	4	0
-£1.00 TO -£0.11	0	0
-£0.01 TO -£0.10	0	0
£0.00	0	0
£0.01 TO £0.10	0	0
£0.11 TO £1.00	0	0
£1.01 TO £10	6	4
£10 TO £100	17	7
£100 TO £1,000	27	2
£1,000 TO £10,000	9	3
> £10,000	0	0
TOTAL	255	41

Summary of pensioner adjustments

The table below details the total aggregate over/underpayments for the 255 pensioners where we have recalculated benefits.

		Change to current pension £pa	Change to current pension %	Historical underpayment/ overpayment £
Underpayment	Total	£6,009		£38,795
	Number of members	69	69	59
	Average	£87	2.65%	£658
	Maximum	£955	20.01%	£6,587
No change	Number of members	0	0	0
Overpayment	Total	-£106,768		-£770,837
	Number of members	186	186	196
	Average	-£574	-6.15%	-£3,933
	Maximum	-£2,385	-32.86%	-£22,832

Summary of dependant adjustments

The table below details the total aggregate over/underpayments for the 41 dependants where we have recalculated benefits.

		Change to current pension £pa	Change to current pension %	Historical underpayment/ overpayment £
Underpayment	Total	£1,045		£6,934
	Number of members	17	17	16
	Average	£61	2.51%	£433
	Maximum	£395	20.59%	£4,014
No change	Number of members	0	0	0
Overpayment	Total	-£6,690		-£49,682
	Number of members	24	24	25
	Average	-£279	-8.32%	-£1,987
	Maximum	-£787	-33.12%	-£11,705

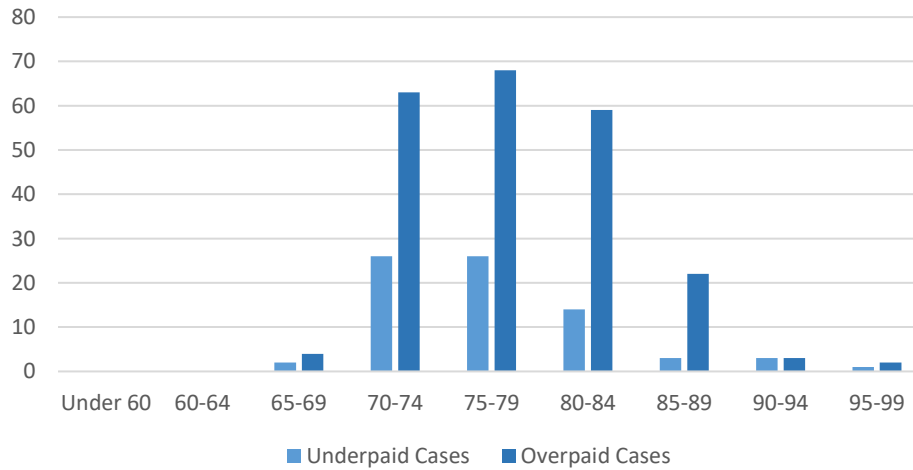
Age Bandings

The table and graphs below show the total population of pensioners and dependants broken down into age bandings.

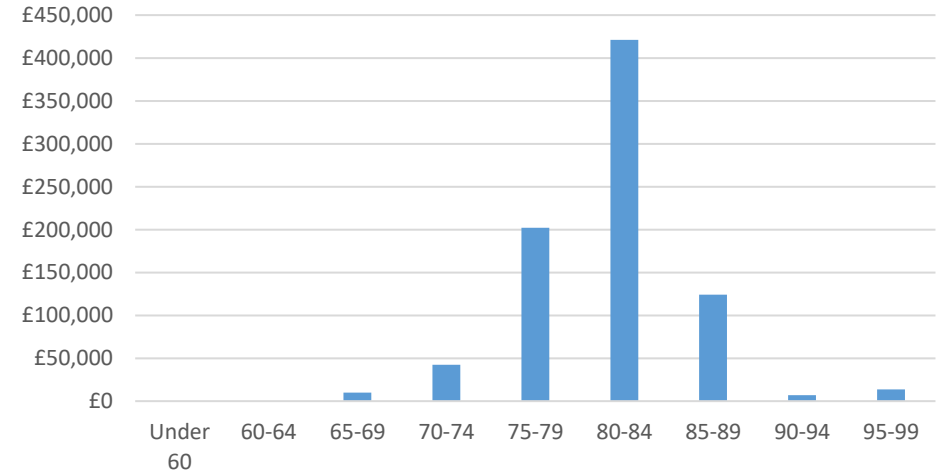
Age Banding	Underpaid cases	Total pension increase	Overpaid cases	Total pension reduction
Under 60	0	£0	0	£0
60-64	0	£0	0	£0
65-69	2	£2,048	4	£10,057
70-74	26	£4,244	63	£42,570
75-79	26	£12,374	68	£202,031
80-84	14	£17,506	59	£421,079
85-89	3	£5,142	22	£124,185
90-94	3	£1,293	3	£6,898
95-99	1	£3,121	2	£13,699
Total	75	£45,728	221	£820,520

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Population



Total pension reductions



Final decisions for live processing

Following the dry run, the following decisions were confirmed by the Fund and were used in the live calculations. They are detailed on the GMP Rectification Decision Log:

Decision		Comments/Action		
D1	Is it acceptable that members who are 'no liability' are entirely excluded (and hence treated as if they are also in Band 1)?	→	No liability members to be excluded.	✓
D2	Is it acceptable to apply the easement and remove these members from the population that are submitted for rectification processing?	→	Easement guidance to be applied.	✓
D3	Is it acceptable to operate a trivial threshold?	→	Trivial threshold of £120 per annum for overpayment cases.	✓
D4	Is a trivial threshold for underpaid members acceptable?	→	No trivial threshold for underpayment cases.	✓
D5	Is it acceptable to not attempt to take account of the impact of incorrect GMP on a deceased member's pension, and hence on the dependant's initial pension level, for the reasons set out in column D?	→	The impact of incorrect GMP on a deceased member's pension and hence on the dependant's initial pension level, will not be taken account of during rectification.	✓
D6	Will underpaid pensions in payment be corrected? If so, how?	→	All underpaid members will have their pension increased to the correct level.	✓
D7	Will historic underpayments be paid to members?	→	All historic underpayments due to members will be paid as a single arrears payment.	✓
D8	Will interest be applied to historic underpayments?	→	Interest will be applied in line with LGPS regulations.	✓

D9	Will overpaid pensions in payment be corrected? If so, how?	→	All members being overpaid will have their pensions reduced to the correct amount, unless they are within the trivial threshold of £120.	✓
D10	Will historic overpayments be clawed back, and will interest be applied? (This includes potential 'edge cases' where the effect of the rectified GMP changes over time, leading to a historic overpayment but increase in current pension.)	→	Historic overpayments will not be recovered, in line with other public sector clients.	✓
D11	What is the correction date for underpaid pensioners?	→	Rectification date is 30/09/2023, with corrections to be paid in the October payroll.	✓
D12	What is the correction date for overpaid pensioners?	→	Rectification date is 30/09/2023, with corrections to be paid in the October payroll.	✓
D13	What data fields are needed for member communications?	→	ITM have provided an example output with this report; Kent have confirmed no additional fields are required.	✓
D14	How should members who reach SPA during live processing be treated?	→	ITM would process these members as being under SPA. Checks that the correct GMP was brought into payment at SPA will need to be done under business as usual by the administration team.	✓
D15	How should members whose death is notified to the administration team during live processing be treated?	→	ITM to calculate all members and the administration team will review any cases where they have been notified of a death.	✓
D16	Cut off date for interest rate changes	→	Any changes to the Bank of England base rate from 01/07/2023 won't be	✓

			incorporated into the live run underpayment calculations.	
D17	Is a new payroll element required to record the arrears payment?	→	Element for arrears to be paid under - 054	✓



Outputs provided

Altair interface files

The following files were provided for updating members on Altair.

File Name	Description	Members included
Kent LGPS Altair GMP Details Extract	Altair interface file for updating the reconciled GMP at GPD or DOD	<ul style="list-style-type: none">• Pensioners being fully rectified from GPD• Dependants being fully rectified from DOD• Cases under the trivial threshold• Full indexation cases where our rectification tools show a difference outside the HM Treasury easement tolerance (i.e. cases that would be fully rectified, were full indexation not apply)• Pensioners over GPD but under SPA in the latest member extract, where HMRC was accepted in the reconciliation
Kent LGPS Altair Current GMP Extract	Altair interface file for updating the reconciled GMP at Current Date (rectification date)	<ul style="list-style-type: none">• Pensioners being fully rectified from GPD• Dependants being fully rectified from DOD• Cases under the trivial threshold• Full indexation cases where our rectification tools show a difference outside the HM Treasury easement tolerance (i.e. cases that would be fully rectified, were full indexation not apply)
Kent LGPS Altair GMP Rectification Extract	Altair interface file for updating the pension and payroll elements	<ul style="list-style-type: none">• Pensioners being fully rectified from GPD• Dependants being fully rectified from DOD

Results files

Additional files were provided to provide the full results and assist with communications.

File Name	Description	Members included
Kent LGPS Merge Fields for Letters	File including the fields for communications	As per the Altair GMP Rectification Extract file, cases split as described in the Summary tab.
Kent LGPS Rectification Details	Live run rectification results per member	As per the Altair GMP Details Extract file. For pensioners under SPA, the current rectified values will be the at SPD HMRC figures.
Kent LGPS Rectification Audit Trail	Rectification position for each member following live run	Listing of every pensioner above GPD and dependant record, showing the reconciliation and rectification results
Kent LGPS Extreme Cases	Outlier cases that you may wish to review	Cases where we did not have any specific data queries following the live run analysis, however the rectification calculation has led to a big change. We advise you review these to confirm if any should be taken out of the live run. Outliers already reviewed following the dry run have not been included in the live run file.
Kent LGPS Client Advice	Client advice following live run analysis	Cases that we cannot process in the rectification project and will need to be corrected under BAU.
Altair Reconciliation and Rectification Interface Guidance v2.2	Additional guidance in respect of the Altair data extracts we provide for GMP reconciliation and rectification	N/A

Appendix A – Calculation method and bandings

Our standard rectification method for pensioners over GMP age and dependants involves the following steps:

- + The pension elements currently in payment are 'rolled-back' (reversing the pension increases) to GMP payment date for pensioners and original member's date of death (DOD) for dependants.
- + A check is performed to ensure that the pension payable from GMP payment date through to state pension age (SPA) is at least equal to GMP.
- + The HMRC GMP is brought into payment from SPA and the excess is adjusted as necessary.
- + The reconciled GMP and the adjustment to the excess are 'rolled-forward' (re-applying the pension increases) to the current date.
- + The corrected current pension and any historic underpayment or overpayment arising between the GMP payment date and the present date are determined.

Each member rectified will fall into one of four bandings:

- + Band 1 – No rectification required
- + Band 2 – HM Treasury easement for within £2 p/w at SPA/DOD
- + Band 3 – No change to total pension in payment, change to GMP/excess split only
- + Band 4 – Standard correction from GMP age/DOD

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From: Chairman – Kent Pension Fund Committee
Corporate Director of Finance

To: Kent Pension Fund Committee – 26th September 2023

Subject: McCloud Update

Classification: Unrestricted

Summary:

This report brings Members up to date with preparations being made by the team for the McCloud Remedy. The report outlines concern that Remedy guidance and information is still awaited from the Department of Levelling Up, Housing and Communities (DLUHC) and that manual calculations will be required until the Fund's platform provider updates the administration platform. These delays will create a backlog in cases (that cannot be resolved as formulaic data missing from DLUHC), which will affect future resource availability.

Data from the Fund's 680+ Employers is currently being sought at pace, currently impacting available resource due to the level of enquiries received and the complexity of the regulatory framework. The external supplier to be selected from the Data Rectification Procurement, will validate and upload the data being collected from scheme Employers.

Where member data cannot be provided by scheme Employers and decision-making is required, guidance will be sought from advice issued by the Scheme Advisory Board (SAB). Where scheme members disagree with assessments made, they will be asked to supply written evidence to the contrary. An escalation process will be established.

Recommendations:

The Board is asked to note the report, in particular the resource implications and progress to-date.

FOR INFORMATION

1. Introduction - The McCloud Judgement

- 1.1 When the LGPS changed from a final salary to a career average pension scheme in 2014, members who were within 10 years of their Normal Pension Age (usually age 65) on 1 April 2012 were provided with a protection called the 'Statutory Underpin'. When a protected member was due to take their pension, the benefits payable under the career average and final salary schemes were to be compared and the higher amount to be paid. Similar protections were to be provided in other public pension schemes.

- 1.2 In December 2018, the Court of Appeal ruled that younger members of the Judges' and Firefighters' Pension schemes had been discriminated against because the protections did not apply to them. The government decided that the general principles established would apply to all public sector pension schemes.
- 1.3 The new Regulations will provide younger members with a protection equal to the underpin protection provided to older members, to remove the discrimination.

2. End of Consultation Period

- 2.1 The latest consultation period closed on 30 June 2023 for some items not fully explored in the first McCloud Remedy Consultation. In their June consultation response, the Local Government Association (LGA) expressed concerns about timings, namely delays to the issue of information from DLUHC. These concerns about information delays from DLUHC are also shared by Officers of the Fund.
- 2.2 The consultation that closed on 30 June 2023 sought views on what the rules should be for applying the Remedy. Five areas were considered:
 - **Aggregation** – Whether a member with multiple LGPS memberships has underpin protection in some or all of their memberships.
 - **Club Transfers** – Whether a member with previous membership of another public service pension scheme has underpin protection in respect of their LGPS membership.
 - **Flexible Retirement** – How the underpin should work in respect of Flexible Retirement, particularly for cases of 'partial' Flexible Retirement, where a member does not take all their accrued career average benefits.
 - **Divorce** – How the scheme's divorce and underpin calculations interact.
 - **Injury Allowances** – How a retrospective increase to a member's pension arising from McCloud remedy may impact any Injury Allowances payable.
- 2.3 The consultation also sought technical comments on:
 - **Excess Teacher Service** – The retrospective admission to the LGPS of certain teachers who have multiple employments.
 - **Compensation** – The circumstances where a member may be paid compensation where they have suffered a loss relating to the age discrimination found in the McCloud case or the McCloud remedy.
 - **Interest** – The interest terms that will apply where payments are made later than would have been the case, due to the McCloud discrimination.

3. The New Regulations

- 3.1 It is the government's intention for the new legislation to be in place by October 2023, with the Regulations backdated to 1 April 2014.

- 3.2 The proposed changes mean that a revised underpin (period 1 April 2014 to the earlier of 31 March 2022, the 2008 Normal Pension Age or date of leaving) will apply to all members, regardless of their age, who:
- Were active on or before 31 March 2012.
 - Build up benefits in the 2014 Scheme.
 - Do not have a disqualifying break (without a break of more than five years).
- 3.3 A comparison of the member's 2014 Scheme benefits against the 2008 Scheme benefits they have accrued over the same period is performed, and if greater, the underpin will be automatically applied.

4. Release of Legislation & Guidelines

- 4.1 On 8 September 2023, DLUHC laid The Local Government Pension Scheme (Amendment) (No. 3) Regulations 2023 and published its response to the most recent McCloud consultation. It also published updated versions of the member factsheet (English and Welsh versions). The regulations implement the McCloud remedy and change the existing underpin to ensure it works effectively and consistently for qualifying members. The regulations take effect from 1 October 2023.
- 4.2 We are currently awaiting guidance documentation and member communication information. We have been advised by the Local Government Association that DLUHC will publish guidance on prioritisation and set up an implementation group to identify what other statutory guidance is needed. Furthermore, we understand that the Government's Actuary Department is currently reviewing the actuarial guidance notes that will need to be updated.
- 4.3 The implication of the above is that Kent Pension Fund (or any other LGPS funds) cannot prepare calculations or start casework until received.
- 4.4 Officers in Kent Pension Fund have also been advised by Heywood's (provider of the Fund's administrative system) that functionality updates to the administrative system (Altair) will not be available until 2024. Consequently, any calculations will need to be undertaken manually until system updates are made by Heywood's, adding to the resource required to deal with queries.

5. Member Records & Liaison with Employers

- 5.1 Officers have started the task of obtaining post 1 April 2014 hours and service break data from the 680+ scheme Employers in Kent Pension Fund. Given the nature of the McCloud Remedy, the data being sought relates to information from the last 10 years.

- 5.2 As per Table 1 below, '*Member Records & Employer Liaison*' is split into four distinct phases. The data has been requested from Employers since 30 June 2023, for return by 30 September 2023.
- 5.3 Whilst the eligible members are those that were active on or before 31 March 2012, the Scheme Advisory Board have recommended that all member data be collected for active members from 1 April 2014 onwards. This is because members may become in scope for the underpin in the future.
- 5.4 The approach currently being taken by Officers is therefore:
- Analysis of member data to identify all members who were active on or from 1 April 2014.
 - All identified members part time hours and service breaks data requested from employers,
 - Data upload into Altair
 - Monitoring via a master log of requests issued, replies received, and chasers sent on Kent Pension Fund systems.

Table 1: Member Records & Employer Liaison, project phases.

Phase 1: Data Collection (in-house: June – Sept)
<ul style="list-style-type: none"> • Analyse & identify members. • Request data from employers • Chase employers for late / non submission • Recommend resolution for missing data in accordance with Scheme Advisory Board guidance and escalate for decision.
Phase 2: Data Validation & Upload (with Data Rectification Supplier: from October 2023)
<ul style="list-style-type: none"> • Data Quality verification • Query missing data / data anomalies with employers • Upload verified member data. • Escalate missing data / poor quality data for decision
Phase 3: Adjust Affected Members (with Data Rectification Supplier: from October 2023)
<ul style="list-style-type: none"> • Calculate extended underpin and record results. • Adjust affected members records and reimburse where necessary. • Manually process non automatic cases (e.g., aggregation)
Phase 4: Ongoing Record Maintenance (in-house: ongoing)
<ul style="list-style-type: none"> • Adjust processes to include collecting ongoing part-time and service break data. • Ensure ongoing Benefit Crystallisation Events – (i.e., when a pension is paid) and periodic calculations amended to incorporate new requirements. • Underpin included in 2025 Annual Benefit Illustration

5.5 Some Employers have expressed concerns that they do not hold all the data that is being requested. Where data is not available the team will be making informed assessments based upon current processes, the information available and the guidance issued by the Scheme Advisory Board. Should scheme members disagree with the findings, they will be asked to provide written evidence to the contrary. An escalation process will be established to deal with complaints.

6. **Data Rectification Procurement**

6.1 Through July and September 2023 the team have progressed the Data Rectification Procurement. Proposals from potential suppliers have been received and reviewed, through liaison with KCC's Procurement Team.

- 6.2 Procurement was undertaken via the National LGPS Framework Agreement. Several responses to the Invitation to Tender were received from those on the Framework.
- 6.3 The team will be working with the new contracted supplier to validate the data required for the McCloud Remedy. They will also be working with the new supplier on a new Data Quality Plan.

7. Record Maintenance

- 7.1 The new Regulations require an underpin calculation to be performed at the 2008 Scheme Normal Pension Age (NPA), as well as at leaving and at the Benefit Crystallisation Event date (the date benefits are brought into payment).
- 7.2 A report will need to be run periodically to identify those eligible members at their Normal Pension Age, so that pay data can be requested from their employer. Once received, an underpin calculation can be performed and the results stored.
- 7.3 All employers have been made aware that they must provide hour change and service break information going forwards. For employers using iConnect, employers will return this information monthly. The forthcoming iConnect release will task an employer to provide any 2008 Normal Pension Age pay information.

8. Messaging & Communication by Kent Pension Fund with Employers

- 8.1 Active and Deferred Scheme Members have been informed via recent newsletters that there is no need for action from them as information is being provided by Employers in the Fund.
- 8.2 A McCloud article was included in the Employers Update in June 2023 and will be included in the September and December 2023 newsletters. The June 2023 Employer Forum also explained the plans for the data collection.
- 8.3 It will be important to simultaneously inform both employers and scheme members of any changes in the Regulations due to the consultation. It is intended that information will be included in future Employer Updates and on the website. All Scheme Advisory Board and Local Government Association information materials will be used where applicable.

9. Governance & Training

- 9.1 Weekly reporting is used to monitor the data received from scheme Employers. Queries are logged, together with any actions and responses to ensure timely and complete replies.

- 9.2 A detailed procedure will be developed for the handover of data to the supplier that wins the Data Rectification Procurement contract. It is intended that work with the new Data Rectification Supplier will commence in Autumn 2023.
- 9.3 A training plan has been prepared to update Officers working in the Pensions Section. The in-house training is due to take place from late September through to November and will cover the impacts and implications of the McCloud Remedy changes. The purpose of the training is to help the team respond to enquiries from scheme members and employers, and perform future underpin calculations.

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From: Vice-Chairman Kent Pension Board
Corporate Director of Finance

To: Pension Fund Committee – 26 September 2023

Subject: Pension Board update

Classification: Unrestricted

Summary:

This report summarises the Board meeting that took place on 6 September 2023.

Recommendation:

The Pension Fund Committee is asked to note the update from Pension Board.

FOR INFORMATION

1. Background

1.1 This briefing note has been prepared as a summary of the discussions at the meeting of the Pension Board on 6 September 2023, which was chaired by the Vice-Chair in the Chairman's absence.

2. Pension Board – 6 September 2023

2.1 At its meeting on 6 September 2023 the Kent Pension Board considered a varied agenda, and a number of the key items are considered below.

3. Detailed update on Pensions administration including a review of the Key Performance Indicators.

3.1. The Pensions Administration manager updated the Board on the key issues that were impacting the Administration team, and the plans for the future development of the service.

3.2. The Pensions Administration manager highlighted the work that the team were doing across all aspects of administration, including communications, working with employers, embedding the "digital by default" approach. She commented on good progress that had been made, and the Board asked a number of questions on this. The Board was very grateful for the detailed responses received and commended the team for the great work that had been undertaken in the last year.

4. Update on the work of the Pension Fund Committee

4.1. The Head of Pensions and Treasury, in the absence of the Chairman of the Pension Fund Committee updated the Board on the work of the Committee in

recent meetings. He specifically the ongoing review of the Fund's Investment strategy which is being considered by the Committee on today's agenda. He also advised the Board on the work the Committee and Responsible Investment Working group had been progressing in this area. He noted developments within ACCESS and commented on the overall strong performance of the Kent Fund over the last three years.

5. Governance and Policy updates

- 5.1. The Head of Pensions and Treasury noted that the implementation of the recommendations of the Barnett Waddingham review were now largely complete, and he commented on the reason behind those areas that were not yet fully complete. He also noted that he was very pleased with the way the governance review had been undertaken and accepted by the Fund and commended officers and members for their recognition that good governance was essential to managing the Fund effectively.
- 5.2. He highlighted the work that was currently underway to continue to ensure that good governance practices are followed; he proposed that an independent review of the Fund's current practices may be appropriate in 2024.

6. Business Plan and Risk-Register

- 6.1 The Board considered a summary of the updates to the Fund's Business Plan and Risk Register. Officers are working to develop a report that enables the Board to clearly see the updates to both without being unwieldy and this remains a work in progress. However, the Board were comfortable with the minor updates presented. The Board were assured that officers will be reviewing and refreshing the detailed risk register ahead of the next set of meetings.

7. Cyber Security

- 7.1. The Board considered a paper on Cyber Security and the approach that the Fund was taking to manage the risks. The training session was highlighted with support from Mercer. Board members were pleased to see that this key area was being taken seriously and commended the workplan.

8. LGPS Investment Consultation

- 8.1 The Board received a briefing on the DLUHC consultation of LGPS investment and were invited to send officers any thoughts and comments.

Nick Buckland, Head of Pensions and Treasury

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From:	Chairman Pension Fund Committee Corporate Director of Finance
To:	Pension Fund Committee – 26 September 2023
Subject:	Investment Performance and Asset Allocation - 30 June 2023
Classification:	Unrestricted

Summary:

To provide a summary of the Fund's asset allocation, performance, manager activity and cashflow.

Recommendation:

The Committee is asked to note the report; and to:

1. Agree that the Fund's asset allocation should not be changed in accordance with the Fund's rebalancing policy (para. 1.4); and
2. Agree to sell the property referred to as "Plot of Land at Peterborough" through agents at best value for the Fund, and to delegate the disposal after taking proper advice to the Head of Pensions and Treasury in consultation with the Chairman of the Committee (para 3.3).

FOR DECISION

1. ASSET ALLOCATION

- 1.1 At each meeting, the Committee reviews the Fund's asset allocation based on the agreed rebalancing policy which includes tolerance ranges set sufficiently wide so that a degree of flexibility remains. The rebalancing policy is based on high level asset categories: equities, fixed income, alternatives, and cash.
- 1.2 In addition, members need to continue to consider the Fund's cashflow requirements in deciding whether to invest and reduce the cash balance.
- 1.3 The actual allocation compared with the benchmark and agreed tolerance ranges as at the end of July 2023 is shown in the following table. The Committee is asked to consider the Fund's asset allocation based on the position on 31 July 2023.

Fund Position on 31 July 2023	Actual allocation	Actual allocation	Benchmark	Agreed ranges
Asset Class/Fund Manager	£m	%	%	%
Equity	4,618	59.3	55.5	48 - 63
Schroders GAV	415	5.3		
IMPAX Funds	73	0.9		

Baillie Gifford	1,138	14.6		
M&G Global Diversified	542	7.0		
Sarasin	386	5.0		
Insight- Global Synthetic Equity	401	5.2		
Schroders UK Equity	1,181	15.2		
Woodford Equity	2	0.0		
Insight - UK Synthetic Equity	400	5.1		
Insight - Equity Protection & Collateral	80	1.0		
Fixed Income	1,127	14.5	15.0	10 - 20
Goldman Sachs	394	5.1		
CQS	236	3.0		
M&G Alpha Opportunities	255	3.3		
Schroders Fixed Income	242	3.1		
Others	1,980	25.4	28.5	18.5-38.5
Ruffer	178	2.3		
Pyrford International	379	4.9		
DTZ	499	6.4		
Fidelity International	142	1.8		
Pvt Equity, Infrastructure & Property Funds	782	10.0		
Cash	59	0.8	1.0	0 - 5
Total	7,784	100.0	100	

1.4 Within its equity allocation, the current asset allocation is currently biased towards global equity and underweight UK equity versus the strategic asset allocation. Notwithstanding this, the overall (combined) equity allocation is within the formal tolerance ranges established under the Fund's Investment Strategy Statement. Moreover, the Committee is due to finalise the review of the strategic asset allocation at today's meeting. Therefore, no rebalancing is recommended at this stage. All other asset classes remain within their target allocation ranges.

2. PERFORMANCE

2.1 A copy of the latest Fund Position Statement as at 30 June 2023 is at Appendix 1

2.2 Investment performance quarter to 30 June 2023

2.2.1 UK Equities were broadly flat over the quarter. High and persistent inflation as well as rising interest rates have hurt investor sentiment in many sectors such as property and housebuilding although a more resilient UK economy has led to consumer facing stocks perform well. Schroders' UK portfolio performed slightly ahead of the benchmark and returned -0.56% against the MSCI UK index return of -0.72%.

2.2.2 Global equities rose on the back of better-than-expected economic growth although performance has been led by a small group of US technology

companies, particularly those benefiting from developments in Generative AI. Apple, Alphabet, Amazon, Meta, Microsoft, NVIDIA, Tesla were responsible for almost all the rally. As a result, US equities were the best performing region although Emerging markets, Japan and Eurozone all delivered modest gains. The MSCI World index returned 3.26% this quarter.

2.2.3 Against this backdrop, the Fund's active global equity managers who do not hold these positions in the same proportion to the index due to their different investment styles, lagged the benchmark returns this quarter. The exception to this was the Fund's largest mandate; growth manager Baillie Gifford, which benefitted from its exposure to growth stocks in the tech sector and returned 1.85%. As the Baillie Gifford portfolio has a customized benchmark to reflect its higher regional allocations, its performance was compared to a lower benchmark return of 1.73%. Sarasin was the top performer with 2.33% return.

2.2.4 Following the failure of two regional US banks as well as Credit Suisse in Q1, the prospects for a systemic banking crisis subsided somewhat over the quarter and credit spreads narrowed. Meanwhile central banks continued to raise interest rates to combat persistent inflation. This environment favoured fixed income managers with a focus on exploiting credit risk premia. Accordingly, the Fund's two multi asset credit managers (M&G and CQS) performed well this quarter, beating the cash benchmark of 1.02% comfortably, whilst GSAM and Schroders (who target interest rate risk in addition to credit within their investment strategies) performed less well and failed to meet the benchmark returns.

2.2.5 The property market remained muted with capital values falling but performance was held up by income. Total return for the MSCI property index was 0.91% with alternative and industrial sectors leading the way with high total returns and office sector suffering losses. The property managers mainly outperformed the benchmark with the exception of Fidelity which saw negative returns of -0.7% due to its relatively high allocation to the office sector. M&G was the best performer with returns of 1.3% from their residential strategy.

2.2.6 The rise in the global equities meant that the equity protection program lost £126m during the quarter, but the fall was offset by the rise in physical equities held by the Fund.

2.2.7 Both the absolute return managers underperformed against the RPI linked benchmark and the private equity and Infrastructure mandates also underperformed over the short term.

2.2.8 Overall, during the quarter, the Fund returned -1.37%, underperforming against its benchmark return of 1.63%.

2.3 Longer term performance

2.3.1 For the year ended June 2023, the Fund achieved a return of 1.95% against a benchmark return of 5.08%, an underperformance of 3.13%.

2.3.2 As noted above, equity returns in 2023 have been concentrated in a handful of technology stocks to a large extent. The Fund has some exposure to these names, particularly within the Baillie Gifford mandate, but overall, the

composition of its equity allocation is more diversified, which has had a negative impact for performance over the year to date, in relative terms.

- 2.3.3 The Fund's fixed income managers have generally performed well over the past twelve months, with all achieving above benchmark returns except for Schroders.
- 2.3.4 Property assets have made the largest negative contribution to performance over the last 12 months even though all of the Fund's property managers have delivered better results compared to the benchmark return of -17.12%. M&G's residential fund has been the best performer over this time horizon with positive returns of 0.69%.
- 2.3.5 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.
- 2.3.6 Over three years, the Fund has underperformed its benchmark with an annualised return of 5.65% per annum compared to the benchmark return of 7.57% p.a. As some of the mandates have a benchmark linked to RPI which has been extremely high over the last year, this has contributed to the inflation of the Fund's benchmark for the longer time periods and impacted the Fund's relative performance.

3. MANAGER ACTIVITY

3.1 Fund extensions

- 3.1.1 During the quarter the Fund received two separate requests from HarbourVest and Partners Group for approval of a short extension to the HIPEP VI (HarbourVest) Fund and the Partners Group 2009 Fund, respectively. Kent's exposure to these funds is £18m and £7.4m respectively.
- 3.1.2 This is a common occurrence in Private Equity and Infrastructure Funds which are usually closed ended funds and have a finite amount of time to dispose of the assets to return the proceeds to the investors. Often there is a tail end of assets that are harder to dispose of, particularly in time of adverse market conditions, when managers prefer to extend the term of the Fund to avoid a distress sale and achieve a better outcome for investors. This is usually accompanied by a discount or waiver of manager fees during the extended period.
- 3.1.3 As the dates for voting for or against the proposals were before the committee meeting date, officers utilised the urgent decision process outlined in the Committee's Terms of Reference to obtain approval from the Chair and Director of Finance. In both the cases the recommendation to vote for the extension was supported by the Fund's investment consultant Mercer.

3.2 M&G Residential Fund

- 3.2.1 The Pension Fund has a direct investment in the M&G UK Residential Property Fund (UKRPF) valued at £69m as at the end of June, which amounts to around 9% of Fund's £784m property allocation at that time.

- 3.2.2 The liquidity terms of the Fund's property investments are ordinarily heavily constrained, but the M&G prospectus provides for a "liquidity window" every five years, which enables investors to redeem their holdings without being subject to the scale back provisions that normally apply. The fund's second such liquidity window was open and closed on 31 August 2023.
- 3.2.3 The Fund does not have any fundamental concerns with the M&G UKRPF, which Mercer continue to rate highly, however DTZ recommend partially redeeming the holding to potentially invest the proceeds in the L&G Build to Rent Fund, which is another vehicle within the private residential sector space that DTZ judge to have superior return prospects over the medium term.
- 3.2.4 Given DTZ's subject matter expertise and proximity to the market, officers were minded investigating the opportunity further with Mercer. Mercer were supportive of the Fund submitting a partial redemption request during the liquidity window (and by 31 August), equivalent to 50% of the current investment value (equating to £34.5m).
- 3.2.5 Given that the liquidity window expired before the next meeting of the Pension Fund Committee and given that there is a clear governance route for considering the redemption recommendation under urgent decision protocols, officers approached the chair and director of finance who approved the recommendation for partial redemption and submitted the redemption request within the timeframe of the liquidity window.
- 3.2.6 There is a sequential decision around what to do with the redemption proceeds, and the recommendation is to not immediately create a new investment in the L&G Build To Rent Fund but consider where to allocate the proceeds following a broader review of the property portfolio over the next 12 months. The Committee is asked to agree this recommendation.

3.3 Plot of land at Peterborough

- 3.3.1 The Pension Fund has a small piece of land in Peterborough which was part of agricultural portfolio managed by Cluttons. Although the portfolio was sold a small piece of land remains in the Fund's ownership.
- 3.3.2 The land is too small to be managed by DTZ and has never formally been part of their portfolio although DTZ have helped us with the maintenance of the land through contractors, which annually costs the fund approximately £500.
- 3.3.3 DTZ have been approached by the neighbour of the land several times to complain against the lack of maintenance of the property and to request clearing the overgrown vegetation which they cannot clear themselves due to a fence restricting access to the land. The neighbour has also expressed an interest to buy the land as it is adjoining their own property.
- 3.3.4 In 2021, at the officers' request, DTZ commissioned an independent planning and marketing appraisal and obtained indicative values for the plot of land which were in the range of £160k with and £80k without planning permission for a detached 4-bedroom property. Officers have also requested DTZ to recommend local agents to help with the disposal of the property subject to approval by the Committee.

3.3.5 Given that the land is too small to be managed by the Fund's property managers the Committee is asked to agree to sell the property through agents at best value for the fund and to delegate the disposal after taking proper advice to the Head of Pensions and Treasury in consultation with the Chairman of the Committee.

4. CASH FLOW

4.1 The cash balance as of 30 June 2023 was £55.3m, down from £86.1m at the end of the previous quarter, largely due to net drawdowns from private equity and infrastructure managers of £33.8m.

4.2 Operational cash flow continues to be positive, with contributions exceeding pension payments. Investment cash flows relate to drawdowns and distribution from alternative asset classes.

4.3 Forecast Fund cash flows are summarised in the table below.

	2023-24 3 Qtrs £m	2024-25 Full year £m	2024-26 Full year £m
Opening cash balance	55.3	100.0	116.1
Operational cashflows			
Pensions Contributions	226.8	315.0	326.0
Property Income	14.4	19.5	20.1
Total inflows	241.2	334.5	346.1
Pensions Payments	-220.8	-318.0	-329.0
Admin, Governance and Investment Managers	-8.9	-10.7	-11.3
Total outflows	-229.7	-328.7	-340.3
Net operational cashflow	11.5	5.7	5.8
Investment cashflows			
YFM	14.6	2.0	2.0
Partners Group	-31.7	-26.8	16.1
HarbourVest	-9.8	25.2	66.8
Property redemptions	60.0	10.0	10.0
Net investment cashflow	33.2	10.4	94.9
Closing Cash balance	108.4	138.8	216.9

4.4 Pension contributions and pension payments are based on Barnet Waddingham's actuarial projections adjusted for actual experience in the current year.

4.5 DTZ collections stabilized around 95% of invoiced rents and improving although there is continued risk of collection in respect of historic arrears.

4.6 Property redemptions for 2023-24 include: M&G Residential Fund part redemption of £32m, and sale of Charing Cross property by DTZ for £18m. A

further provision has been made for receipt of sale proceeds from Lothbury Property Unit Trust and Kames Fund of £10m.

- 4.7 Cash flows for private equity and infrastructure drawdowns and distributions are based on projections provided by managers for existing portfolios. In the revised investment strategy, there is a provision to increase the allocation to these asset classes which will affect the cashflows. These changes have not been factored in this cashflow.
- 4.8 The cash flow above also does not include short term capital movements required for implementation of the revised investment strategy.

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FUND POSITION STATEMENT

Summary of Fund Asset Allocation and Performance

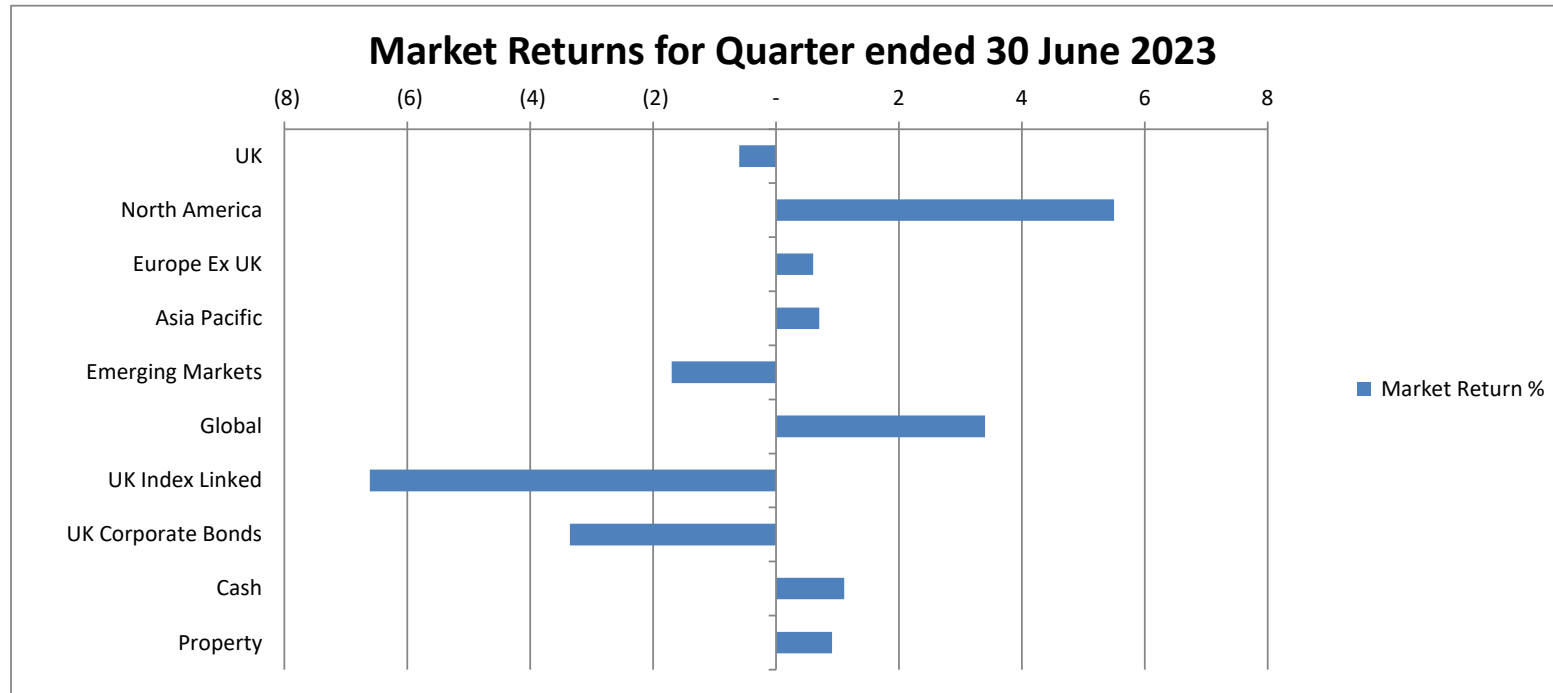
Pension Fund Committee

By: Chairman Pension Fund Committee
Corporate Director of Finance

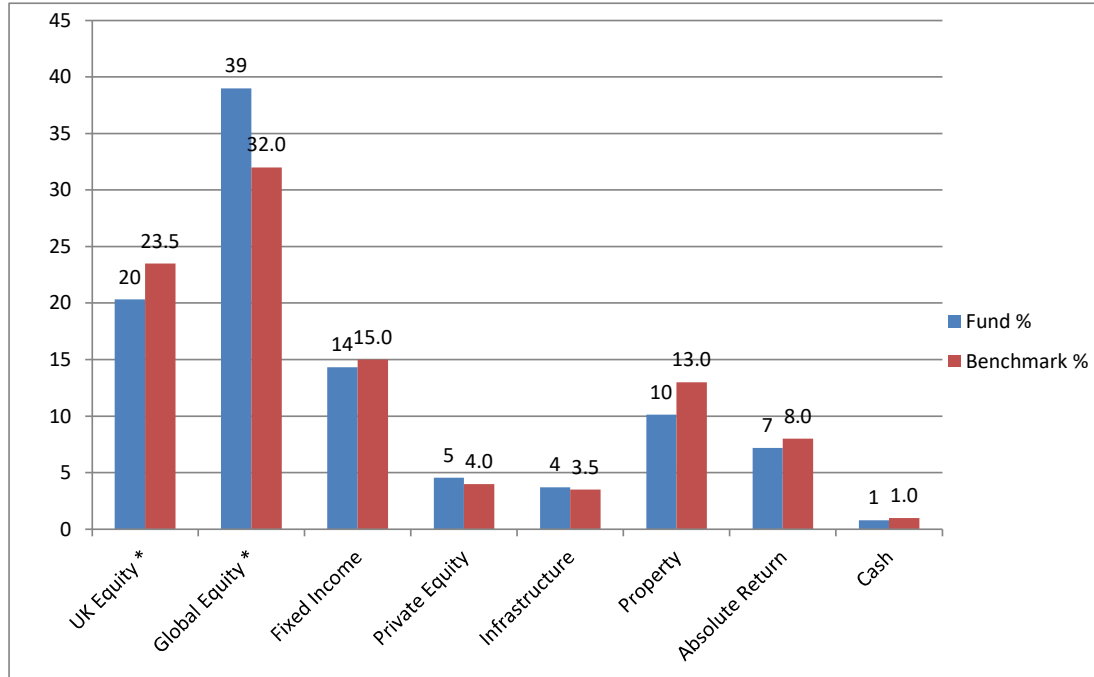


Kent Pension Fund
Q1 2023-24
Katherine Gray- Principal Accountant

Market Returns for Quarter ended 30 June 2023



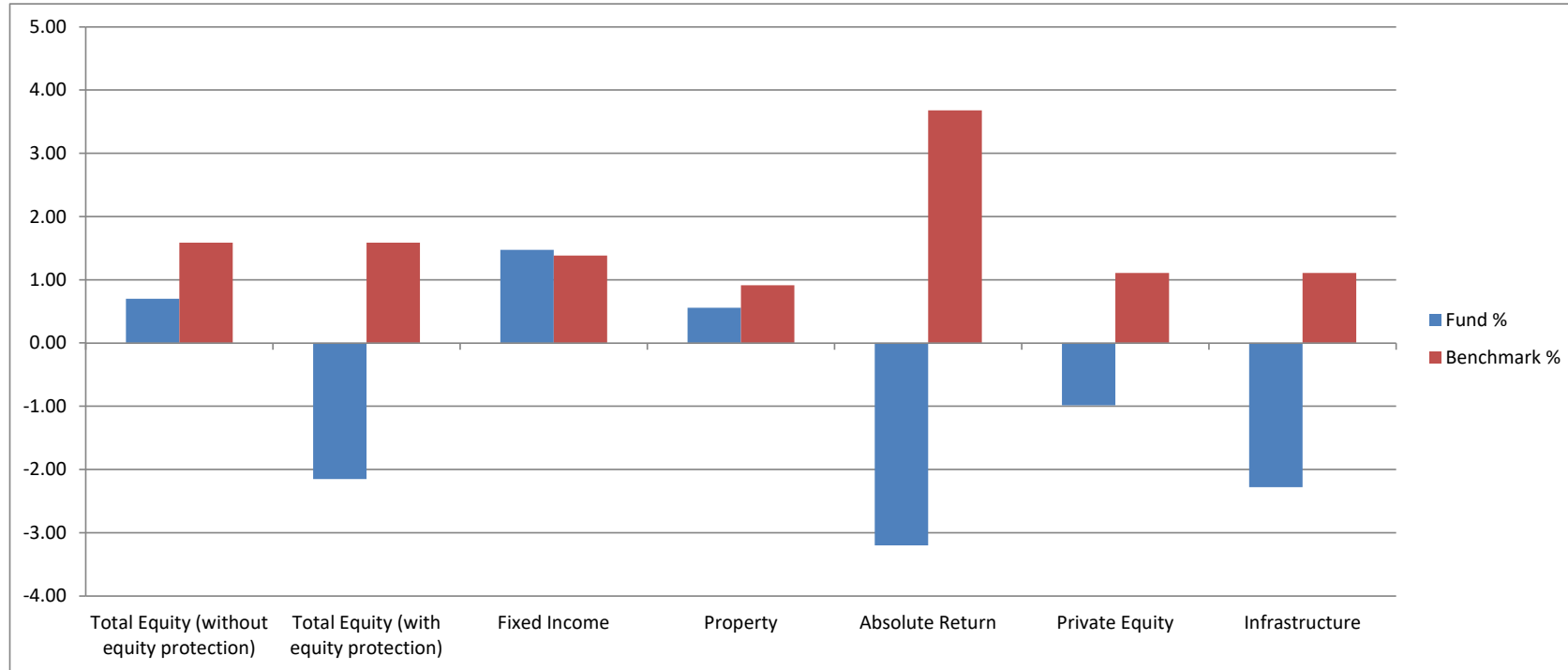
Fund Asset Allocation vs Benchmark as at 30 June 2023



Asset Class	Fund		Benchmark	Over / (under) weight
	£m	%	%	%
UK Equity *	1,571	20.3	23.5	-3.2
Global Equity *	3,016	39.0	32	7.0
Fixed Income	1,108	14.3	15	-0.7
Private Equity	352	4.6	4	0.6
Infrastructure	287	3.7	3.5	0.2
Property	784	10.1	13	-2.9
Absolute Return	555	7.2	8	-0.8
Cash	61	0.8	1	-0.2
Total	7,734	100	100	

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

Fund Asset Class Performance for Quarter ending 30 June 2023



Asset Class	Fund %	Benchmark %	Outperformance %
Total Equity (without equity protection)	0.70	1.59	-0.89
Total Equity (with equity protection)	-2.15	1.59	-3.74
Fixed Income	1.47	1.38	0.09
Property	0.56	0.91	-0.36
Absolute Return	-3.20	3.68	-6.88
Private Equity	-0.98	1.11	-2.09
Infrastructure	-2.28	1.11	-3.39

Market Value Summary by Fund Manager as at 30 June 2023

Fund Manager	Asset Class	Market Value as at 31 March 2023 (£m)	Market Value as at 30 June 2023 (£m)	Change in Market Value (£m)	% of Total Fund 30 June 2023
Schroders - LF ACCESS UK Equity Fund	UK Equity	1,184	1,178	-7	15.2%
Baillie Gifford - LF ACCESS Global Equity Core Fund	Global Equity	1,071	1,091	20	14.1%
Insight	Equity Protection Program	1,040	914	-126	11.8%
M&G - LF ACCESS Global Dividend Fund	Global Equity	536	536	0	6.9%
DTZ	Direct Property	502	501	0	6.5%
Schroders GAV - LF ACCESS Global Active Value Fund	Global Equity	405	410	5	5.3%
Goldman Sachs	Fixed Income	386	388	2	5.0%
Sarasin	Global Equity	375	384	9	5.0%
Pyrford	Absolute Return	382	376	-6	4.9%
Partners	Infrastructure	267	287	20	3.7%
Harbourvest	Private Equity	255	266	11	3.4%
M&G Alpha Opportunities	Fixed Income	246	252	6	3.3%
Schroders	Fixed Income	239	240	1	3.1%
CQS	Fixed Income	226	233	7	3.0%
Ruffer - LF ACCESS Absolute Return Fund	Absolute Return	192	179	-12	2.3%
Fidelity	Pooled Property	143	142	-1	1.8%
YFM	Private Equity	75	86	11	1.1%
Impax Environmental Markets	Global Equity	73	72	-1	0.9%
M&G Residential Property	Pooled Property	69	69	1	0.9%
DTZ Pooled Funds	Pooled Property	39	39	1	0.5%
DTZ (Kames)	Pooled Property	32	32	0	0.4%
Woodford	UK Equity	3	2	-1	0.0%
Internally managed cash	Cash	90	56	-34	0.7%
Total Kent Fund		7,829	7,734	-95	100.0%

Total investments in ACCESS pooled funds

3,388

3,394

Percentage of the total Fund

43%

44%

Performance Returns as at 30 June 2023

	Quarter		1 Year		3 Year (p.a.)	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
Total Fund	-1.37	1.63	1.95	5.08	5.65	7.57
UK Equity						
Schroders - LF ACCESS UK Equity Fund	-0.56	-0.72	7.55	6.98	11.68	10.06
Woodford	-21.01	-0.46	-57.81	7.89	-36.98	10.02
Global Equity						
Baillie Gifford - LF ACCESS Global Equity Core Fund	1.85	1.73	14.73	11.93	-0.58	8.90
Sarasin	2.33	3.26	10.02	11.31	9.41	9.94
Schroders - LF ACCESS Global Active Value Fund	1.27	3.26	6.48	11.31	12.57	9.94
Impax	-1.51	3.26	5.53	11.31	11.03	9.94
M&G - LF ACCESS Global Dividend Fund	0.02	3.26	9.59	11.31	13.87	9.94
Fixed Income						
Goldman Sachs	0.63	0.86	3.45	3.50	-0.82	3.50
Schroders Fixed Income	0.30	1.02	0.96	2.94	0.25	1.11
CQS	3.01	1.02	6.55	2.94	3.62	1.11
M&G Alpha Opportunities	2.52	1.02	9.47	2.94	4.78	1.11
Property						
DTZ	0.83	0.91	-12.93	-17.12	5.92	3.77
Fidelity	-0.87	0.91	-18.29	-17.12	3.39	3.77
DTZ (Kames)	0.79	0.91	-10.16	-17.12	3.12	3.77
M&G Property	1.30	0.91	0.69	-17.12	2.17	3.77
Private Equity						
Harbourvest	-1.30	1.11	-6.15	3.18	26.59	1.11
YFM	0.00	1.11	30.08	3.18	35.09	1.11
Infrastructure						
Partners	-2.28	1.11	11.08	3.18	4.88	1.11
Absolute Return						
Pyrford	-1.65	3.68	0.66	15.65	2.24	13.78
Ruffer - LF ACCESS Absolute Return Fund	-6.29	3.68	-2.03	15.65	4.88	13.78

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 Income	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	ICE BofA Sterling 3 month Gov Bill Index + 4%
M&G Alpha Opportunities	ICE BofA Sterling 3 month Gov Bill Index	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	
DTZ (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	

Fund Structure as at 30 June 2023

UK Equities	Global Equities	Fixed Income	Property	Cash/Alternatives
Schroders +1.5% £1,178 m	Baillie Gifford +1.5% £1,091 m	Goldman Sachs +6.0% Abs. £388 m	DTZ Property £541 m	Internally managed Cash £56 m
Woodford £2 m	M&G +3.0% £536 m	Schroders +4.0% £240 m	Fidelity Property £142 m	Partners Infrastructure £287 m
	Schroders +3.0% - +4% £410 m	CQS £233 m	DTZ (Kames) Property £32 m	YFM Private Equity £86 m
	Impax +2.0% £72 m	M&G Alpha Opps £252 m	M&G Property £69 m	HarbourVest Private Equity £266 m
	Sarasin +2.5% £384 m			Pyrford Abs. Return RPI + 5% £376 m
	Insight Equity Protection £914 m			Ruffer Abs. Return RPI £179 m
Total Fund £7.7 bn				
				ACCESS funds

From:	Chairman Pension Fund Committee Corporate Director of Finance
To:	Pension Fund Committee – 26 September 2023
Subject:	Responsible Investment update
Classification:	Unrestricted

Summary:

This report provides an update on the work of the Responsible Investment Working Group. It also provides an update on the voting activity of the Fund's investment managers, and their engagement with the companies in which they are invested on our behalf, as well as information on the Fund's securities lending activity.

Recommendations:

The Committee is asked to note the report.

FOR DECISION**1. Responsible Investment Working Group**

- 1.1 The Responsible Investment Working Group (RIWG) met on 13 June and 28 July.
- 1.2 At the meeting on the 13 June 2023, the RIWG continued to explore the implications of setting and implementing a net zero target and received a presentation from Daisy Streatfield, of Ninety-One Asset Management, an industry expert, which explored the practical considerations for implementing a net zero strategy. This built an initial net zero workshop delivered to the RIWG in May and led by the Investment Consultant, as previously reported to the Committee.
- 1.3 At its meeting on the 28 July 2023, the RIWG engaged in a review of the RI workplan that was established at the beginning of the year. The review considered the initiatives that have been completed within the year to date and agreed a plan for the remainder of the year (discussed further below at paragraph 1.5).
- 1.4 Since the last update report, officers have also enacted the Committee's decision in June to join *Pensions For Purpose* (PFP) and subsequently met with PFP, to commence membership of the Fund and to understand how we can best utilise our membership to improve our understanding of impact investing.

2. Workplan for the RIWG

- 2.1 The current workplan agreed by the RIWG is enclosed at appendix 1. The RIWG's scheduled business for the autumn is discussed below.
- 2.2 As noted above the RIWG has held two workshops on the subject of net zero this year and over the coming months, the RIWG will continue to progress the Fund's approach to climate risk management (in a manner that is consistent with the Committee's fiduciary duties) by considering the feasibility of setting a net zero target for the Fund's investment portfolio. In order to enable the Committee to make an informed, evidence-based decision, officers have engaged the Investment Consultant, Mercer, to conduct an analysis of the current investment portfolio's transition potential. This work will assess the current portfolio alignment with the transition to a low carbon economy and position the Fund to establish to a net zero objective. The analysis will be considered by the RIWG at its November meeting, and subject to the results of the analysis and the determinations of the RIWG, officers anticipate that a net zero policy recommendation will be brought to Committee for consideration at its upcoming meeting in December.
- 2.3 The RIWG is also scheduled to hold workshops around impact investing and the UN Sustainable Development Goals over the autumn. These sessions are intended to help Members explore and understand the relevance and potentially applicability of impact investing to the Fund's investment strategy. Progress will be reported at the Committee's meeting in December.
- 2.4 The RIWG will also consider an update on the ACCESS Pool's responsible investment reporting workstream, which will enable the Kent Pension Fund to understand how it can best utilise the pool's resources in support of its responsible investment activities.
- 2.5 Finally, the RIWG will undertake a periodic review of the Fund's responsible investment policy. Any recommended revisions will be brought to the Committee for consideration at its meeting in December.

3. Voting activity for the 3 months to 30 June 2023

- 3.1 The Fund's RI Policy requires our managers to report on their voting decisions and a summary of the voting activity of our managers for the 3 months is shown in the table below:

Manager	ACCESS ACS	Fund Name	Number of Meetings	No. of votes for	No. of votes Against, Abstained or Withheld
Baillie Gifford	Y	LF ACCESS Global Equity Core Fund	131	1678	123
Schroders	Y	LF ACCESS UK Equity Fund	33	703	19
Schroders GAV	Y	LF ACCESS Global Active Value Fund	401	4877	622

M&G	Y	LF ACCESS Global Dividend Fund	25	345	44
Ruffer	Y	LF ACCESS Absolute Return Fund	7	72	18
Impax	N	Impax Environmental Markets (Ireland) Fund	51	551	85
Pyrford	N	Global Total Return	42	655	58
Sarasin	N	Segregated mandate	33	361	216

3.2 The investment managers used their discretion to cast votes at meetings on behalf of the Fund and voted against resolutions where they felt it was in the best interests of shareholders to do so.

3.3 The managers of ACCESS funds are also required to comply with the ACCESS voting policy guidelines or to explain why they did not comply.

4. LAPFF Voting Alerts

4.1 The Local Authority Pension Fund Forum (LAPFF), of which the Kent Pension Fund is a member, issues voting alerts ahead of shareholder meetings to support member funds in their stewardship activities.

4.2 While the Fund does not formally oblige its appointed asset managers to automatically vote in line with LAPFF's voting recommendations, the voting alerts help the Fund to identify and prioritise any salient stewardship concerns and constitute a basis for monitoring stewardship activities that the Fund's managers conduct on its behalf.

4.3 Throughout the quarter to June 2023, LAPFF provided the Fund with a number of voting alerts with voting recommendations for upcoming company Annual General Meetings (AGMs). The voting alerts provided the Fund with 142 applicable recommendations which officers shared with the Fund's appointed asset managers to understand their vote instruction and the rationale behind these decisions. Of these recommendations, 56% of our managers' votes were aligned with LAPFF's recommendations. Where managers' votes do not align with LAPFF's recommendations, officers request an explanation. Officers will continue to monitor and engage with the Fund's managers.

5. Engagement activity

3.1 Investment managers are expected to actively engage with companies to monitor and develop their management of ESG issues in order to enhance the value of the Fund's investments.

3.2 Examples of successful engagements carried out by our managers are summarised in appendix 2.

6. Securities Lending

6.1 The following information is from the ACCESS pool. All the sub-funds have been set up to enable securities lending to take place, which is operated by Northern Trust as the custodian of Link Fund Solutions. ACCESS only accepts non-cash collateral, and this is at the typical market rate of 102% or 105% for cross currency to allow for FX exposure.

6.2 The Securities Lending performance for the quarter ending 30 June 2023 is set out in the table below:

Sub-Fund	Manager	Average Stock on Loan	% On Loan	Net Earnings
		£m		£m
LF ACCESS Global Equity Core	Baillie Gifford	112.174	12.0	0.073
LF ACCESS Global Dividend	M&G	94.697	7.8	0.023
LF ACCESS Absolute Return	Ruffer	79.741	22.3	0.014
LF ACCESS UK Equity	Schroders	21.051	1.9	0.009
LF ACCESS Global Active Value Fund	Schroders	19.377	5.6	0.018
Total		347.331		0.160

5.3 Baillie Gifford Global Equity Core and M&G Global Dividend Fund lent a total of six of the top ten revenue earning stocks, which included: Carvana Co, Ginkgo Bioworks Holdings Inc, Embracer Group, Cloudflare, Visa Inc and Roblox Corp.

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Appendices

Appendix 1 – RIWG Workplan

Appendix 2 – Examples of Company Engagements carried out by our Fund Manager

RESPONSIBLE INVESTMENT WORKPLAN 2023/24

Committee	RIWG Meeting	Lead items	Additional items	Committee plan
29 Mar 2023	26 Feb 2023	RI Strategy / Workplan	FM Climate Maturity Update RI Glossary	RI Strategy / Workplan RI Update
22 Jun 2023	Mar 2023	LAPFF Update	Investor network review	Investor network review RI Update
	May 2023	Net zero workshop Part 1 (Mercer)	Investor network review	
	Jun 2023	Net zero workshop Part 2 (Ninety One)		
26 Sep 2023	Jul 2023	Workplan review		RI Update
12 Dec 2023 Pension Fund Committee	Sep 2023	SDG workshop	ACCESS RI Reporting Update	RI Update
	27 Oct 2023	Impact investing workshop (PFP)		Net zero target
	24 Nov 2023	Net Zero Target / Interim targets	RI Policy review	RI Policy
22 Feb 2024* / 26 Mar 2024	Q1 2024 and onwards	TCFD Reporting briefing Annual PRI Report Impact evaluation / reporting Stewardship Code Briefing Stewardship Code GAP Analysis		Impact investing RI Update

*The Pension Fund Committee has customarily had two meetings in Q1, with the informal February meeting reserved for strategy development and/or training.

Appendix 2 - Examples of Company Engagements carried out by our Fund Managers

Baillie Gifford – Rio Tinto

Baillie Gifford engaged with both the Chair and the Chief Scientist at Rio Tinto to explore the detail behind their decarbonisation strategy, with a focus on its aluminium and iron ore operations which account for the majority of the company's carbon footprint.

Baillie Gifford discussed several critical aspects of Rio's carbon reduction programme, which is supported by a team of more than 500 people. They also covered the need to develop grid-scale energy storage to support the switching of Rio's smelter plants from coal-fired power to intermittent renewable power.

Rio Tinto faces potentially material financial consequences from rising carbon prices if it fails to significantly decarbonise. This engagement provided insight into the complexity of the challenge and reassurance that Rio will continue to commit material resources to exploring potential solutions as it pursues carbon reduction targets.

Sarasin - Illumina

Sarasin engaged with Illumina on multiple occasions throughout 2022 and 2023, specifically regarding concerns they had with the company's strategy and its earlier decision to spend \$7.1bn to acquire Grail. This acquisition promoted dispute with antitrust regulators and contributed to the company's share price dropping almost 60% at the start of 2023, although the majority of this fall is attributed to higher interest rates impacting long-duration equities.

Sarasin has had multiple calls with Illumina with a more successful call discussing the future of the Grail deal, the process through which Grail related decisions were being taken, board composition and executive remuneration issues.

This engagement allowed Sarasin to receive detailed responses and therefore better understood the considerations behind the decision to acquire Grail. These considerations related to the business synergies and benefits of entering a big market at an advanced stage.

Despite the positives, there are still a few concerns surrounding generous options grants and the Board's succession policy. However, this engagement provided Sarasin with the required rationale to vote at the most recent Illumina AGM.

From: Chairman Pension Fund Committee
Corporate Director of Finance

To: Pension Fund Committee – 26 September 2023

Subject: Governance and Policies

Classification: Unrestricted

Summary:

To report to Pension Fund Committee the progress made with the implementation of the recommendations arising from the Barnett Waddingham review.

This report also advises the Committee on the current position of the Fund policies, and updates on the Business Plan, Budget and Risk Register.

Recommendation:

The Committee is asked to note, and comment on the updates contained within, the report.

FOR INFORMATION

1. Introduction

- 1.1 As previously agreed, Pension Fund Committee will be updated at each meeting on the progress made on the implementation of the Barnett Waddingham recommendations.
- 1.2 Members are reminded that Barnett Waddingham made 139 Recommendations, and a detailed assessment of the latest position is shown below:

Assessed position	Number
Action Complete	109
Partial – Work in Progress	12
Not complete	18

- 1.3 The 18 items categorised as Not complete are summarised below:

- 7 of the items relate to assessment or compliance reviews against regulations, guidance or consultations that have yet to be published and are therefore out of the Fund's control.

- 8 relate to improvements/refinements to the Fund's Risk Register. These items are being considered by Officers and an update will be brought to the Board and Committee meetings in November and December, after discussion with KCC's Corporate Risk Manager. The majority of these items are presentational, and it is intended to review against KCC's approach to ensure consistency of approach.
- There are two items that relate to Committee structure. Officers will be considering this with Democratic Services colleagues as part of the broader review of governance.
- The remaining item involves synchronising the work programmes of the Committee and Board, and officers will develop this in the coming months and present a forward plan as part of the full review of the Fund's Business Plan in March 2024.

1.4 There are 12 items marked as partially complete, and these are all areas where the Fund has plans in place that will address them. They include the communications plans, which include a thorough review of the website. The majority of these items will be concluded or be well underway by the end of 2023/24. Members will be updated on the position at future meetings.

1.5 It is very pleasing to report that 109 actions are considered full complete, however in a number of areas the Fund needs to ensure that it remains compliant, and these actions need regular review.

1.6 As can be seen plans are in place to ensure that all areas, within the Fund's control are addressed/completed by the end of the 2023/24 financial year. Whilst some of these areas have, perhaps taken a little longer to address than originally imagined, it is a credit to the Officers, Committee and Board members that recognised the need for the review in the first place, and those that led the adoption of all the recommendations.

1.7 The Kent Fund now has in place a number of governance processes that not only meet regulatory requirements but also would be considered good practice. As previously mentioned, once the work considered above are complete, it would be appropriate to commission an external review of the current position. Officers will consider the best approach to procure the advice and revert to the Board and Committee with a proposal, with a view to the work commencing in the first quarter of 2023/24.

2. Business Plan

2.1 The Business Plan was considered in detail by the Kent Pension Board at their recent meeting and has a number of Key tasks for the period and a number have been considered at previous meetings as complete. Since the Board and

Committee last considered the Plan, an additional item has been completed. This is considered below:

- **Administration – Manage the expiration of the administration system contract.**

Board members will recall that the Pensions Administration system is essential to the work of the Administration team, and therefore having an effective contract in place is imperative. After significant work with procurement colleagues the Pension Fund Committee agreed in March to a new contract with Heywoods. This item is now marked complete.

2.2 All other items with target completion dates in 2023/24 are well underway and are on target to be completed in the year. There are two exceptions to this, shown below:

- **Governance – Implement recommendations of Barnett Waddingham governance review.**

An update showing progress against these is contained elsewhere on today's agenda, and key issues affecting further progress are regulatory and national guidance delays. As these matters are out of the Fund's control it may be necessary to extend these pieces of work.

- **Governance – Implement recommendations of the SAB Good Governance Review.**

The Fund has broadly completed most of the recommendations of eth project, however the Government is yet to issue definitive guidance/regulation and so it is difficult to mark as complete until such date as this is issued.

2.3 Later in the year work will begin on the longer-term Business plan and respective budgets and this will be brought to the Board and Committee for review and approval in March 2024, ahead of the new financial year.

3. Budget

3.1 The Fund budget for 2023/24 is shown in the Appendix and is an extract from the Full Business Plan. Overall, the total for 2022/23 shows an underspend against budget of £3.042M and is mainly due to lower than anticipated Investment Managed Costs. A number of other key points are highlighted below:

- The cost of Pensions Administration (mainly staff costs) was £179,000 lower than budget by virtue of the number of vacancies needing to be filled. Good progress has been made on this front in 2023/24.
- There was an increase in the level of Actuarial Fees charged to the Fund, however there was also an increase in those fees being recovered from the Fund's Employers, so these two budget lines need to be viewed in total.

- ACCESS pooling costs were £44,655 lower than budgeted due to factors affecting the speed of delivery within ACCESS. These factors are considered elsewhere on the agenda.
- Transaction costs were estimated based on previous years, and the level of movement between investments in the year was significantly lower, hence an underspend of around £509,284.
- Fund Manager Fees are highly variable and are based on the market value of investments. Fixed Income assets, in particular have suffered during the year, and fallen in value, hence lower than estimated fees.

3.2 The budget for 2023/24 remains appropriate and an update for the six months to the end of September will be given to the Board and Committee in November and December.

4. Risk Register

4.1 The Fund's Risk Register was considered by the Kent Pension Board and the latest summary is considered below. The current risk profile is shown below in comparison to the previous quarter.

	June - 2023	Sept - 2023
Red	1	1
Amber	15	13
Green	25	27
TOTAL	41	41

4.2 The risk position of the Fund risks has moved down in a couple of areas since last reported but broadly remains the same. The changes in risk scores are explained in the following paragraphs.

Governance risks

- 4.3 One of the risks in the Governance section have changed current score:
- **G9 relating to Cyber Security** has moved from a score of 6 to 9, due to recent issues elsewhere in the pensions industry, and recent near misses. The Fund has a plan to address this, and a report on this will be considered on today's agenda. This score of 9 sees the risk score remain as Amber.

Investment and Funding risks

4.4 One of the Investment and Funding risks has a changed score:

- **IF4 relating to appropriate knowledge to maintain the investment strategy** has moved from a 6 to a 3 to reflect the development and agreement of a training plan by the Committee in June 2023. This risk is now considered in line with target level.

Administration risks

4.5 One Administration risk has a changed score:

- **A12 relating to administration system contract** has moved from an 8 to a 4, which is in line with the target. This change reflects the new contract that was agreed by the Committee and implemented earlier in the year.

4.6 As noted above officers have been reviewing the format and appropriateness of the current risk register and will be revising and updating after discussions with KCC's Risk Officers to ensure consistency of approach. The revised register will be presented to the Committee and Board at their meetings in November and December.

5. Governance Policy and Compliance Statement

5.1 The Fund's Governance Policy and Compliance Statement was scheduled to be reviewed at this meeting, as it had previously been considered annually, however after the comprehensive refresh of the document in 2022, Officers do not consider that any update is necessary at this stage. Given the Fund's ongoing review of governance, the document will remain on the forward plan for annual review. The latest version can be found on the Fund's website - [Governance Policy and Compliance Statement \(kentpensionfund.co.uk\)](https://kentpensionfund.co.uk).

6. ISS and RI Policy

6.1 The schedule previously had the Investment Strategy Statement (ISS) and Responsible Investment Policy (RI Policy) to be reviewed in September 2023 after the conclusion of the review of the Fund's Investment Strategy. However, given the complexity of the strategy, and to allow for proper consideration, the final Strategy proposals were not taken at the June Committee meeting and will now be concluded at the meeting on 26 September. The refresh/update of the ISS and RI Policy are dependent on the conclusion of these strategy decisions, and therefore the documents will be presented to the Committee for decision in December having first been considered by the Board.

7. Personal Data Retention Policy

7.1 The Personal Data Retention Policy was due for review at this meeting; however, given the work that is being undertaken around Cyber Security, it is

intended that this policy will be reviewed as part of that. It has therefore now been scheduled to be reviewed in December 2023.

8. Policy Summary

8.1 The table below summarises the Fund's Policies and Strategies and highlights the two noted above. It also shows that in September the Board and Committee will be due to review updated ISS, Governance policy and compliance statement, Responsible Investment policy and Personal Data Retention policy.

Policy	Last reviewed by the Committee	Next update and review due	Responsibility
Funding Strategy Statement (FSS)	March 2023	March 2025	Nick Buckland
Investment Strategy Statement (ISS)	September 2022	December 2023 after review of Investment Strategy	James Graham
Governance policy and compliance statement	September 2022	September 2024	Nick Buckland
Responsible Investment policy (RI Policy)	September 2022	December 2023 – linked to Investment Strategy review	James Graham
Communications policy	June 2023	June 2025	Clare Chambers
Administration Strategy	March 2023	March 2025	Clare Chambers
Conflicts of Interests Policy	December 2022	December 2024	Nick Buckland
Breaches of the Law policy	December 2022	December 2024	Nick Buckland
Discretions policy	December 2022	December 2024	Clare Chambers
Abatements policy	December 2022	December 2024	Clare Chambers
Training Strategy	March 2022	March 2024	Emma Green
Personal Data Retention policy	December 2019	December 2023	Clare Chambers
Data Quality policy	June 2023	June 2025	Clare Chambers
Escalations policy	n/a	New policy, tbc	Clare Chambers
Privacy Notice	n/a	New policy, tbc	Clare Chambers

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Appendix 1 - Pension Fund Budget

	2022-23 Budget	2022-23 Actuals	Variance	2023-24 Budget
Pensions Administration	2,537,405	2,358,472	-178,933	2,970,000
IT Expenses	902,595	680,638	-221,957	1,200,000
Pension Payroll Services & Payments	244,588	245,455	867	252,000
Financial Systems and Services	64,700	64,700	0	65,000
Legal Fees	84,243	134,899	50,656	80,000
Administration	3,833,531	3,484,164	-349,367	4,567,000
Actuarial Fees	370,000	420,169	50,169	280,000
Direct Recovery of Actuary, Legal Fees and Admin Costs	-235,000	-295,179	-60,179	-240,000
Subscriptions	64,355	62,438	-1,917	70,000
ACCESS Pooling Costs	160,000	115,345	-44,655	180,000
Investment Accounting and Oversight Costs	640,000	684,522	44,522	773,000
Training	3,000	1,200	-1,800	15,000
Performance Measurement Fees	30,000	26,684	-3,316	35,000
Governance Consultancy	0	0	0	15,000
Investment Consultancy	270,000	304,353	34,353	353,000
Governance and Oversight	1,302,355	1,319,532	17,177	1,481,000
Custody	45,000	38,028	-6,972	45,000
Transaction Costs	675,000	165,716	-509,284	675,000
Fund Manager Fees – Fixed Income	5,529,000	3,801,624	-1,727,376	5,640,000
Fund Manager Fees – Equities	13,016,000	13,343,379	327,379	13,667,000
Fund Manager Fees – Private Equity/Infrastructure	7,500,000	6,907,234	-592,766	7,875,000
Fund Manager Fees – Property	3,600,000	3,395,638	-204,362	3,744,000
Investment Management Costs	30,365,000	27,651,619	-2,713,381	31,646,000

Audit Fee	42,000	45,511	3,511	43,000
Total	35,542,886	32,500,826	-3,042,060	37,737,000

Notes:

- Transaction costs were estimated for the budget based on historical data. Actual transition costs came in lower than expected as there were fewer movements between funds this year than in the past.
- Pooling costs came in under budget as some planned projects have progressed slower than expected.
- Legal fees came in over budget due to advice taken on the reclaim of manufactured overseas dividends.
- Fund Manager fees are highly variable and are based on the market value of investments under management. Our fixed income investments saw negative performance over the year resulting in lower fees for that asset class.

From: Chairman – Kent Pension Fund Committee
Corporate Director of Finance

To: Kent Pension Fund Committee – 26 September 2023

Subject: Member Training Update

Classification: Unrestricted

Summary:

Based on a recent survey of Pension Board and Pension Fund Committee Members and Representatives in July 2023, this report provides an update on the training undertaken and planned in 2023/2024.

Recommendations:

The Committee is asked to note the report.

FOR INFORMATION

1. Introduction & Background

- 1.1 The contents of this update report are based upon responses to a recent training survey, undertaken in July 2023 by 18 Members of Local Pension Board and Pension Committee.
- 1.2 Training is undertaken, recorded and monitored as per the Kent Pension Fund Training Strategy (approved at Pension Fund Committee March 2022); a link is contained in **Appendix 1**. The Strategy sets out strategic training objectives and the training vision, whilst incorporating CIPFA's 'Code of Practice on Public Sector Pensions Finance, Knowledge & Skills' and CIPFA's Knowledge & Skills Framework. Furthermore, the Kent Pension Fund Training Strategy explains the requirement for those on the Pensions Board and Pensions Fund Committee to have sufficient skills and knowledge to undertake their role.
- 1.3 The July training survey sent to Members provided an opportunity for the training records of 22/23 to be checked and verified, ahead of publication in the Annual Report.
- 1.4 So far in 2023/2024, Members of Pension Board and Pension Fund Committee have been undertaking training via various methods:

- Through the provision of information and briefings provided at Pension Board, Pension Committee, Employer Forums, and updates between meetings.
- During events arranged internally by Officers.
- During events provided by external partners specifically for Kent Pension Fund.
- At industry conferences, courses, webinars and workshops.
- Support from Officers to individual members, on the management of Kent Pension Fund
- Self-improvement, study and reading.

2. **The Pensions Regulator's (tPR) E-learning Toolkit**

- 2.1 tPR has developed an online tool designed to help those running public service schemes to understand the governance and the administrative requirements in CIPFA's Code of Practice. The toolkit is designed specifically with Local Pension Board members in mind however the material covered is of equal relevance to members of the Pension Fund Committee.
- 2.2 The Pension Fund Committee is expected to complete the toolkit and for the Local Pension Board members this is a mandatory requirement. The toolkit is an easy-to-use resource and covers short modules. These are:
- a) Conflicts of Interests;
 - b) Managing Risk and Internal Controls;
 - c) Maintaining Accurate Member Data;
 - d) Maintaining Member Contributions;
 - e) Providing Information to Members and Others;
 - f) Resolving Internal Disputes;
 - g) Reporting Breaches of the Law.
 - h) Pension Scams
- 2.3 All members are expected to complete their induction material and the tPR toolkit within 6 months of joining the Pensions Board or Pension Fund Committee. Where existing members and representatives have not completed the tPR's E-Learning Toolkit, they are expected to complete.
- 2.4 The July 2023 training survey found that of the 18 responses received:
- Four Members fully completed the e-toolkit over a year ago.
 - One Member fully completed the e-toolkit within the last year.
 - Three Members have started the e-toolkit but have not fully completed yet.

- Ten have not started yet but intend to so in 2023/24 (largely expressed by newer Members that have recently joined Pension Fund Committee or Pension Board).

3. Hymans Robertson's LGPS Online Learning Academy (LOLA)

- 3.1 Hymans Robertson's Learning Academy will also be made available to support learning and development. Hyman's LGPS Online Learning Academy (LOLA), allows access to Hymans' Learning portal, whereby learning modules (videos) can be viewed on-demand. The learning portal offers jargon busters, knowledge checks and the ability for funds to track and monitor training progress.
- 3.2 In the July 2023 training survey, the majority of respondents expressed an interest in having access to the LOLA platform. Liaison has commenced with Hymans Robertson to gain access to the platform.
- 3.3 LOLA access details will be shared with members of Pension Board and Pension Fund Committee. It is anticipated that access will be made available from 2024.

4 Structured Training Programme 23/24

- 4.1 A forward programme of training has been prepared, the programme covers the eight learning topics outlined by CIPFA and was approved at Pension Fund Committee earlier this year. Due to the importance of cybercrime, it has been decided to prioritise training in cybersecurity and incident response, training is planned for 25th September 2023. Consequently, the training programme has been adjusted to reflect the new order of training priorities (please see **Appendix 2**).
- 4.2 Training is to be delivered as per the indicative programme via a series of online meetings. Outlook invites will be sent to attendees in advance. Dates selected for training are as per the dates in the training survey (based on availability of Members and the training provider). Recordings will be made available to members unable to attend the sessions.
- 4.3 The programme is subject to change, should training needs be identified which need to take priority due to governance implications. Also of note is that a CEM Benchmarking Assessment is currently taking place for Kent Pension Fund. Results from this Assessment may be used to inform future training needs or to identify training opportunities, based upon the exchange of ideas with other LGPS funds and the results of the Assessment.

5 Monitoring & Future Assessment

- 5.1 Further to the survey in July 2023, training completed by Members will be monitored by twice yearly surveys. The next surveys will be issued in October 2023 and April 2024.
- 5.2 Information provided via the training surveys and LOLA will be used to populate the Annual Report, inform monitoring, identify training gaps and opportunities.
- 5.3 As per the previous Training Report for Pension Board and Pension Fund Committee, it is proposed that further to the Training Plan being completed in 2025, Hymans Robertson are re-commissioned to undertake a revaluation of the knowledge held by members and representatives. Action to then be taken, dependent on the report findings.

Emma Green – Senior Pensions Programme Manager (Kent Pension Fund)

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E: emma.green2@kent.gov.uk

Appendix 1

https://www.kentpensionfund.co.uk/_data/assets/pdf_file/0003/135435/Kent-Pension-Fund-Training-Strategy.pdf

Appendix 2

Structured Training Programme:

Subject to change if training need identified which requires prioritization due to governance purposes.

Indicative Timeframe	Core Topic
September 2023	Cybercrime ***Topic added August 2023 *** <i>Awareness training and proposed approach on new strategy.</i>
December 2023	Pensions Accounting & Audit Standards <i>To provide a general understanding of the Accounts and Audit Regulations, and the role of internal and external audit</i>
March 2024	Pensions Administration <i>To provide a general understanding of best practice in pensions administration, together with Fund polices, resource and discretionary powers.</i>
June 2023	Investment Performance & Risk Management <i>To provide a general understanding of the relationship between assets and liabilities and the structure, operation and purpose of investment pooling arrangements.</i>
September 2024	Committee Role & Pensions Legislation <i>To provide an overview of the Committee's role and a general understanding of the legislative framework as it applies to the LGPS, in line with the CIPFA Knowledge & Skills Framework</i>
December 2024	Procurement & Relationship Management <i>To provide a general understanding of the public procurement requirements as they apply to the LGPS, and how performance of suppliers can be monitored.</i>
March 2025	Actuarial Methods, Standards & Practices

	<i>To provide a general understanding of the role of the Fund actuary and the formal valuation process (including the FSS and inter-valuation monitoring) and the treatment of new and ceasing employers (including employer covenant)</i>
June 2025	<p>Pensions Governance</p> <p><i>To provide a general understanding of the controls and measures in place to manage risks and conflicts and interest of the Fund, whilst ensuring the right skills and experience are available.</i></p>
2023 – 2024 as per specific meetings with Investors	<p>Financial Markets & Product Knowledge</p> <p><i>To provide a general understanding of the financial context of the Fund, and the products relating to the Fund.</i></p>

From: Chairman Pension Fund Committee
Corporate Director of Finance

To: Pension Fund Committee – 26 September 2023

Subject: Pension Fund Report, Accounts and External Audit

Classification: Unrestricted

Summary:

This report presents the Draft Report and Accounts of the Kent Pension Fund for 2022-23 and the External Audit Findings Report.

Recommendation:

The Committee is asked to agree to:

- a) Note the content of the 2022-23 Pension Fund Draft Accounts and the Annual Report;
- b) Note the position with regards to external auditor’s Draft Audit Findings Report;
- c) Note the position with regards to Governance and Audit Committee;
- d) Delegate authority to the Corporate Director of Finance, in consultation with the Chairman, to approve the final Annual Report on receipt of the audit certificate; and
- e) Confirm that once the report is authorised the Report and Accounts may be published to the Kent Pension Fund website.

FOR DECISION

1. Annual Report and Accounts

- 1.1 Guidance issued by CIPFA in 2019 for Local Government Pension Scheme Funds on preparing the annual report requires the Fund Annual Report to be formally reviewed by the Committee and authorised by the Chair of the Pension Fund Committee and the Corporate Director of Finance.
- 1.2 A copy of the draft 2022-23 Pension Fund Report and Accounts is attached at Appendix 1.
- 1.3 The key findings and other matters arising from the statutory audit of the Fund will be shared with the committee once it becomes available.

2. Audit update

- 2.1 The Governance and Audit Committee will approve the Pension Fund accounts after the KCC audit is complete. It is hoped that this approval will be given at the meeting on 12 October with a reserve date of 23 November should the KCC audit overrun.
- 2.2 This will affect the timing of issue of the audit certificate for the Pension Fund Accounts and Annual Report.
- 2.3 It is therefore proposed that the Annual Report be authorised by the Chairman and Corporate Director of Finance on receipt of the audit certificate.

Sangeeta Surana, Investments, Accounting and Pooling Manager

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Kent Pension Fund Report and Accounts

For the year ended 31 March 2023



Kent Pension Fund

Delivering an outstanding service to our customers

Page 97

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If you have any comments on the annual report,

- please call 03000 416 431
- email investments.team@kent.gov.uk, or
- write to: Kent Pension Fund, Treasury and Investments,
Kent County Council, Room 3.08, Sessions House,
County Hall, Maidstone, Kent ME14 1XQ

Highlights

£7.8bn
Pension fund value
(FY22: £7.7bn)

301
Active employers in the scheme
(FY22: 304)

£298m
Received in contributions
(FY22: £280m)

£271m
Benefits paid
(FY22: £257m)

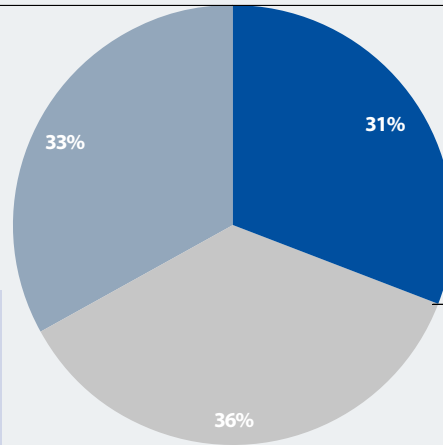
102%
Funded (2022)

Membership

49,902
Deferred members
(FY22: 49,577)

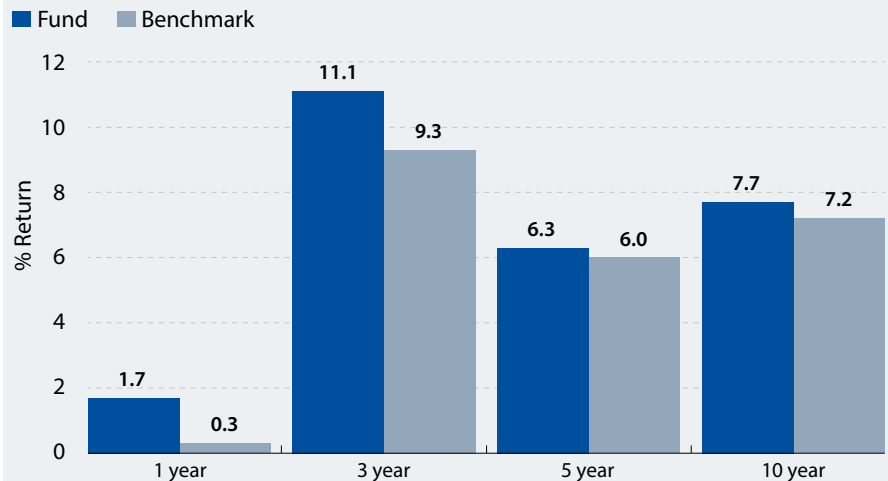
48,583
Pensioners
(FY22: 46,706)

Total membership
151,838
(FY22: 149,112)



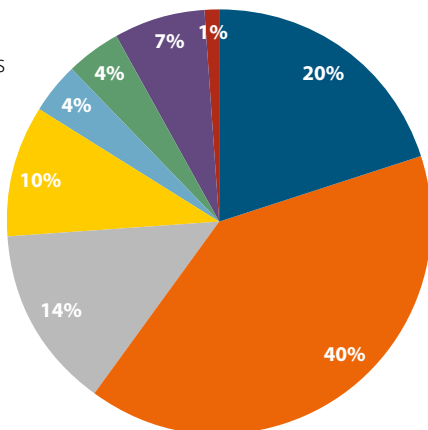
53,353
Active members
(FY22: 58,829)

Long term performance



Asset allocation

- UK Equities
- Overseas Equities
- Fixed Interest
- Property
- Private Equity
- Infrastructure
- Absolute Return
- Cash



Kent Pension Fund is a member of the ACCESS pool where we work with other local government pension funds to pool investments to significantly reduce costs, while maintaining investment performance.

£4.9m
Current year savings

£16.5m
Cumulative savings

57%
of assets outside
ACCESS pool

43%
of assets inside
ACCESS pool

Chairman's foreword

I am pleased to present the Annual Report and Accounts for the Kent Pension Fund for the year ended 31 March 2023.

It has been a busy year for the Fund, and one in which we have advanced a number of key workstreams: we have further strengthened our governance processes, successfully completed the latest triennial valuation of the Fund and enhanced our responsible investment activities. At the same time, we have sought to achieve the highest standards of service delivery for the Fund's members and employers.

The Fund has also successfully navigated particularly challenging investment conditions over the past twelve months. The Fund's investment strategy generated an overall positive return of 1.7% in 2022-23 (ahead of the benchmark return of 0.3%), in an environment where protecting capital has been paramount. The nature of the Fund's investment strategy means that returns can vary considerably from one year to the next, yet such an approach should deliver enhanced rewards in the longer term. Indeed, the Fund has now returned 11.1% per annum over the past three years, 6.3% over five years, and 7.7% over the last ten years, outperforming the benchmark over each of these time horizons.

As a result, the value of the Fund's assets has grown to £7.8bn at 31 March 2023, a gain of £0.1bn from the previous year. Assets valued at £3.4bn, amounting to 43% of the Fund, are now pooled via the ACCESS investment pool. The Fund is committed to pooling investment assets, and I am pleased by the pool's progress over the past twelve months, which you can read more about under the ACCESS Annual Report overleaf. The Kent Pension Fund has continued to be an active participant in the ACCESS project and during the year I represented the Fund on the ACCESS Joint Committee. Kent officers also continue to play a key role in the pool's development and the establishment of new structures for both listed and non-listed assets.

The Fund undertook its latest three yearly actuarial valuation during the year, and I am delighted to report that the funding level has improved to 102%, which is testament to a robust funding strategy and reflects our overwhelming priority to ensure adequate assets are available to pay pensions as they fall due. We need to ensure we maintain a solid funding position for the years ahead, while keeping employer contribution rates as low and as stable as possible. Employer contribution rates for 2023-2026 have now been established with this goal in mind.

Responsible investment has been at the heart of our investment decision making process throughout the year. The Fund sees itself as an active steward of the investment assets it owns and believes this approach will enhance real and sustainable returns over the long term. Climate has occupied a particularly important place within the Committee's work this year. The potential financial impact of climate change, as well the risks surrounding the transition to a low carbon economy, are significant for long term institutional investors like the Kent Pension Fund. The Fund has analysed the carbon footprint of the investment portfolio and undertaken climate scenario analysis during the year, exercises which will inform our strategy for managing climate risks and opportunities. The Committee has also actively monitored the engagement and voting efforts of its appointed investment managers throughout the year, including via participation in the Local Authority Pension Fund Forum. The responsible investment working group has continued to meet and to advance the Fund's work in this area.

The Fund's membership has increased, and it now supports some 151,838 scheme members. I thank officers for all their efforts over the last year in ensuring that these members, together with the Fund's 301 active employers, continue to receive an excellent level of service.

The administration service is focused on enhancing the engagement experience of our members and employers. The team has implemented a new call handling system this year and has progressed the Guaranteed Minimum Pension Rectification project. We have also continued the roll out of the i-connect web portal enabling employers to upload their data directly to the pensions database, which delivers efficiencies and simplifies the process for employers.

Good governance is critical to the Fund's long-term success, and I have been pleased by the significant progress the Fund has made in this area. The Fund has established and updated a number of key policies over the year, including a new Administration Strategy, alongside policies covering communications, data quality, breaches of law, discretions, abatements, conflicts of interest and training. Together, these tools help us to maintain high standards of service delivery, transparency and accountability. The Fund has also created a new, strengthened strategic business plan, which will guide our work over the coming years. As well as bringing together all of the Fund's key ongoing activities into one place, the business plan documents the priorities that we will pursue over the medium term and helps us to measure our progress and performance against those objectives.

I am looking forward to the work we have planned for the year ahead. Following on from the triennial valuation exercise last year, we are reviewing the Fund's investment strategy – an important undertaking to ensure the Fund's assets continue to be invested optimally. We will also establish a new cybersecurity approach, ensuring we have the right tools and resources in place to manage an emergent and evolving risk. Implementing the McCloud remedy, alongside other public sector pension schemes will, will be a core focus too, as will preparing for Pensions Dashboard.

We will need to coordinate this work whilst continuing to provide a first-rate service to scheme members and employers. It is a challenge I relish, and one which I know the rest of the Committee, the Pension Board and officers are excited to meet.

I want to note my thanks to Members of the Pension Fund Committee and the Pensions Board for their support to me as Chairman of the Committee and for their hard work and commitment during the year. Particular thanks are due to retiring Members for their years of service and I extend a warm welcome to some new faces on both the Board and Committee, together with all new members of the officer team who started during the year.

Finally, I want to pay tribute to the late Cllr Dan Daley, who we sadly lost in March 2023. Cllr Daley served on the Pension Fund Committee for 22 years, including time as its Vice Chairman. His contribution to the stewardship of the Kent Pension Fund is greatly missed.

Charlie Simkins
Chairman



ACCESS Annual Report 2022-2023

Foreword

As Chairman of the ACCESS Joint Committee, I am pleased to introduce the latest Annual Report for the ACCESS Pool.

Whilst our initial steps to collaborate as eleven Authorities started in 2016, it was in 2018 that our first pool investments were made.

Having jointly procured UBS to provide passive investment mandates, we started 2018 with the migration of assets from legacy passive managers to UBS with £10bn held in passive assets at the end of March 2023.

Following the appointment of Link Fund Solutions (LFS) as Authorised Contractual Scheme (ACS) Operator, we saw the first actively managed sub-funds launched towards the end of 2018. Our range and depth of sub-funds has grown substantially since then, with over £24bn invested within the ACS at the end of March 2023.

As investors with a long-term focus, we find ourselves within the relatively early stages of our pooling journey. However, given that some of the earliest sub-funds now have between four and five years of history, it is right to highlight the performance trends we are starting to see.

Beyond listed assets our Pool has undertaken significant work in relation to property – which is our first non-listed asset class. During the year our Implementation Adviser MJ Hudson has undertaken a procurement process for two property mandates: UK Core Property and Global Real Estate. Towards the end of 2022/23 these processes concluded and saw the appointment of CBRE to both mandates.

Work is currently underway with CBRE, our advisers and the ACCESS Authorities on establishing the necessary arrangements for these investment opportunities.

In the last twelve months we have published our updated Responsible Investment (RI) Guidelines and participated in the DLUHC consultation on climate related reporting, the outcomes of which we look forward to seeing. ACCESS also commenced the process for the procurement of advice and support for RI reporting which will conclude in later summer 2023.

In closing I would like to thank my fellow ten Joint Committee members, each representing their respective Authorities, along with the Officers who support them, and the ACCESS Support Unit (ASU).

Clr Mark Kemp-Gee,

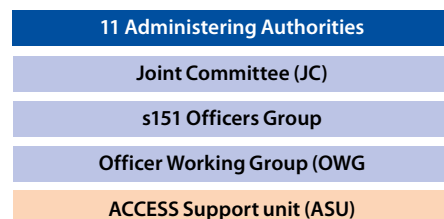
Chairman, ACCESS Joint Committee
Chairman of the Hampshire Pension Fund Committee and Board

Introduction

It has been another busy and fulfilling year supporting the ACCESS Pool.

Every twelve months a process is undertaken to develop both a Business Plan and Budget for the forthcoming financial year. The Business Plan is fundamental to how ACCESS activity is both scoped and monitored, and its development serves as an illustration of the Pool's governance arrangements and how interaction with key stakeholder groups is structured.

The process commences with initial drafting by the ACCESS Support Unit (ASU) and proceeds through detailed dialogue with the subject matter experts at each ACCESS Authority who come together to constitute the Officer Working Group (OWG). This is followed by consideration by the s151 Officers Group which has specific responsibility under the terms of the ACCESS Inter-Authority Agreement (IAA) to make recommendations to the Joint Committee on business planning and budget matters. Subsequently, the Joint Committee reviews and considers both the Business Plan which is then recommended to each ACCESS Authority. The Joint Committee also determines the annual budget required to deliver the Business Plan.



The key milestones within the 2022/23 Business Plan are outlined later in this Annual Report.

2022/23 also saw processes commence in relation to two of ACCESS's strategic partners. ACS Operator Link Fund Solutions announced arrangements which will see its business purchased by Waystone Group. The sale process of Implementation Adviser MJ Hudson to Apex also commenced. It is important to emphasise that the teams and systems supporting the ACCESS Pool remain unaltered as a consequence of these announcements.

Shortly after the end of the year, the ASU welcomed Alistair Coyle as a new Client Manager. Alistair joins us having worked for our colleagues at Link Fund Solutions and brings a wealth of both ACS Operator and ACCESS experience.

I would like to thank my ASU colleagues, the technical leads and the officers of the Authorities for their enthusiasm, support and hard work towards the continued progress of the Pool.

Kevin McDonald,

Director of ACCESS Support Unit

ACCESS Background

ACCESS has its origins in 2016 when 11 Local Government Pension Scheme (LGPS) Authorities agreed to begin working collectively to address the requirements of the Government's agenda for pooling LGPS investments.

The following strategic objectives are in place:

- 1 Enable the Councils to execute their fiduciary responsibilities to LGPS stakeholders, including scheme members and employers, as economically as possible.
- 2 Provide a range of asset types necessary to enable those participating Authorities to execute their locally-determined investment strategies as far as possible.
- 3 Enable the Councils to achieve the benefits of pooling investments, preserve the best aspects of what is currently done locally, and create the desired level of local decision making and control.

In order to achieve these objectives, the Councils have established a set of governing principles.

The governing principles are summarised below.

- Collaboration
- Objective evidence based decisions
- Professionalism
- No unnecessary complexity
- Value for money
- Risk management
- Equitable voice in governance
- Equitable cost sharing
- Evolution and innovation

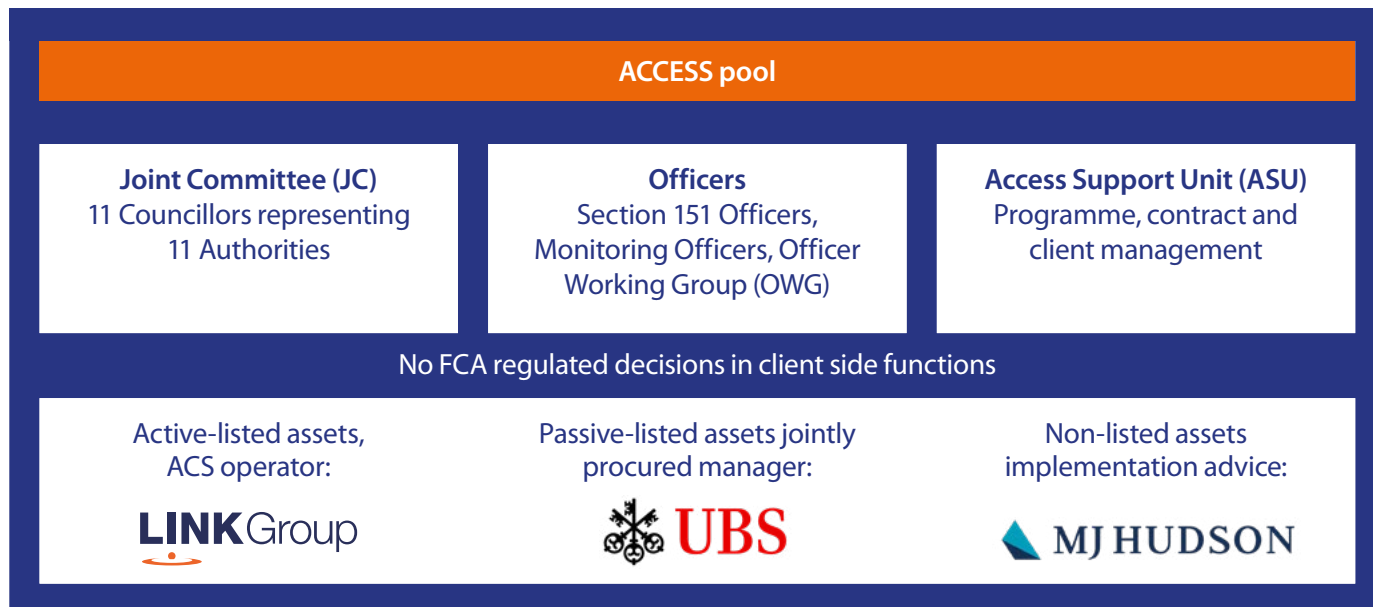
Implicit within the above principles is the democratic accountability and fiduciary duty of the Councils as Administering Authorities.

ACCESS LGPS Authorities



<p>1</p> 	<p>7</p> 
<p>2</p> 	<p>8</p> 
<p>3</p> 	<p>9</p> 
<p>4</p> 	<p>10</p> 
<p>5</p> 	<p>11</p> 
<p>6</p> 	

An overview of the Pool's governance structure is outlined below.



Key Statistics

3 Year Performance

14% p.a.

Members

1.2 million

Pooled Assets

As at March 2023

ACS

£24.5bn

UBS (1 jointly procured provider)

£9.9bn

Pooling Progress

59%

Employers

3,459

Pensioners

340,000

Cost & Savings

Since inception to March 2023

Gross Savings

£98.9m

Costs

£27.6m

Net Savings

£71.4m

Pooling Progress

Pooled assets represented 85% of all listed assets held by ACCESS Authorities and 59% of all assets held by ACCESS Authorities.

	£ Billion
Global Equity Funds	15,595
UK Equity Funds	2,590
Fixed Income	4,973
Diversified Growth	1,319
Passive Investments	9,940
Total Pooled Investments	34,417
Pooled Assets % of Total Listed Assets	85%
Pooled Assets % of Total Assets	59%

Pooling has continued throughout the year with the ACCESS Authorities investing within the sub-funds already set up.

One sub-fund was launched during the year in November 2022, which attracted £800 million funding from ACCESS Authorities that had not previously invested with the investment manager.

Performance

As at 31 March 2023 the ACCESS ACS contains a number of sub-funds across UK and Global Equities, Fixed Income and Diversified Growth Fund (DGF) Strategies.

Annualised investment performance for each of these asset classes is shown in the table below for the three years ending 31 March 2023 and since inception.

Asset class	£bn	Asset Managers	3 years to 31 March 2023 (annualised)			Since inception to 31 March 2023 (annualised)		
			Perf.	B/mark	+/-	Perf.	B/mark	+/-
UK equities	2.6	Schroders, Baillie Gifford, Liontrust & Blackrock	13.8%	13.5%	0.3%	6%	6.1%	(0.1%)
Global equities (growth)	10.9	Baillie Gifford, Longview, Fidelity, Newton, J O Hambro, Capital Mondrian, Arcadian	17.1%	16.0%	1.1%	13.0%	9.7%	3.3%
Global equities (value)	4.7	M&G, Dodge & Cox, Schroders, Macquarie						
Fixed income	5.0	Royal London, Baillie Gifford, M&G, Fidelity, Janus Henderson	(0.4%)	(1.7%)	1.3%	0.6%	0.2%	0.4%
DGF	1.3	Baillie Gifford, Ruffer, Newton	7.4%	10.0%	(2.6%)	4.7%	5.4%	(0.7%)
Total	24.5		14.0%	13.1%	0.9%	10.1%	7.5%	2.6%

Strongest investment outperformance, compared to benchmark, was seen from the Global Equities sub-funds which also account for the largest allocation of assets, £15.6 billion, 64% of the ACCESS Pool.

Although Fixed Income produced negative returns the investments outperformed the benchmark over the year.

Despite negative returns from Diversified Growth Funds and on UK Equities (since conception), the emerging trend is one of overall positive performance.

Savings

A budget for ongoing operational costs is set by the Joint Committee and is financed equally by each of the eleven Authorities.

The table below summarises the financial position for 2022/23 along with the cumulative position since the commencement of ACCESS activity in early 2016.

	2022 – 2023		2016 – 2023	
	Actual In Year £m	Budget In Year £m	Actual Cumulative to date £m	Budget Cumulative to date £m
Set Up Costs	–	–	1,824	1,400
Transition Costs	–	2,100	3,338	6,907
Ongoing Operational Costs	1,175	1,366	5,292	7,695
Operator and Depository Costs	4,979	4,787	17,128	20,938
Total Costs	6,154	8,253	27,582	36,940
Pool Fee Savings	28,645	17,800	98,945	65,550
Net Savings Realised	22,491	9,547	71,363	26,510

2022/23 saw an underspend primarily due to lower than anticipated costs of procurement and technical professional costs.

Operator and depository fees are payable by each Authority in relation to assets invested within the Authorised Contractual Scheme established by Link Fund Solutions as pool operator.

The 2022/23 fee savings have been calculated using the Chartered Institute of Public Finance and Accountancy (CIPFA) price variance methodology and based on the average asset values over the year. This approach highlights the combined level of investment fee savings, across all ACCESS Authorities stemming from reduced charges.

In summary, since inception ACCESS has demonstrated excellent value for money, maintaining expenditure broadly in line with the DLUHC submission whilst delivering an enhanced level of savings ahead of the timeline contained in the original proposal.

Business Plan

The activities within last year's 2022/23 Business Plan, are shown below. The ongoing nature of a number of areas result in milestones spanning different years.

- Review of the corporate governance manual.
- Revisions and sign off by the councils of the Inter-Authority Agreement.
- ACCESS Responsible Investment guidelines agreed by the Joint Committee and recommended to Councils.
- Agree the requirements for the UK Property and Global Property mandates.
 - Procurement for implementation adviser carried out by MJ Hudson in collaboration with the Hampshire procurement officer.
 - UK Property and Global Property awarded to CBRE.
- Procurement for an independent third party to review the effectiveness of the ACCESS Pool operations.

The Business Plan for **2023/24** was agreed by the Joint Committee in December 2022 and covers:

- Independent third-party business review and implementation of any outcomes.
- Launch of emerging market sub-funds.
- Continuance of the implementation of the alternative investment programme.
- Investment of indirect UK and global property mandates with CBRE.
- Responsible Investment Phase II procurement.
- Governance: the continued application of appropriate forms of governance throughout ACCESS including the commencement of both responsible investment reporting support for the Pool, and the second contract for communications support.
- Scheduled evaluation: preparation for, and the commencement of, the re-procurement of operator services in the penultimate year of the Operator contract.

Environmental, Social & Governance

The ACCESS Authorities believe in making long term sustainable investments whilst integrating environmental and social risk considerations, promoting good governance and stewardship.

Whilst the participating Authorities have an overriding fiduciary and public law duty to act in the best long-term interests of their Local Government Pension Scheme (LGPS) stakeholders to achieve the best possible financial returns, with an appropriate level of risk they also recognise the importance of committing to responsible investment alongside financial factors in the investment decision making process.

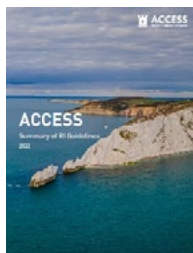
Responsible Investment Guidelines

Following the completion of a review led by Minerva Analytics, ACCESS has now published an updated Responsible Investment Guidelines. These have been developed around five pillars: governance, process, implementation, stewardship and monitoring/reporting.

The key high-level points of the Guidelines are:

- The Councils remain sovereign (particularly in relation to setting investment strategy). However, the opportunity exists for ACCESS to help coordinate RI approaches;
- All Councils agree that RI issues have the potential to impact investment returns over the short, medium and long-term;
- RI issues and concerns should be addressed primarily at the point of investment, whether that is in relation to an individual stock, or an entire portfolio;
- A number of RI priorities have been identified for the coming year, mostly associated with establishing a 'benchmark' of where the Councils' assets and asset managers sit in terms of RI concerns;
- Active stewardship remains the preferred approach when it comes to investments – with engagement over divestment being the Councils' combined approach;
- ACCESS, through the ASU and Link (the ACS Operator), will seek to ensure appropriately structured RI reporting is provided by the asset managers, so that each Council can meet its own RI reporting and communication objectives.

The Guidelines have been published in both summarised and full forms.



Voting

The ACCESS pool has a set of voting guidelines which seeks to protect and enhance the value of its shareholdings by promoting good practice in the corporate governance and management of those companies.

The guidelines set out the principles of good corporate governance and the means by which ACCESS will seek its influence on companies. The voting activity is reported to the Joint Committee on a quarterly basis.

During the year ACCESS voted at 2,801 meeting on 34,727 resolutions.

On a quarterly basis the votes can be summarised as below:

	Number of Meetings	Votes cast For	Votes cast Against	Votes cast Other	Total Votes Cast
June 2022	1,920	24,301	3,664	605	24,301
September 2022	350	3,870	368	51	4,289
December 2022	250	2,204	297	72	2,573
March 2023	281	3,180	391	65	3,564

Engagement

Link Fund Solutions arranges regular sessions with the Investment Managers to present to the Authorities Pension Fund Officers to demonstrate how they implement environmental, social and governance into their investment strategy and decision-making process.

These also give the investment manager the opportunity to discuss the engagement activities they have undertaken, what constructive dialogue was had and how they have used their influence to encourage the adoption of best practice.

Governance arrangements

The Pension Fund Committee

The Pension Fund Committee exercises all of the powers and duties of the Kent County Council (KCC) in relation to its functions as Administering Authority for the Fund. The Committee is responsible for setting investment strategy, appointing professional fund managers and carrying out regular reviews and monitoring of investments. It also monitors the administration of the Pension Scheme and determines Pension Fund policy in regard to employer admission arrangements.

There were four full Committee meetings during the year, all were held in person with the option to join virtually. The Committee also participated in an away day to discuss Strategy and receive training.

The membership of the Committee during 2022-23 is detailed below.

Committee members

Employer representatives

All elected members (employer representatives) have full voting rights at the committee.



Charlie Simkins
Chairman
Kent County Council



Nick Chard
Vice Chairman
Kent County Council



Dan Daley
Kent County Council
up to 24/03/23



Penny Cole
Kent County Council
up to 24/01/2023



Perry Cole
Kent County Council



James McInroy
Kent County Council



John Burden
Gravesham Borough
Council



Nick Eden-Green
Canterbury City Council
up to 08/12/22



Paul Clokie
Ashford Borough Council
up to 22/06/22



Paul Bartlett
Kent County Council



Paul Cooper
Kent County Council



John Wright
Kent County Council



Richard Thorne
Medway Council



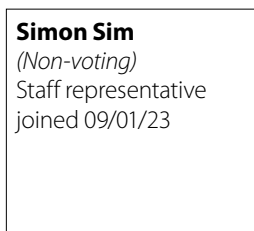
Mel Dawkins
Kent County Council



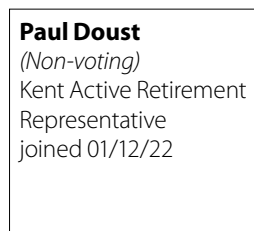
Paul Stepto
Kent County Council



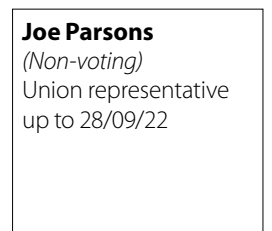
Simon Webb
Kent County Council
joined 24/01/2023



Simon Sim
(Non-voting)
Staff representative
joined 09/01/23



Paul Doust
(Non-voting)
Kent Active Retirement
Representative
joined 01/12/22



Joe Parsons
(Non-voting)
Union representative
up to 28/09/22

Member Representatives

Member representatives do not have a vote but otherwise are treated equally in terms of access to papers, training and opportunity to contribute to the decision making process.

Kent Active Retirement Fellowship Representatives

Paul Doust

Union Representative

Joe Parsons (up to Sept. 22)

Kent County Council Staff Representative

Simon Sim

Local Pensions Board

The Board's role is to ensure effective and efficient governance and administration of the LGPS scheme including ensuring compliance with scheme regulations and other applicable legislation. The membership of the Board during 2022-23 is detailed below; there were two full Board meetings during the year. It is pleasing to report that all vacancies on the Board have been filled during the year.

Kent County Council Officers and Others

The day to day operations and management of the Fund and implementing the decisions of the Pension Fund Committee are delegated to the KCC Section 151 officer and their staff. This includes the power to seek professional advice and devolve day to day handling of the Fund's investments to professional fund managers and advisers within the scope of the regulations. KCC undertakes the monitoring and accounting for the investments of and income due to the Fund.

Key Personnel

Zena Cooke	Corporate Director of Finance and S151 Officer
Nick Buckland	Head of Pensions and Treasury

Board members

Employer Representatives	Representing
Robert Thomas, Chairperson	Kent County Council
Dylan Jeffrey, Vice Chairperson	Kent County Council
Alison Kilpatrick	Kent and Medway Fire
CLlr Rachel Carnac	District/Canterbury City Council

Member Representatives

Joe Parsons	Districts/Medway staff
Kelly King	Kent County Council staff
Alison Mings	Pensioner Representative
Grahame Ward	Pensioner Representative

Governance 2022-23

During the year the Pension Fund Committee met four times and the Pensions Board met twice. All four Committee meetings were held in person with the option to join virtually and all Board meetings were held virtually. Attendance at the Committee and Board meetings can be found below:

Pension Fund Committee

Member	Meetings attended
Charlie Simkins	3/4
Nick Chard	3/4
Paul Bartlett	3/4
John Burden	1/4
Paul Clokie (left Committee Jun. 2022)	0/1
Penny Cole (left Committee Jan. 2023)	3/3
Perry Cole	4/4
Paul Cooper/and substitute	2/4
Dan Daley	2/4
Mel Dawkins	3/4
Paul Doust (joined Committee Dec. 2022)	1/1
Nick Eden-Green (left Committee Dec. 2022)	3/3
James McInroy	3/4
Joe Parsons (left Committee Sept. 2022)	2/2
Simon Sim (joined Committee Jan. 2023)	1/1
Paul Stepto	4/4
Richard Thorne/substitute	2/4
Simon Webb (joined Committee Jan. 2023)	1/1
John Wright	3/4

Pensions Board

Member	Meetings attended
Robert Thomas	2/2
Dylan Jeffrey	2/2
Joe Parsons	2/2
Alison Kilpatrick	1/2
CLlr Rachel Carnac*	1/2
Grahame Ward*	1/2
Kelly King*	1/2
Alison Mings*	1/2

*Joined the Board after first meeting

Committee activity

Items considered by the Committee at its meetings in 2022/23 were as follows:

22/06/2022	28/09/2022	08/12/2022	29/03/2023
Fund Employer and Governance Matters	Fund Employer and Governance Matters	Committee work programme and Action Log	Fund Employer Matters
Pensions Administration	Update on National LGPS issues	Fund Business Plan – 2022/23 – 2024/25	Actuarial Valuation results
Report from the Pension Board	Pensions Administration	Fund Employer and Governance Matters	Funding Strategy Statement
ACCESS update	Training update	Pensions Administration	Pensions Administration
Fund position	Pension Fund Report and Accounts and External Audit	Annual Report	McCloud Remedy Update
Governance Review update	Report from the Pension Board	Report from the Pension Board	Report from the Pension Board
Responsible Investment update	ACCESS update	ACCESS update	Fund Position
Risk Register	Fund position	Fund position	Investment Manager Monitoring
Equity Protection update	Governance Review update	Governance Review update	Governance, Policies and Training
Cash Flow	Business Plan	Pension Fund Risk Register	Investment Strategy
Investment Strategy	Pension Fund Risk Register	Actuarial Valuation 2022 update	Responsible Investment update
Manager Presentation – DTZ Investors	Investment Strategy	Investment Strategy	Administration System procurement
Manager Presentation – Partners Group	Actuarial Valuation 2022 update	Responsible Investment update	ACCESS update
	Responsible Investment update		Employer Matters
			Business Plan
			Risk Register

Board activity

Items considered by the Board at its meetings in 2022/23 were as follows:

24/11/2022	14/03/2023
Fund Business Plan	Verbal update on the Pension Fund Committee
Pensions Administration	Fund Business Plan – 2022/23 – 2024-25
Pension Fund Annual Report and Accounts and External Audit	Pensions Administration
Fund Employer and Governance Matters	Pension Fund Annual Report and Accounts and External Audit
Governance review – update	Fund Employer and Governance Matters
Fund Position September 2022	Governance review – update
ACCESS update	Fund Position September 2022
Pension Fund Risk Register	ACCESS update
	Pension Fund Risk Register

Training

As an administering authority of the Local Government Pension Scheme, Kent County Council recognizes the importance of ensuring that all officers and members charged with financial management and decision making for the pension scheme are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.

In November 2022, a report was prepared on the LGPS National Knowledge Assessment, for Kent Pension Fund. The report was prepared by Hymans Robertson and followed a previous assessment undertaken in 2020. The report rated the knowledge and skills of members of the Pension Board and Pensions Fund Committee and from this a training plan was developed.

Training is undertaken, recorded and monitored as per the Kent Pension Fund Training Strategy (approved at Pension Fund Committee March 2022). The Strategy sets out strategic training objectives and the training vision, whilst incorporating CIPFA's 'Code of Practice on Public Sector Pensions Finance, Knowledge & Skills' and CIPFA's Knowledge & Skills Framework. Furthermore, the Kent Pension Fund Training Strategy explains the requirement for those on the Pensions Board and Pensions Fund Committee to have sufficient skills and knowledge to undertake their role.

To support the Training Plan, other training methods/resources are incorporated to pick up hot topics and to support learning requirements as they emerge. Members also take personal responsibility to maintain their Pensions knowledge and to ask Officers for assistance where extra support may be required to effectively undertake their role.

The main training events attended by committee and board members during 2022-23 were as follows:

Date	Topic	Provider
April 2022	Carbon Footprint Analysis	Mercer
May 2022	Responsible Investment	IIGCC
June 2022	Securities Lending	Northern Trust
March 2023	Investment Strategy Away Day	Mercer/DTZ

Committee members have also had an opportunity to gain an understanding of new asset classes and existing investment mandates from investment managers at the following Committee meetings:

Date	Topic	Provider
June 2022	Global equities	Baillie Gifford
September 2022	Alternative Investments/ Responsible investment	Baillie Gifford/ DTZ

In addition, one committee member completed the TPR Etoolkit during the year.

Individual members and officers have also attended training events organized by the Fund's investment managers and other external organizations as follows:

- Attendance at the PLSA Conference 2022, LGPS Forum, UNISON National LGPS Conference and other events related to finance, pensions, investments, governance and scrutiny.
- Training and updates as given at the Pension Board, Pension Fund Committee and the Fund's Employer Forum.
- Individual study, learning and Continued Professional Development to gain specific qualifications or broader understanding.

Fund managers



















Further details of the fund manager mandates can be found in the Investment Strategy Statement (ISS).

Other organisations providing services to the Kent Fund

Service	Organisation
Custodian	Northern Trust Company
Bankers	National Westminster Bank
Fund Actuary	Barnett Waddingham
Additional Voluntary Contributions (AVC) Providers	Utmost Life, (earlier Equitable Life Assurance) Prudential Assurance Company Standard Life Assurance
Investment Consultant	Mercer
Auditor	Grant Thornton
Legal Advisor	Invicta Law
Performance Measurers	Northern Trust Company CEM Benchmarking PIRC Limited
Scheme Administrator	Kent County Council
Administration Software Provider	Aquila Heywood

The Kent Pension Fund maintains the following statutory statements and policies; these are reviewed and updated regularly:

- Funding Strategy Statement
- Investment Strategy Statement
- Governance Compliance Statement
- Administration Strategy
- Communications Policy Statement
- Responsible Investment Policy
- Conflicts of Interest Policy
- Contributions Review Policy
- Deferred Debt and Debt Spreading Agreement Policies
- Training Strategy
- Recording and Reporting Breaches of the Law Policy
- Data Quality Policy

These documents can be found on the Pension Fund's website: <https://www.kentpensionfund.co.uk/local-government/about-us/management-of-the-fund/policies>

A copy of the latest triennial valuation can be found on the Pension Fund's website: https://www.kentpensionfund.co.uk/_data/assets/pdf/file/0003/149016/Valuation-report-March-2022.pdf

Risk Management

Kent County Council as the Administering Authority for the Kent Pension Fund has delegated responsibility for the management of risk to the Pension Fund Committee.

Objectives of Risk Management

The Kent Pension Fund's (the Fund) primary objective is to ensure that over the long term it will have sufficient assets to meet pension liabilities as they fall due. The Fund is exposed to operational and financial risks that might affect its ability to achieve its objectives. The risks need to be monitored and managed on a regular basis.

Risk register

The Committee maintains active oversight of the Fund's key risks and maintains a risk register. Risks are classified into Governance, Investment & Funding and Administration risks. All risks are scored and assigned a target level and mitigations are put in place for risks measured at higher than target level. Risks scored at or below target level are monitored. The Pension Fund Committee formally considers risk at four of its five planned meetings during the year and receives regular training on general and specific risks.

The key risks currently identified include:

- Increased risk of cyber attacks.
- Implementation of changes necessitated by the McCloud judgement.
- risk of increased funding deficit.
- risk of pensions dashboard not being ready in time to comply with onboarding date.

Arrangements have been agreed for the management of these risks in order to mitigate their impact on the Fund. These are regularly reviewed, and the risk register updated for changes in the level of risks and for emerging new risks.

Governance risks

These risks arise from the regulatory environment and control environment at the strategic level of the fund. Members and officers are guided, and supported by Kent County Councils' governance framework, policies and procedures. The Committee has access to appropriate expert governance, technical and investment expert advice to enable them to fulfill their role.

Investment and Funding risks

Details of the counter measures in place for financial, demographic, regulatory, and employer risks are included in the Fund's Funding Strategy Statement (FSS). Further details of the Fund's policy on investment risk management are disclosed in the Fund's Investment Strategy Statement (ISS). These are reviewed regularly. The Fund has a well diversified portfolio of different asset classes and investment strategies managed by different managers. This greatly mitigates the risk of excessive reliance on particular asset classes and managers in times of stress in the market conditions. The Fund has a high exposure to equities which have high growth potential but are also exposed to higher risk. Upon advice from its investment advisors, the Fund has implemented an Equity Protection programme on its global equity assets to continue to benefit from high returns but protect it from significant losses. The Fund also operates an asset rebalancing policy to ensure that the asset allocation remains within its agreed risk profile.

The Fund reviews its investment strategy on a regular basis and at least every three years to ensure the strategy remains suitable to the Fund's circumstances.

Assurance over external service providers operations is provided by investment managers and custodian[s] who are required to provide annual AAF 01/06 reports and ISAE 3402 reports.

Administration risks

Administration risks are operational risks that relate to the maintenance of member data and processing of contributions and payments for members. Comprehensive policies and procedures supported by training and effective communication with staff as well as employers are put in place to mitigate these risks. Regular monitoring of KPIs and participation in benchmarking exercise is employed to monitor the risks and effectiveness of the processes.

Kent County Council's Internal Audit Section conducts risk-based audits on the management of risk in the Pension Fund. During the year Kent County Council Internal Audit carried out a review of the service focusing on 6 key areas:

- i) governance and oversight arrangements;
- ii) policies, procedures and staff training;
- iii) system access, data security and data quality;
- iv) pension scheme administration;
- v) compliance with scheme rules and regulations; and
- vi) capacity and resourcing of the pension scheme administration team.

The outcome was adequate with good prospects for improvement.

Third party risk such as that relating to employers in the Fund is managed through monitoring the timeliness of receipts of contributions as well as the annual review of guarantees/bonds provided by Admitted bodies.

Financial Performance

Fund Trends

A summary of the Fund's key trends is shown below:

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Net Assets at 31 March (£'000)	6,218,169	5,716,878	7,513,632	7,702,425	7,847,952
No. of Contributors	51,345	51,685	52,725	52,829	53,353
Contributions (£'000)	238,331	250,263	267,955	280,431	297,692
Number of Pensioners	41,739	43,441	44,838	46,706	48,583
Benefits Paid (£'000)	235,953	243,832	247,448	257,277	270,995

Financial Summary

A brief summary over the last 5 years is shown below:

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Value of Fund at start of year	5,828,846	6,218,169	5,716,878	7,513,632	7,702,425
Revenue account for year					
– Contributions	238,331	250,263	267,955	280,431	297,692
– Transfers in	9,427	9,328	5,017	10,636	17,306
– Investment and other income net of expenditure					
Income on investments	114,315	139,858	115,258	140,759	158,696
Interest on cash	1,010	1,273	154	217	2,621
Stock lending income	1,042	42	33	58	103
Expenses on property	(4,212)	(6,209)	(4,199)	(7,591)	(8,506)
Management expenses	(27,184)	(25,606)	(27,277)	(34,840)	(32,502)
– Benefits	(235,953)	(243,832)	(247,448)	(257,277)	(270,995)
– Transfers out	(12,585)	(12,708)	(10,057)	(28,114)	(15,184)
Net Revenue	84,191	112,409	99,436	104,279	149,231
Increase (Decrease) in market value of investments in year	305,132	(613,700)	1,697,318	84,514	(3,704)
Increase (Decrease) in Fund during year	389,323	(501,291)	1,796,754	188,793	145,527
Value of Fund at end of year	6,218,169	5,716,878	7,513,632	7,702,425	7,847,952

The Fund increased in value over the course of the year as revenue, principally contributions and investment income, exceeded benefit payments and other expenditure.

Over the year, the Fund experienced a 1% increase in the number of contributors, leading to a 6.2% increase in contributions by amount compared to 2021/22 figures.

The number of pensioners saw an increase of 4% compared to the previous year, reaching a 16% rise since March 2019. Consequently, pension payments increased by 15% since March 2019.

Pension Fund Administration and Governance Costs

The following table compares actual Administration, Governance and Oversight costs against the budget for 2022-23.

	2022-23 Budget £	2022-23 Actual £
Pensions administration	2,537,405	2,557,738
IT expenses	902,595	680,638
Pensions payroll services	228,188	228,188
Payment services	16,400	17,267
Financial systems and services	64,700	64,700
Legal fees	84,243	134,899
Administration expenses	3,833,531	3,683,430
Actuarial fee (including cost of triennial valuation in 22-23)	370,000	420,169
Direct recovery of actuary, legal fees and admin costs	(235,000)	(494,445)
Subscriptions	64,355	62,438
ACCESS pooling costs	160,000	115,345
Investment accounting and oversight costs	640,000	684,522
Training	3,000	1,200
Performance measurement fees	30,000	13,684
Governance consultancy	–	–
Investment consultancy	270,000	304,353
Governance and oversight expenses	1,302,355	1,107,266
Custody	45,000	51,028
Transaction costs	675,000	165,716
Fund manager fees – fixed income	5,529,000	3,801,624
Fund manager fees – equities	13,016,000	13,343,379
Fund manager fees – Private equity/infrastructure	7,500,000	6,907,234
Fund manager fees – property	3,600,000	3,395,638
Investment management costs	29,645,000	27,664,619
Audit fee	42,000	45,511
Total	34,822,886	32,500,826

Transaction costs were lower than expected as there were fewer movements between funds this year.

Pooling costs were under budget as some planned projects have progressed slower than expected.

Investments

This report sets out details of the progress made against the Fund's investment strategy during the year.

At its regular meetings during 2022-23 the Committee monitored the Fund's investment strategy and made recommendations regarding the Fund's asset allocation, agreeing that no changes be made as all actual allocations have fallen within the agreed benchmark.

The Fund's strategic asset allocation as at 1 April 2022 was as follows:

Asset Class	Allocation %	Index
UK Equities	23.5	FTSE All Share
Overseas Equities	32	MSCI World Index NDR
Fixed Income	15	BAML GBP Broad Market
Property	13	IPD All Properties Index
Private Equity & Infrastructure	7.5	GBP 7 Day LIBID
Absolute Return	8	RPI +5%
Cash	1	GBP 7 Day LIBID
Total	100	

Asset Pooling

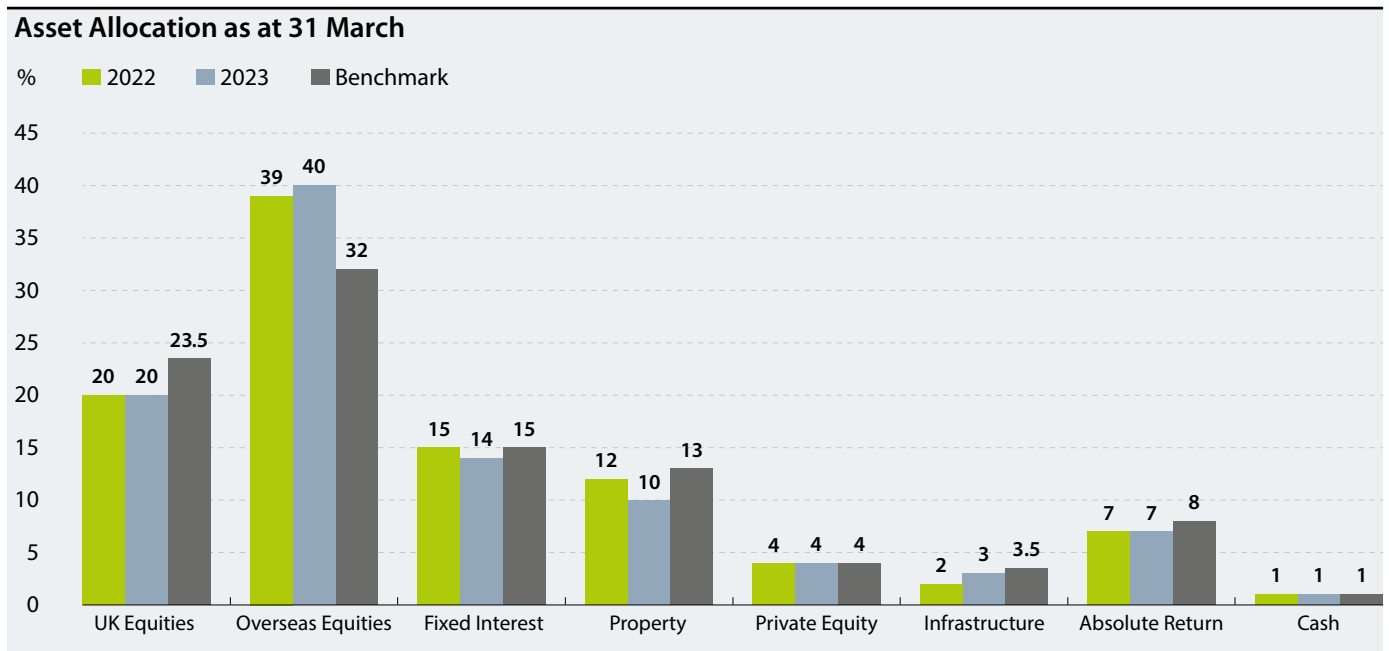
The Kent Pension Fund has made good progress in transitioning assets into the ACCESS Pool. (Please see section on ACCESS for further information about the Pool).

As at 31 March 2023 it had investments of £3.4 billion in four ACCESS sub-funds.

The Kent Pension Fund has achieved £16.4m of savings in pooling initiatives of which £6m are in relation to assets awaiting pooling.

Portfolio Distribution

The graph shows the Fund's actual portfolio distribution between the main asset-classes as at 31 March 2022 and 31 March 2023 vs the benchmark.

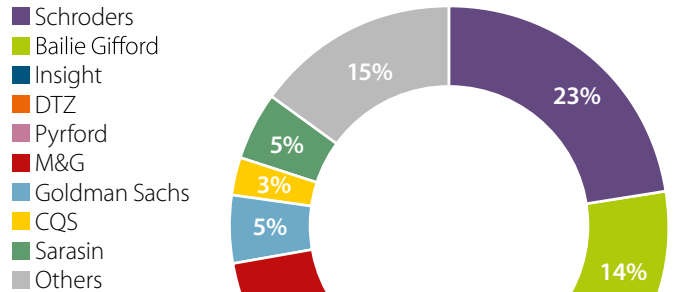


Value of funds under management by fund manager

The following graph shows the assets under management (AUM) and the proportion of the Fund under management by fund manager as at 31 March 2023:

Fund Managers	AUM (£m)
Schroders	1,829
Baillie Gifford	1,072
Insight	1,040
DTZ	546
Pyrford	382
M&G	851
Goldman Sachs	385
CQS	226
Sarasin	376
Others	1,142
Total	7,848

AUM by fund manager as a proportion of the Fund



Investment performance 2022-23

The performance of the Fund's investment managers is reported on a quarterly basis to the Pension Fund Committee.

The managers submit reports and valuations for this purpose and managers of the larger mandates meet at least annually with the Committee and/or its officers to make presentations and to answer questions.

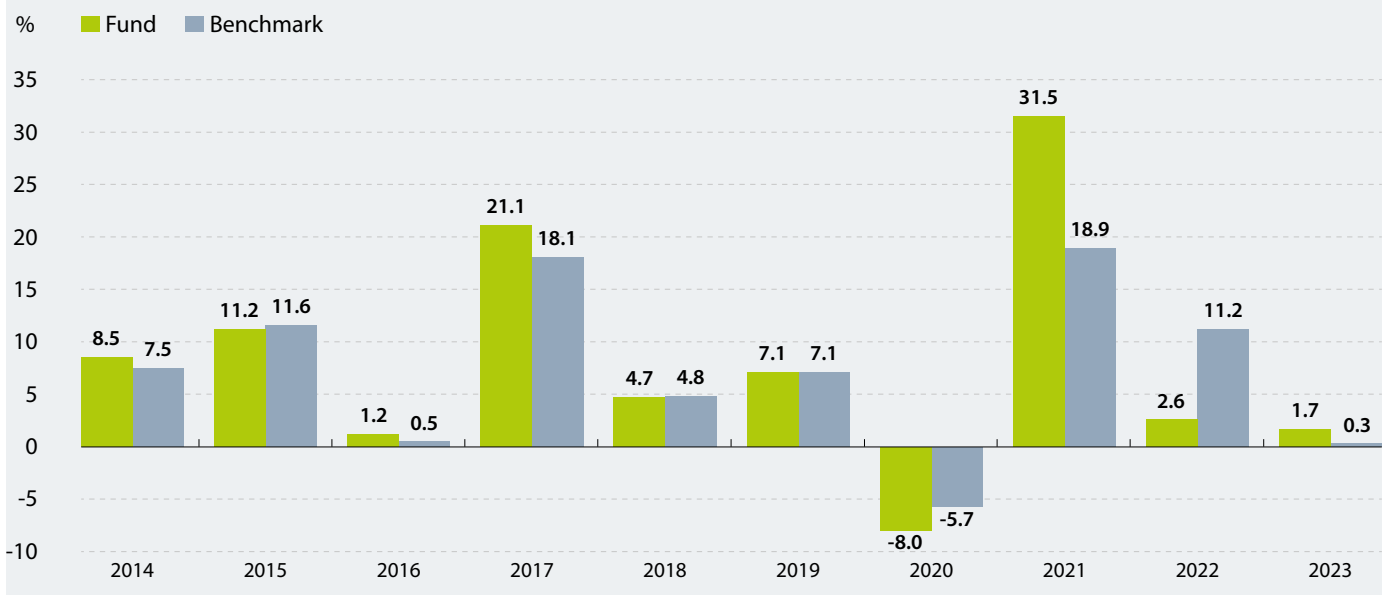
Managers are required to provide valuation information to Northern Trust which assesses the rate of return achieved and provides performance reports for consideration by the Committee.

Total fund performance

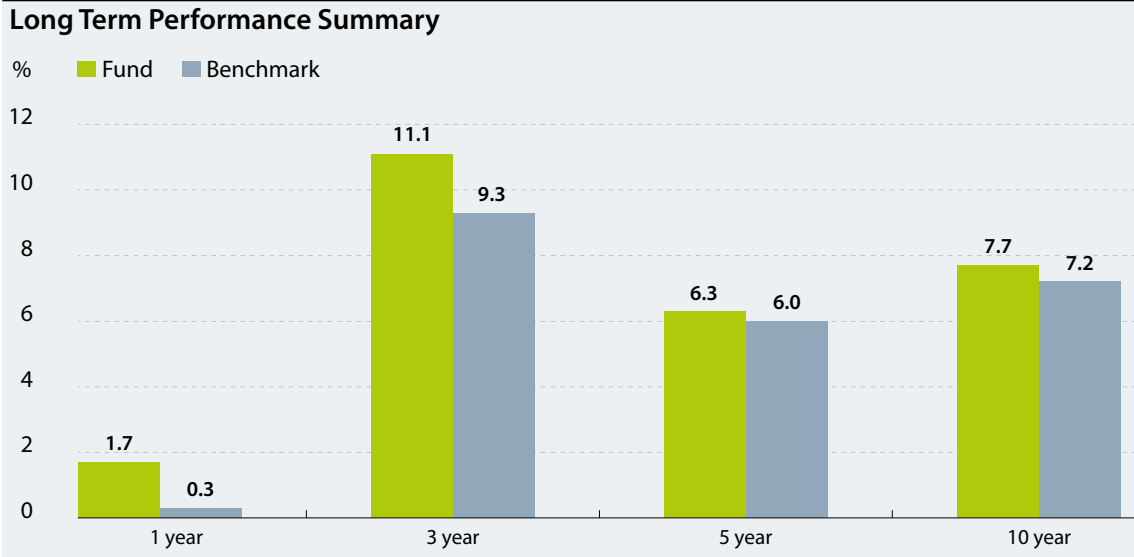
The graph below shows the relative performance of the investments over the last 10 years. The overall return on the investments for 2022-23 was 1.68% compared to the customised strategic benchmark of 0.33%.

For comparison the PIRC Local Authority Universe average annual fund return for 2022-23 was 1.6%.

Annual Investment Returns

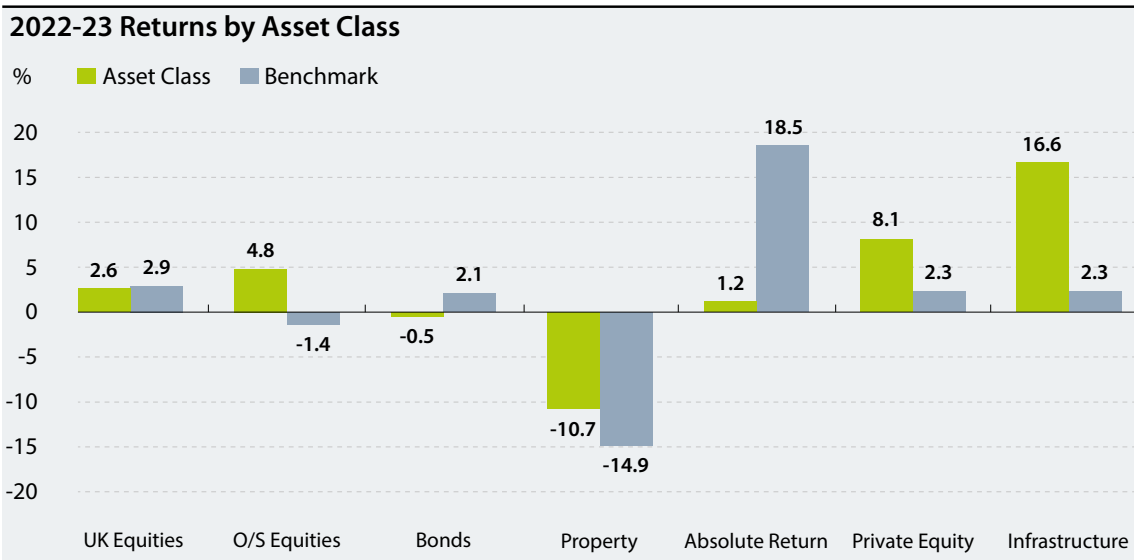


The graph below shows the long term performance of the Fund's investments compared against its Strategic benchmark.



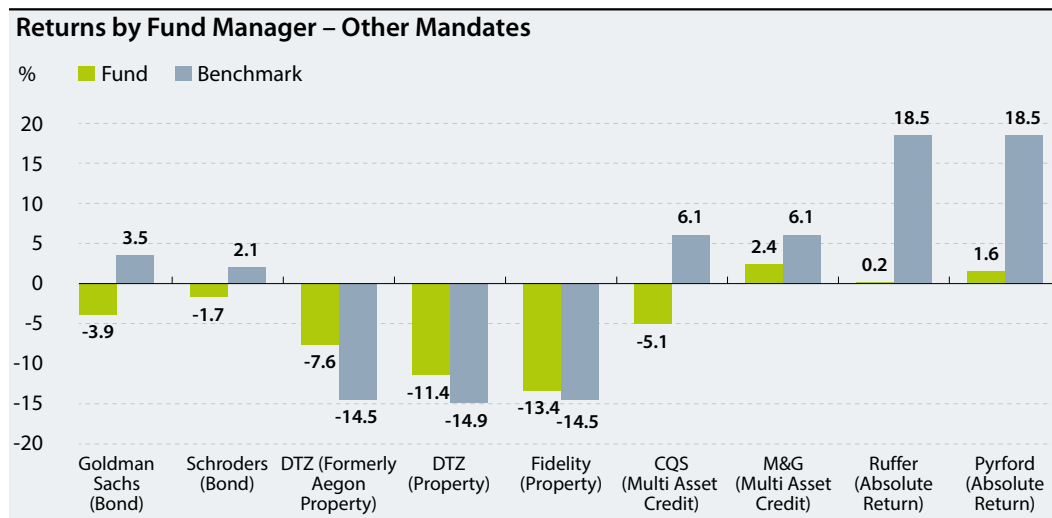
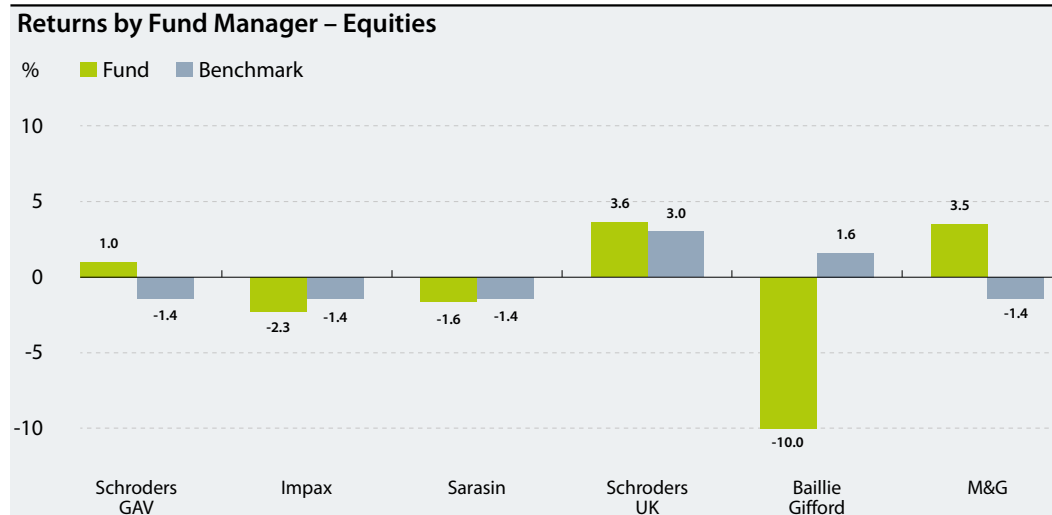
Returns by Asset Class

The analysis set out below shows the returns by asset class for 2022-23:



Performance by Fund Manager

The following graphs show the performance of the Equity and other Mandates compared to their benchmarks for the year ended 31 March 2023.



Responsible Investment (RI) Policy

The Fund's RI policy can be viewed [here](#)

The Kent Pension Fund:

- Has a **responsible investment (RI) policy, which is part of its investment strategy** which explains how Environmental, Social, and Governance (ESG) factors will be considered when making investment decisions and how the Pension Fund expects its investment managers to engage with companies about ESG issues and take part in shareholder voting.
- Has set up an **RI working group to focus on responsible investment**. The group is made up of members of the Pension Fund Committee and makes recommendations to the Committee.
- Is a **signatory to the principles of responsible investment (PRI)** which sets out six principles for responsible investors to follow, and a member of the Local Authority Pension Fund Forum (LAPFF), a collaborative initiative that promotes the highest standards of corporate governance to protect the long-term value of local authority pension funds.
- **Expects its investment managers to be signatories to the UK Stewardship Code 2020** which is about how investors should act when making and owning investments.
- Provides training for the Pension Fund Committee.

Addressing climate change concerns

The Kent Pension Fund:

- Recognises it is consistent with its fiduciary duty to manage Environmental issues including climate change that may be financially material and expects those responsible for managing its investments to comply with the Fund's policy.
- Does not believe it should divest from companies involved in fossil fuels as that action of itself will not reduce the impact on the climate. The Fund believes that its policy of engagement with companies to encourage responsible investment behaviour will be more effective in terms of achieving change.
- Is actively monitoring and supporting the development of companies' management of environmental issues including those companies traditionally associated with fossil fuels. It is seeking out sustainable investment opportunities and for example holds units in a fund that invests in companies developing alternative sources of energy and cleaner uses of water and waste.
- Is a member of the **The Institutional Investors Group on Climate Change (IIGCC)**. The Fund monitors developments on climate change and uses the research undertaken to monitor and challenge our investment managers.

Developing the Fund's approach to ESG issues

The RI working group:

- Considers and progresses the further development of the Fund's RI policy and its implementation taking account of recent ESG initiatives; and
- Works with investment managers to enhance their reporting on ESG issues including regular updates on their engagement with companies on governance matters, and their voting activity.

The Kent Pension Fund:

- Is committed to improving its approach to and the processes associated with the implementation of its responsible investment policy and to ensure that these changes are consistent with the Fund's fiduciary duty to its members and local taxpayers.
- Will seek to align itself with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

RI Activity

Carbon Footprint Analysis:

- In collaboration with our investment advisor, Mercer, we conducted a comprehensive carbon footprint analysis of our listed equity and fixed income portfolios. This analysis covered 70.5% of our total Fund and provided valuable insights into the Fund's carbon intensity.
- As part of our carbon footprint analysis, we identified the portfolio's top contributors to carbon intensity and carried out an engagement exercise with our fund managers to understand how they are mitigating this risk.

Climate Scenario Analysis:

- With the support of the investment consultant, we conducted a climate scenario analysis to assess the Fund's resilience under three different climate scenarios: a rapid transition, an orderly transition, and a failed transition.
- This analysis helped us identify both the physical and transition risks associated with these scenarios and consider their impact on our portfolios over a 40-year time frame.

Engagement:

- As proud members of LAPFF, we actively participated in stewardship activities to promote responsible investment practices. Our collaboration with LAPFF allowed us to benefit from their voting alerts, which played a crucial role in influencing our engagement efforts. This enabled us to ensure our managers were carrying out the required due diligence and ensured we continue to be active owners of our assets.
- The Fund has also carried out various other engagement activities with our fund managers, across a number of topics ranging from net-zero targets to investor networks, ensuring that they align with our RI goals.

Voting

The Fund delegates voting decisions to its investment managers and expects them to fully participate in voting at company annual general meetings and to carry out all voting decisions on behalf of the Fund, in line with our RI policy.

The ACCESS Pool has formulated its own voting policy and expects the investment managers managing ACCESS sub-funds to vote in accordance with their policy, on a comply or explain basis.

Voting activity is reported to the Pension Fund Committee on a quarterly basis.

Voting by Managers 2022/23

	Number of Resolutions		
	For	Against	Abstain
Baillie Gifford	2,621	80	59
Schroders UK Equity	871	19	0
Schroders GAV	6,620	813	154
M&G Global Dividend	590	65	28
Ruffer	257	49	3
Sarasin	464	188	32
Impax	661	63	22
Pyrford	863	58	2
Total	12,947	1,335	300

Administration

Who belongs to the Kent Pension Fund?

The Kent Pension Fund provides pensions for employees of Kent County Council, and the 12 district/borough councils in the Kent County area. These are 'scheduled bodies', which means their employees have a statutory right to be in the Scheme. Other scheduled bodies include Medway Council, Kent and Medway Fire and Rescue, the Office of the Police and Crime Commissioner and the Chief Constable for Kent, as well as all Academy Trusts. Town and parish councils that have opted to join the Fund are known as resolution bodies.

There are also admission bodies which include voluntary organisations that the County Council has admitted to the Scheme under its discretionary powers. Other admission bodies include employees of contractors for jobs transferred from scheduled bodies.

Teachers, police officers and firefighters have separate non funded pension arrangements. Under the Pensions Act 2011, all employers are obliged to automatically enrol eligible employees into a qualifying pension scheme and re-enrol anyone who opts out of the scheme every three years. The LGPS is a qualifying scheme under the automatic enrolment regulations and can be used as such by Fund employers.

Further information on automatic enrolment can be found on the Pensions Regulator website www.thepensionsregulator.gov.uk

At 31 March 2023 there were 466 Employers in the Fund. During the year 17 organisations joined the Fund as either scheduled or admitted bodies following the transfer of staff from existing fund employers and as schools converted to academy trusts. Academy trusts also consolidated and other employers exited the Fund as their last active members left or retired. During the year 11 employers either ceased to be members of the Fund or merged with other employers.

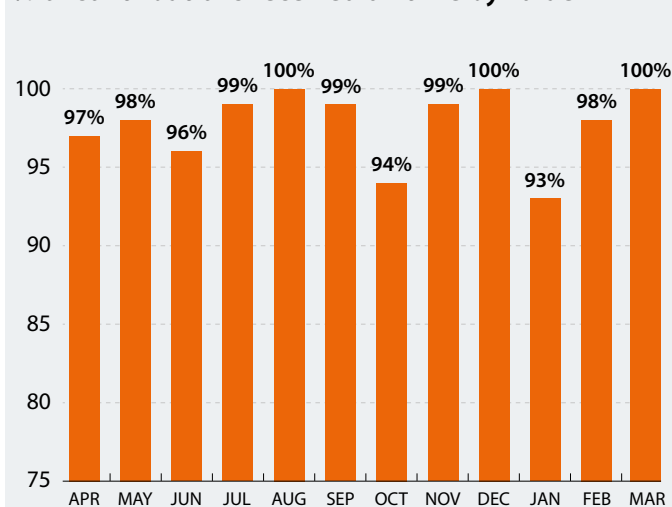
The following table shows a summary of the number of employers in the Fund analysed by employer type which are active (i.e. with contributing members) and ceased (i.e. with no active members but with some outstanding liabilities):

	Number of employers		
	Active	Ceased	Total
Scheduled Body	231	74	305
Admitted Body	70	91	161
Total	301	165	466

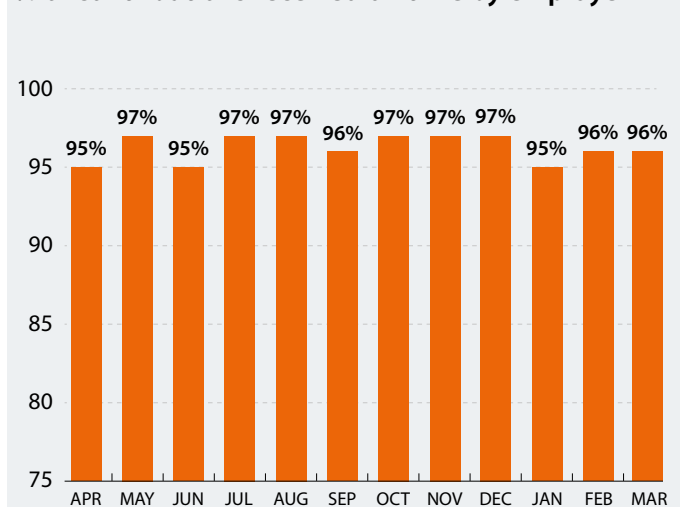
Amounts due from Employers

In 2022-23 KCC monitored the timely receipt of contributions by the deadline of the 19th of the following month the contributions relate to in two different measures: by value and by number of employers. The tables below show the performance over the 12-month period.

% of contributions received on time by value



% of contributions received on time by employer



Averaging 98% of total contribution income by value from the employers and 96% of employers paid on time.

The lower percentage reflects the difficulties some small employers have and some backdated admissions in the Fund. The option to levy interest on overdue contributions was not exercised. At 31st March 2023, contributions in respect of the March salaries totaling £21.3m due by 19 April had not been received.

On 31 March 2023 there were 48,583 pensioners, 49,902 deferred members, and 53,353 contributors, a total of 151,838 Scheme members.

The following table shows a summary of employers in the fund analysed by type:

Employer Type	Employers	Active Members	Deferred Members	Pensioner Members
Kent County Council (inc. Schools)	1	21,885	24,618	24,878
Local Authorities	13	8,217	9,960	13,078
Resolution Bodies	78	4,947	5,939	5,123
Transferee Admission Bodies	48	416	333	375
Community Admission Bodies	17	1,441	2,504	2,100
Academy Trusts	137	16,419	6,548	3,029
TOTAL		53,325 (plus 28 unallocated)	49,902	48,583

A full listing of contributing Scheme employers as at 31 March 2022 can be found in the Fund's 'Rates and Adjustments Certificate' (Appendix 5 of the Actuarial Valuation report) found here: [Report detailing the Actuarial valuation as at 31 March 2022 and Rates and Adjustment Certificate \(kentpensionfund.co.uk\)](https://kentpensionfund.co.uk)

How the service is delivered

Responsibility for the administration of the Kent Pension Fund is delegated to the Pensions Section, part of the Chief Executive's department of the County Council. The Pensions Section use Altair, a Heywood's system, to provide all aspects of pensions administration including pensioner payroll and employer web access. Members can access their pension information online via the Member Portal. Information for [members](#) and [employers](#) can be found on the Kent Pension Fund website.

There are 72.04 full time equivalent members of staff involved in the administration of the scheme for Kent, split into three main teams supported by finance and systems colleagues:

- an Administration Team responsible for administering all casework and handling all member queries.
- a Communications and Support Team responsible for supporting and training scheme employers. The aim of the team is to equip scheme employers with enough knowledge so that the provision of scheme member information is timely and accurate. Each member of the team is assigned a number of employers and are in daily communication to actively encourage them to follow correct procedures. Maintenance of the pension fund website and member self-service portal falls under the remit of this team, including implementation of new technological enhancements.
- a Technical and Training Development Team responsible for providing advice and information to colleagues and scheme members in respect of all technical issues and legislative changes. The team also manage the learning and professional development of the section's workforce, through arranging and delivering training plans.

Pensioner Payroll is dealt with by the Kent County Council Payroll Operations Team.

Assurance over the effective and efficient operation of the administration is provided by internal audit, who carry out assurance and consultancy in accordance with a risk-based programme. An internal audit opinion concludes on the overall adequacy and effectiveness of the Pension Section framework of governance, risk management and control.

The Pensions Section ran two Employer Focus Group meetings throughout the year. One in June held via MS Teams, attended by 97 people and one in December held at the Ashford International Hotel, attended by 116 people.

Scheme information for members is provided on the Pensions Section website. Members can view their own record including their annual benefit illustration via member self-service, as well as update personal details and run estimates. 6,337 members had registered for the Member Portal by 31 March 2023.

Key performance data

The Pension Section's administration performance against service standards for key casework is measured each week and is used internally to improve processes. Performance is reported to the Local Pension Board quarterly.

Type of Case	Target (days)	Number Processed	Processed within Target (%)
Initial Death Notification	15	1526	94
Survivors Pensions	15	519	74
Death Grant Payment	20	377	33
Balance of Payments/Overpayment Recovery	15	977	91
Retirement Benefits	20	2737	69
Retirement Estimates	20	4175	91
Refund Payment	20	931	91
Deferred Benefits	60	1682	31
LGPS Transfer In Estimates	20	278	75
Aggregation In Estimates	260	563	77
LGPS Transfer Out Estimates	20	431	34
LGPS Transfer In Actuals	20	136	15
Aggregation In Actuals	60	2433	22
LGPS Transfer Out Actuals	20	342	8
Non LGPS Transfer In Estimates	20	258	34
Non LGPS Transfer Out Estimates	20	475	44
Non LGPS Transfer In Actuals	20	180	13
Non LGPS Transfer Out Actuals	20	85	45
Pension Sharing on Divorce Estimates	6 weeks	357	97
Pension Sharing on Divorce Implementation	4 months	6	67
New Starters	30	16309	82
General Correspondence	15	7685	99
Change of Details	10	5692	99
Opt Outs	20	416	96
Lost Pension	20	181	88

Annual benefit illustrations were produced for 50,015 active members and for 49,975 deferred members by the statutory deadline of 31 August 2022.

Pension Savings Statements (PSS) were produced by the statutory deadline of 6 October for the 202 members who were identified as breaching the annual allowance limit in 2021/22, or who made a formal request to be provided with their pension input amount. Of these, 21 members have so far elected to use the scheme pays option to meet payment of a tax charge.

Internal Audit undertook a review of the administration of Kent Pension Fund between February and March 2023. The Audit findings were presented in April 2023. The audit involved a review of relevant documentation, interviews with key officers and sample testing of controls. Key focus areas of the audit were:

- Governance & oversight arrangements.
- Policies, procedures and staff training.
- System access, data security and data quality.
- Pension scheme administration.
- Compliance with scheme rules and regulations.
- Capacity and resourcing of the pension scheme administration team.

The Audit Opinion given was 'Adequate' meaning that internal control, governance and management of risk is adequate overall, however there were areas identified where elements of residual risk or weakness with some of the controls may put some of the system objectives at risk.

The Prospect for Improvement assessment was 'Good' meaning that there are satisfactory building blocks in place for future improvement with reasonable leadership, direction of travel and capacity in place.

The management action plans in place include a broad range of proposals that strengthen the Fund's strategies in recruitment (increasing capacity), procurement (outsourcing data rectification), governance (new policies and procedures) and offer digital solutions to manage demand. A number of these initiatives are to be delivered imminently or are in progress and were already integral elements in the Fund's Business Plan, to achieve the objective of delivering a best-in-class service to all members and employers.

Timeliness of contributions

All employer contributions due for 2022/23 have been received, except for new employers relating to backdated admissions. The last contribution payment was received on 26 June 2023. A total of £6.3m was paid late (£2.9m in 2021/22) which was 2.17% of the total contributions received. The average delay on all late payments received during 2022/23 was 9 days. Receipt of contributions is reviewed monthly to determine if any action is required. No late payment interest was charged for 2022/23. Mortality screening and National Fraud Initiative.

The Pensions Section run a monthly mortality screen to ensure that all deaths are reported promptly to the Fund and to minimise overpayments of pension. Overpayments are recovered by the Fund by written request to the estate, or, with permission from the beneficiary, from a death grant or dependant pension.

The Fund also participates in the bi-annual National Fraud Initiative (NFI). The 2021 NFI exercise identified eleven deaths with a total potential recovery of £12,890.

Value for money statement

The Kent Pensions Section deliver an efficient and effective administration service as demonstrated by:

- Low administration cost per member
- Low number of member complaints
- Good prospects for improvements
- A number of formally qualified team members

Work has continued in the year to improve data quality, with a focus on working with employers to improve the timeliness and quality of the information they provide.

Summary of activity in 2022/23

As well as the focus on processing casework, the Pensions Section also completed a number of projects.

- New and updated Fund policies resulting from 2021 Governance Review including an Administration Strategy, Communications Policy, Data Quality Policy, Breaches of Law Policy, Administering Authority Discretions, Abatement Policy, Conflict of Interests Policy and Training Policy
- Implemented a new call handling system to allow better contact with members
- Continued onboarding scheme employers to monthly data submissions
- Progresses the Guaranteed Minimum Pension Rectification project with an external supplier

Common and Conditional data scores were reported to the Pensions Regulator in October 2022. The results of this provided a score for Conditional data of 93.8% (92.4% in 2021). The score for Common data was measured as 95% (95.6% in 2021). An exercise to develop a Data Improvement Plan is in progress with data cleansing expecting to start quarter 3 2023/24. This should feed into an improvement in data scores in 2024.

What does membership cost and what are the benefits?

The Scheme operates tiered employee contribution rates set by Government. Employees pay a rising percentage depending on their pay band. The rates that apply from 1 April 2022 are set out in the following table:

Band	Main Section contribution rate 1/49th accrual	50:50 Section contribution rate 1/98th accrual	Pensionable pay range from 1 April 2022 based on the assessed pensionable pay you receive
Band 1	5.5%	2.75%	Up to £15,000
Band 2	5.8%	2.9%	£15,000 to £23,600
Band 3	6.5%	3.25%	£23,601 to £38,300
Band 4	6.8%	3.4%	£38,301 to £48,500
Band 5	8.5%	4.25%	£48,501 to £67,900
Band 6	9.9%	4.95%	£67,901 to £96,200
Band 7	10.5%	5.25%	£96,201 to £113,400
Band 8	11.4%	5.7%	£113,401 to £170,100
Band 9	12.5%	6.25%	£170,101 or more

Benefits

The normal retirement age for all members is the later of age 65 or their state pension age. At retirement, members will receive:

- a pension of 1/80th of their final year's pay for each year of membership before 1 April 2008, and
- a lump sum of 3/80ths of their final year's pay for each year of membership before 1 April 2008, and
- a pension of 1/60th of their final year's pay for each year of membership after 31 March 2008 until 31 March 2014, and
- a pension of 1/49th of their actual pay for each year of membership after 1 April 2014.

In addition to the lump sum for membership before 1 April 2008, each member can exchange part of their pension pot for a lump sum and will receive £12 for every £1 of pension given up. However, the total lump sum is limited to 25% of their pension pot's value.

HM Revenue and Customs (HMRC) values retirement benefits in defined benefit schemes like the Kent Scheme at £20 for each £1 of pension, whatever the person's age. For all pensions already in payment, the value will be £25 for each £1 of pension.

The average annual pension paid in 2022/23 was £5,042 (£5,038 in 2020/21).

Retirement age

The normal retirement age for members under the Scheme is the later of age 65 or their State Pension Age, but members can choose to retire from age 55 and receive their benefits immediately, although these may be reduced for early payment.

A total of 2,514 Scheme members retired during 2022/23, with an average retirement age of 62 years. Of this number, 1,689 (or 67.2%) took some form of early retirement including 123 ill health retirements and 933 members choosing to take a reduced pension.

Additional voluntary contributions

Scheme members can pay additional voluntary contributions (AVCs) if they wish to supplement their pension or get an extra tax-free retirement lump sum. The AVCs are invested separately from the Fund's main assets and are used to buy extra pension benefits on retirement. The Fund uses Prudential and Standard Life as its AVC providers. Members with existing AVCs with Equitable Life transferred to Utmost Life and Pensions in January 2020, following the positive vote by shareholders.

Complaints

If you have a complaint about the service, the Pensions Section staff will do their best to put things right. If you are still dissatisfied, you can write to Pensions Section, Invicta House, Maidstone, ME14 1XX. There were thirteen formal complaints made in 2022/23. These were all investigated, and changes were made to processes where appropriate.

Appeals

The LGPS regulations provide a two-stage formal appeal process for members. For stage one it will be heard by an independent adjudicator.

If the member is still dissatisfied, they can make a second stage appeal, which will be considered by the Pensions Administration Manager if an appeal against an employer decision, or the Head of Pensions and Treasury if an appeal against the Administering Authority. After this second stage, if the member wishes, the matter can be investigated by the Pensions Ombudsman. The Pensions Ombudsman are an independent organisation set up by law to deal with pension complaints. Contact details are:

- Phone: **0800 917 4487**
- E-mail: enquiries@pensions-ombudsman.org.uk

The Fund considered five stage one Internal Dispute Resolution Procedure (IDRP) appeals against the Pension Fund during 2022/23. One of these proceeded to stage two of the IDRP process.

Actuary's Statement as at 31 March 2023

Introduction

The last full triennial valuation of the Kent Pension Fund (the Fund) was carried out as at 31 March 2022 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated 31 March 2023.

Asset value and funding level

The results for the Fund at 31 March 2022 were as follows:

- The smoothed value of the Fund's assets for funding purposes as at 31 March 2022 was £7,56bn.
- The Fund had a funding level of 102% i.e. the value of assets for funding purposes was 102% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a surplus of £181m.

Contribution rates

The employer contribution rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet:

- The annual accrual of benefits allowing for future pay increases and increases to pensions in payment when these fall due;
- plus an amount to reflect each participating employer's notional share of the Fund's assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date.

The primary rate of contribution on a whole Fund level was 20.5% of payroll p.a. The primary rate as defined by Regulation 62(5) is the employer's share of the cost of benefits accruing in each of the three years beginning 1 April 2023.

In addition, each employer pays a secondary contribution as required under Regulation 62(7) that when combined with the primary rate results in the minimum total contributions. This secondary rate is based on their particular circumstances and so individual adjustments are made for each employer.

Details of each employer's contribution rate are contained in the Rates and Adjustments Certificate in the triennial valuation report.

Assumptions

The assumptions used to value the liabilities at 31 March 2022 are summarised below:

Assumptions	Assumptions used for the 2022 valuation
Financial assumptions	
Market date	31 March 2022
CPI inflation	2.9% p.a.
Long-term salary increases	3.9% p.a.
Discount rate	4.5% p.a.
Demographic assumptions	
Post-retirement mortality	
Base tables pensioners	100% of S3PA tables
Base tables dependents	100% of S3DA tables
Projection model	CMI 2021
Long-term rate of improvement	1.25% p.a.
Smoothing parameter	7.0
Initial addition to improvements	0.5% p.a.
2020/21 weighting parameter	5%

Full details of the demographic and other assumptions adopted as well as details of the derivation of the financial assumptions used can be found in the 2022 valuation report.

Updated position since the 2022 valuation

Assets

Returns over the year to 31 March 2023 have been lower than expected. As at 31 March 2023, in market value terms, the Fund assets were less than they were projected to be at the previous valuation.

Liabilities

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – the higher the real discount rate the lower the value of liabilities. As at 31 March 2023, the real discount rate is estimated to be higher than at the 2022 valuation due to a reduction in the long term rate of inflation.

The value of liabilities will have increased due to the accrual of new benefits net of benefits paid and interest on the liabilities.

The 2023 pension increase order is 10.1%. The increase in liabilities associated with this has however been more than offset by the reduction in the long-term inflation assumption. This short-term high inflation and longer term lower inflation is broadly consistent with what was assumed at the 2022 formal valuation.

Overall position

On balance, we estimate that the funding position has reduced slightly when compared on a consistent basis to 31 March 2022.

The change in the real discount rate since 31 March 2022 will place a lower value on the cost of future accrual which results in a lower primary contribution rate. The impact on secondary contributions will vary by employer.

However, the next formal valuation will be carried out as at 31 March 2025 with new contribution rates set from 1 April 2026. As part of the 2025 valuation, the Fund and us as the Fund Actuary will work together in setting the assumptions for the valuation.

Roisin McGuire FFA
Principal, Barnett Waddingham LLP
20 June 2023

Statement of Responsibilities for the Statement of Accounts

Kent County Council's Responsibilities

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Corporate Director of Finance;
- to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets; and
- to approve the Statement of Accounts.

I confirm that these Accounts were approved by the Governance and Audit Committee at its meeting on 28 February 2023 on behalf of Kent County Council.

Councillor Rosalind Binks
Chairman of the Governance and Audit Committee
28 February 2023

The Corporate Director of Finance's Responsibilities

The Corporate Director of Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Council Accounting in the United Kingdom (the Code), and is required to give a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2023.

In preparing this Statement of Accounts the Corporate Director of Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code.

The Corporate Director of Finance has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I confirm that these accounts give a true and fair view of the financial position of the Council at the reporting date and its income and expenditure for the year ended 31 March 2023.

Certificate of the Corporate Director of Finance

Zena Cooke
Corporate Director of Finance
28 February 2023

Pension Fund Accounts

Fund Account for the year ended 31 March

	Notes	2022-23 £'000	2021-22 £'000
Dealings with members, employers and others directly involved in the Fund			
Contributions	7	297,692	280,431
Transfers in from other pension funds	8	17,306	10,636
		314,998	291,067
Benefits	9	(270,995)	(257,277)
Payments to and on account of leavers	10	(15,184)	(28,114)
		(286,179)	(285,391)
Net additions from dealings with Members		28,819	5,676
Management expenses	11	(32,502)	(34,840)
Net withdrawals including fund management expenses		(3,683)	(29,164)
Returns on Investments			
Investment Income	13	153,112	133,600
Taxes on Income		(198)	(157)
Profits and losses on disposal of investments and changes in the market value of investments	15a	(3,704)	84,514
Net Return on Investments		149,210	217,957
Net increase/(decrease) in the Net Assets available for benefits during the year		145,527	188,793
Opening net assets of the scheme		7,702,425	7,513,632
Closing net assets of the scheme		7,847,952	7,702,425

Net Assets Statement as at 31 March

	Notes	2022-23 £'000	2021-22 £'000
Investment Assets		7,860,392	7,711,217
Investment Liabilities		(12,323)	(14,178)
Net Investment Assets	15	7,848,069	7,697,039
Current Assets	21	29,503	32,036
Current Liabilities	22	(29,620)	(26,650)
Net Assets available to fund benefits at the period end		7,847,952	7,702,425

Notes to the Pension Fund Accounts

1. Description of the Fund

General

The Kent Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Kent County Council (KCC) for the purpose of providing pensions and other benefits for the pensionable employees of KCC, Medway Council, the district and borough councils in Kent and a number of other employers within the county area. The Fund is a reporting entity and KCC as the Administering Authority is required to include the Fund's accounts as a note in its Report and Accounts. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The LGPS is a contributory defined benefit pension scheme.

The Scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013 (as amended);
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendments) Regulations 2014 (as amended);
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The Fund is overseen by the Kent Pension Fund Committee (the Scheme Manager). The Local Pension Board assists the Scheme Manager to ensure the effective and efficient governance and administration of the Scheme.

Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join or remain in the Scheme or to make personal arrangements outside the Scheme. Employers in the Fund include Scheduled Bodies which are local authorities and similar entities whose staff are automatically entitled to be members of the Scheme; and Admission Bodies which participate in the Fund by virtue of an admission agreement made between the Authority and the relevant body. Admission bodies include voluntary, charitable and similar entities or private contractors undertaking a local authority function following a specific business transfer to the private sector.

There are 301 employers actively participating in the Fund and the profile of members is as detailed below:

	Kent County Council	Kent County Council	Other Employers	Other Employers	Total	Total
	31 Mar 2023	31 Mar 2022	31 Mar 2023	31 Mar 2022	31 Mar 2023	31 Mar 2022
Contributors	21,885	21,041	31,468	31,788	53,353	52,829
Pensioners	24,878	24,090	23,705	22,616	48,583	46,706
Deferred Pensioners	24,618	25,024	25,284	24,553	49,902	49,577
Total	71,381	70,155	80,457	78,957	151,838	144,112

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the Local Government Pension Scheme Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2023. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2022. Employers' contribution rates consist of a primary rate (representing the rate required to meet the cost of future accrual of benefits) and a secondary rate, which is an adjustment to the primary rate for employer specific circumstances (e.g. to allow for deficit recovery). Currently, employers' primary contribution rates range from 12.3% to 39.3% of pensionable pay.

Benefits

Pension benefits under the LGPS are based on the following:

	Service pre April 2008	Membership from 1 April 2008 to 31 March 2014	Membership from 1 April 2014
Pension	1/80 x final pensionable salary	1/60 x final pensionable salary	1/49 (or 1/98 if opted for 50/50 section) x career average revalued salary
Lump sum	Automatic lump sum of 3/80 x final pensionable salary.	No automatic lump sum	No automatic lump sum.
	In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

There is a range of other benefits provided under the Scheme including early retirement, ill health pensions and death benefits. For more details, please refer to the Kent Pension Fund website: www.kentpensionfund.co.uk

2. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2022-23 financial year and its position at 31 March 2023.

The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2022-23 which is based upon International Financial Reporting Standards, as amended for the UK public sector. The accounts are prepared on a going concern basis.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS)19 basis is disclosed at note 20 of these accounts.

Going concern

The Statement of Accounts has been prepared on a going concern basis. The vast majority of employers in the pension scheme are scheduled bodies that have secure public sector funding, and therefore there should be no doubt in their ability to continue to make their pension contributions. Following the latest actuarial valuation and schedule of employer contribution prepayments, the Pension Fund has reviewed its cashflow forecast and is confident in its ability to meet its ongoing obligations to pay pensions from its cash balance for at least 12 months from the date of signing the accounts. In the event that investments need to be sold 82% of the Fund's investments can be converted into cash within 3 months.

a) Contribution income

Normal contributions, both from the members and from the employers, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate. Employers Deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in 'transfers in'. Bulk transfers are accounted for in accordance with the terms of the transfer agreement.

Notes to the Pension Fund Accounts continued

c) Investment income

Dividends, distributions, interest, and stock lending income on securities have been accounted for on an accruals basis and where appropriate from the date quoted as ex-dividend (XD). Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year. Where the Fund's investments are held in income accumulating funds that do not distribute income the accumulated income on such investments is reflected in the unit market price at the end of the year and is included in the realised and unrealised gains and losses during the year. Direct property related income mainly comprises of rental income which is recognised when it becomes due. Rental income is adjusted for provision for rent invoiced but collection of which is assessed as doubtful.

Fund Account – expense items

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the year end. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities providing the payment has been approved.

e) Taxation

The Fund has been accepted by the HM Revenue and Customs as a registered pension scheme in accordance with paragraph 1(1) of Schedule 36 to the Finance Act 2004 and, as such, qualifies for exemption from UK income tax on interest received and from capital gains tax on proceeds of investments sold. Tax is therefore only applicable to dividend income from equity investments. Income arising from overseas investments is subject to deduction of withholding tax unless exemption is permitted by and obtained from the country of origin. Investment income is shown gross of tax, and any recoverable tax at the end of the year is included in accrued investment income.

By virtue of KCC being the administering authority, VAT input tax is recoverable on all Fund activities including investment and property expenses.

f) Management expenses

All expenses are accounted for on an accruals basis. Costs relating to KCC staff involved in the administration, governance and oversight of the Fund, and overheads incurred by KCC and recharged to the Fund at the end of the year. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. Fees incurred include fees directly paid to fund managers as well as fees deducted from the funds by pooled fund managers which is grossed up to increase the income from these investments.

Net Assets Statement

g) Financial assets

Financial assets other than cash and debtors are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. Any purchase or sale of securities is recognised upon trade and any unsettled transactions at the year-end are recorded as amounts receivable for sales and amounts payable for purchases. From the trade date any gains or losses arising from changes in the fair value of the asset are recognised by the Fund. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 and IFRS 9. For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

The values of investments as shown in the Net Assets Statement have been determined as follows:

- Quoted investments are stated at market value based on the closing bid price quoted on the relevant stock exchange on the final day of the accounting period.
- Fixed interest securities are recorded at net market value based on their current yields.
- Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.
- Investments in private equity funds and unquoted listed partnerships are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers. The valuation standards followed by the managers are in accordance with the industry guidelines and the constituent management agreements. Such investments may not always be valued based on year end valuation as information may not be available, and therefore will be valued based on the latest valuation provided by the managers adjusted for cash flow and foreign exchange rate movements to the year end.
- Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, the change in market value also includes income which is reinvested in the fund.
- Debtors/receivables being short duration receivables with no stated interest rate are measured at original invoice amount. Debtors are adjusted for provision made for doubtful debts relating to rent income.

h) Freehold and Leasehold Properties

The freehold and leasehold properties were valued at open market prices in accordance with the valuation standards laid down by the Royal Institution of Chartered Surveyors. The last valuation was undertaken by Colliers International, as at 31 December 2022. The valuer's opinion of market value and existing use value was primarily derived using comparable recent market transactions on arm's length terms. The results of the valuation have then been indexed in line with the MSCI Monthly Index movement to 31 March 2023. The indexation is carried out by DTZ, who are managers of the Fund's direct property portfolio.

i) Derivatives

The Fund uses derivative instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes. At the reporting date the Fund only held forward currency contracts. The future value of the forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract. Under the European Market Infrastructure Regulations the Fund's forward currency contracts are required to be covered by margin cash. These amounts are included in cash or cash equivalents held by the Fund and reflected in a corresponding margin cash liability under investment liabilities.

j) Foreign currency transactions

Assets and liabilities in foreign currency are translated into sterling at spot market exchange rates ruling at the year-end. All foreign currency transactions including income are translated into sterling at spot market exchange rates ruling at the transaction date. All realised currency exchange gains or losses are included in change in market value of assets.

k) Cash and cash equivalents

Cash comprises cash at bank and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value. Cash and cash equivalents managed by fund managers and cash equivalents managed by KCC are included in investments. All other cash is included in current assets.

l) Financial liabilities

The Fund recognises financial liabilities relating to investments at fair value as at the reporting date. A financial liability is recognised in the Net Assets Statement on the date the fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund. Other financial liabilities classed as amortised cost are carried at amortised cost ie the amount carried in the net asset statement is the outstanding principal repayable plus accrued interest. Any interest charged is accounted for on an accruals basis and included in administration costs.

m) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary and the methodology used is in line with accepted guidelines and in accordance with IAS 19. As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 20).

n) Contingent assets and liabilities

A contingent asset/liability arises where an event has taken place that gives the Fund a possible right/obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Fund. Contingent assets/liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an inflow/outflow of resources will be required or the amount of the right/obligation cannot be measured reliably. Contingent assets/liabilities are not recognised in the balance sheet but disclosed in a note to the accounts.

o) Pooling expenses

The Fund is member of the ACCESS pool, a group of 11 LGPS Administering Authorities who, as part of a Government initiative, have agreed to pool their investments to achieve cost and scale benefits. Pooling costs included in the Fund's accounts reflect the Fund's proportion of the cost of the governance arrangements of the pool.

p) Additional Voluntary Contributions

The Fund provides an additional voluntary contribution (AVC) scheme for its members, assets of which are invested separately from those of the Fund. AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of funds) Regulations 2016 but are disclosed for information in note 23.

Notes to the Pension Fund Accounts continued

4. Critical judgements in applying accounting policy

The Fund's investment portfolio includes a number of directly owned properties which are leased commercially to various tenants with rental periods. The Fund has determined that these contracts all constitute operating lease arrangements under the classifications permitted by the Code, therefore the properties are retained on the net asset statement at fair value.

5. Assumptions made about future and other major sources of estimation uncertainty

Item	Uncertainties	Effect if actual results differ from assumption
Actuarial present value of promised retirement benefits (Note 20)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £112m. A 0.1% increase in assumed earnings inflation would increase the value of liabilities by approx. £9m, and a one year increase to the life expectancy assumptions would increase the value of the liabilities by approx. £290m.
Private Equity and Infrastructure and other level 3 investments (Note 17)	Valuation of unquoted private equity and infrastructure investments is highly subjective and inherently based on forward looking estimates and judgements involving many factors. They are valued by the investment managers using guidelines set out in the British Venture Capital Association.	The total private equity including infrastructure and other level 3 investments on the financial statements are £615m. Potential change in valuation due to changes in these factors is estimated in Note 17.
Freehold and Leasehold Property and Pooled Property Funds (Note 17)	Valuation techniques are used to determine the fair values of directly held property and pooled property funds. Where possible these valuation techniques are based on observable data, but where this is not possible management uses the best available data. Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property.	The effect of 10% variations in the factors supporting the valuation would be an increase or decrease in the value of directly held property and property pooled funds of £78m on a fair value of £782m. Details of potential factors affecting the valuation are in Note 17.

6. Events after the reporting date

There have been no events since 31 March 2023, up to the date when these accounts were authorised, that require or do not require any adjustment to these accounts.

7. Contributions receivable

	2022-23 £'000	2021-22 £'000
By Category		
Employees' contributions	66,582	63,125
Employers' contributions		
– normal contributions	192,792	182,404
– deficit recovery contributions	35,993	30,445
– augmentation contributions	2,325	4,457
Total Employers' contributions	231,110	217,306
Total contributions receivable	297,692	280,431
By type of employer		
Kent County Council	109,234	104,902
Scheduled bodies	174,513	161,935
Admitted bodies	13,945	13,594
Total	297,692	280,431

8. Transfers in from other pension funds

	2022-23 £'000	2021-22 £'000
Individual	17,306	10,636
Group	0	0
Total	17,306	10,636

9. Benefits payable

	2022-23 £'000	2021-22 £'000
By category		
Pensions	227,129	216,199
Retirement Commutation and lump sum benefits	36,188	34,572
Death benefits	7,678	6,506
Total	270,995	257,277
By type of employer		
Kent County Council	121,133	115,210
Scheduled bodies	133,453	126,398
Admitted bodies	16,409	15,669
Total	270,995	257,277

10. Payments to and on account of leavers

	2022-23 £'000	2021-22 £'000
Group transfers	0	11,320
Individual transfers	14,009	15,364
Payments/refunds for members joining state scheme	3	0
Refunds of contributions	1,172	1,430
Total	15,184	28,114

Notes to the Pension Fund Accounts continued

11. Management expenses

	Notes	2022-23 £'000	2021-22 £'000
Administration costs		3,684	3,645
Governance and oversight costs		992	843
Investment management expenses	12	27,665	30,220
Audit fees		46	41
Pooling expenses		115	91
Total		32,502	34,840

12. Investment management expenses

	Notes	2022-23 £'000	2021-22 £'000
Investment managers fees	12a	27,448	29,525
Transaction costs		166	652
Custody fees		51	43
Total		27,665	30,220

The management fees disclosed above include all investment management fees directly incurred by the fund including those charged on pooled fund investments.

In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. These indirect costs are not separately provided to the Pension Fund.

12a. Investment management fees

	2022-23 £'000	2021-22 £'000
Fixed income	3,802	4,004
Equities	13,343	14,755
Private equity/infrastructure	6,907	7,243
Property	3,396	3,523
Total	27,448	29,525

13. Summary of income from investments

	Notes	2022-23		2021-2022	
		£'000	%	£'000	%
Bonds		15,606	10.2	14,423	10.8
Equities		7,257	4.7	4,682	3.5
Pooled Investments		97,769	63.9	84,048	62.9
Private equity/infrastructure		11,271	7.4	9,190	6.9
Property	14	11,456	7.4	14,533	10.9
Pooled property investments		7,028	4.6	6,449	4.8
Cash and cash equivalents		2,621	1.7	217	0.2
Stock lending		103	0.1	58	0.0
Total before taxes		153,112	100.0	133,600	100.0

14. Property Income and Expenditure

	2022-23 £'000	2021-22 £'000
Rental Income from investment properties	19,962	20,799
Direct operating expenses	(8,506)	(6,266)
Net operating income from property	11,456	14,533

Rental income for 2022-23 is net of provision for doubtful debts of £4.7m, (2021-22 £4.5m).

15. Investments

	Market Value as at 31 March 2023 £'000	Market Value as at 31 March 2022 £'000
Investment Assets		
Bonds	356,101	379,028
Equities	363,714	371,946
Pooled investments		
– Fixed Income	711,013	721,635
– Equities	4,312,029	4,125,358
– Absolute Return	573,683	567,162
Private equity/infrastructure	614,963	464,955
Property	501,584	577,934
Pooled property investments	280,305	324,285
Derivatives – forward currency contracts	5,562	472
Investment cash and cash equivalents	127,035	155,306
Investment income due	14,404	13,800
Amounts receivable for sales	0	788
Margin cash	0	8,548
Total investment assets	7,860,392	7,711,217
Investment liabilities		
Amounts payable for purchases	(2,169)	(800)
Margin cash liability	(5,010)	0
Provision for doubtful debts	(4,735)	(4,544)
Derivatives – forward currency contracts	(409)	(8,834)
Total investment liabilities	(12,323)	(14,178)
Net investment assets	7,848,069	7,697,039

Investment income due (debtors) includes a sum of £7.5m (2021-22 £7.3m) for rents and service charges payable by tenants of properties owned by the Pension Fund. Due to continued effects of the pandemic on rent collection, there is a high likelihood that a significant portion will not be fully recovered. A provision of £4.7m (2021-22 £4.5m) has therefore been made for doubtful rent debts.

Notes to the Pension Fund Accounts continued

15a. Reconciliation of movements in investments and derivatives

	Market Value as at 31 March 2022 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Change in Market Value £'000	Market Value as at 31 March 2023 £'000
Bonds	379,027	62,081	(73,921)	(11,086)	356,101
Equities	371,946	127,202	(124,305)	(11,129)	363,714
Pooled investments	5,414,155	84,969	(1,309)	98,909	5,596,724
Private equity/infrastructure	464,955	132,147	(36,525)	54,386	614,963
Property	577,934	0	0	(76,350)	501,584
Pooled property investments	324,287	1,251	(6,983)	(38,250)	280,305
	7,532,304	407,650	(243,043)	16,480	7,713,391
Derivative contracts					
– Forward currency contracts	(8,362)	3,286,774	(3,252,871)	(20,388)	5,153
	7,523,942	3,694,424	(3,495,914)	(3,908)	7,718,544
Other Investment balances					
– Investment Cash and cash equivalents	155,305	0	0	206	127,035
– Amounts receivable for sales	788	0	0	0	0
– Amounts payable for purchases	(800)	0	0	0	(2,169)
– Margin cash liability	8,548	0	0	0	(5,010)
– Investment Income due	13,800	0	0	0	14,404
– Provision for doubtful debt	(4,544)	0	0	0	(4,735)
Net investment assets	7,697,039	0	0	(3,702)	7,848,069

	Market Value as at 31 March 21 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Change in Market Value £'000	Market Value as at 31 March 2022 £'000
Bonds	401,001	98,117	(99,920)	(20,171)	379,027
Equities	348,033	100,464	(100,596)	24,045	371,946
Pooled investments	5,343,724	565,122	(347,421)	(147,270)	5,414,155
Private equity/infrastructure	274,023	141,701	(57,219)	106,450	464,955
Property	493,314	0	0	84,620	577,934
Pooled property investments	281,718	2,031	(6,264)	46,802	324,287
	7,141,813	907,435	(611,420)	94,476	7,532,304
Derivative contracts					
– Forward currency contracts	962	3,098,406	(3,097,674)	(10,056)	(8,362)
	7,142,775	4,005,841	(3,709,094)	84,420	7,523,942
Other investment balances					
– Investment cash and cash equivalents	201,228	0	0	96	155,305
– Cash pending issue of units	150,000	0	0	0	0
– Amounts receivable for sales		0	0	0	788
– Amounts payable for purchases	(561)	0	0	0	(800)
– Margin cash asset	1,025	0	0	0	8,548
– Investment income due	15,996	0	0	0	13,800
– Provision for doubtful debt	(6,287)	0	0	0	(4,544)
Net investment assets	7,504,176	0	0	84,516	7,697,039

15b. Analysis of Derivative Contracts

Objectives and policy for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and the investment manager.

Open forward currency contracts

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant portion of the Fund's fixed income portfolio managed by Goldman Sachs Asset Management is invested in overseas securities. To reduce the volatility associated with fluctuating currency rates, the investment manager hedges the overseas exposure of the portfolio.

Settlement	Currency bought	Local value 000's	Currency sold	Local value 000's	Asset value £'000	Liability value £'000
Up to one month	GBP	75,124	EUR	(85,014)	423	0
Up to one month	GBP	1,142	EUR	(1,293)	6	0
Up to one month	EUR	46	GBP	(41)	0	(1)
Up to one month	GBP	2,074	EUR	(2,338)	20	0
Up to one month	GBP	129	EUR	(146)	1	0
Up to one month	EUR	806	GBP	(723)	0	(14)
Up to one month	EUR	2,600	GBP	(2,295)	0	(10)
Up to one month	EUR	607	GBP	(535)	0	(2)
Up to one month	GBP	1,412	EUR	(1,599)	7	0
Up to one month	EUR	86,296	GBP	(76,082)	0	(255)
Up to one month	GBP	77	USD	(95)	0	0
Up to one month	GBP	40	USD	(49)	0	0
Up to one month	USD	49	GBP	(40)	0	0
Up to one month	GBP	57	EUR	(65)	0	0
Up to one month	GBP	40	USD	(49)	0	0
Up to two months	GBP	2,292	USD	(2,815)	17	0
Up to two months	USD	2,323	GBP	(1,929)	0	(52)
Up to two months	GBP	113,355	USD	(137,389)	2,335	0
Up to two months	GBP	113,375	USD	(137,389)	2,355	0
Up to two months	USD	1,387	GBP	(1,151)	0	(30)
Up to one month	GBP	420	USD	(508)	9	0
Up to one month	GBP	1,455	USD	(1,734)	54	0
Up to one month	USD	397	GBP	(328)	0	(7)
Up to one month	GBP	2,212	USD	(2,671)	53	0
Up to one month	USD	3,610	GBP	(2,943)	0	(26)
Up to one month	USD	336	GBP	(273)	0	(2)
Up to one month	GBP	2,180	USD	(2,673)	20	0
Up to one month	USD	329	GBP	(268)	0	(2)
Up to one month	USD	3,183	GBP	(2,580)	0	(8)
Up to one month	USD	378	GBP	(305)	0	0
Up to one month	GBP	428	USD	(530)	0	0
Up to one month	GBP	702	USD	(868)	0	0
Up to one month	GBP	76,361	EUR	(86,340)	262	0
					5,562	(409)
Net forward currency contracts at 31 March 2023						5,153
Prior year comparative						
Open forward currency contracts at 31 March 2022						472 (8,834)
Net forward currency contracts at 31 March 2022						(8,362)

Notes to the Pension Fund Accounts continued

15c. Property Holdings

	Year ending 31 March 2023 £'000	Year ending 31 March 2022 £'000
Opening Balance	577,934	493,314
Additions	0	0
Disposals	0	0
Net increase/decrease in market value	(76,350)	84,620
Closing Balance	501,584	577,934

There are no restrictions on the realisability of the property or the remittance of income or proceeds on disposal and the Fund is not under any contractual obligation to purchase, construct or develop these properties.

The future minimum lease payments receivable by the Fund are as follows:

	Year ending 31 March 2023 £'000	Year ending 31 March 2022 £'000
Within one year	16,935	16,584
Between one and five years	41,290	42,579
Later than five years	32,204	33,268
Total	90,429	92,431

The above disclosures have been reduced by a credit loss allowance of 0.35% per annum reflecting the Fund's expected loss from late or non-recovery of rents from tenants. This has been based on the Fund's own historic experience but also information on similar properties received from the Fund's property letting agents. The income has also been reduced to take into account the possibility of tenants taking advantage of break clauses in their non cancellable operating lease contracts to terminate tenancies.

15d. Investments analysed by fund manager

	Market Value as at 31 March 2023		Market Value as at 31 March 2022	
	£'000	%	£'000	%
Investments managed by Link for the ACCESS Pool				
Baillie Gifford	1,071,672	13.7	1,190,077	15.5
M&G	536,060	6.8	517,812	6.7
Ruffer	191,519	2.4	191,066	2.5
Schroders	1,589,355	20.3	1,543,993	20.1
	3,388,606	43.2	3,442,948	44.7
Investments managed outside the ACCESS Pool				
CQS	226,095	2.9	238,310	3.1
DTZ	545,702	7.0	633,444	8.2
Fidelity	141,308	1.8	163,219	2.1
Goldman Sachs	385,314	4.9	400,917	5.2
HarbourVest	259,578	3.3	233,070	3.0
Impax	72,807	0.9	74,516	1.0
Insight	1,039,867	13.2	791,269	10.3
Kames	32,132	0.4	43,723	0.6
Kent County Council investment team	86,957	1.1	126,483	1.6
M&G	314,552	4.0	308,336	4.0
Partners Group	273,163	3.5	174,936	2.3
Pyrford	382,164	4.9	376,095	4.9
Sarasin	375,518	4.8	381,253	5.0
Schroders	239,281	3.0	243,353	3.2
YFM	82,222	1.0	56,948	0.7
Link Fund Solutions (previously Woodford)	2,803	0.0	8,219	0.1
	4,459,463	56.8	4,254,091	55.3
Total	7,848,069	100	7,697,039	100

15e. Single investments exceeding 5% of net assets available for benefits

	31 March 2023	
Investments	£'000	% of net assets
LF ACCESS Global Equity Core Fund	1,071,672	13.7
LF ACCESS UK Equity Fund	1,184,302	15.1
LDI Solutions Plus ICAV Active (Insight)	1,039,867	13.3
LF ACCESS Global Dividend Fund	536,060	6.8

	31 March 2022	
Investments	£'000	% of net assets
LF ACCESS Global Equity Core Fund	1,189,548	15.5
LF ACCESS UK Equity Fund	1,142,840	14.9
LDI Solutions Plus ICAV Active (Insight)	791,269	10.3
Pyrford Global Total Return Fund	517,812	6.7

15f. Stock lending

The Custodians undertake a programme of stock lending to approved UK counterparties against non-cash collateral mainly comprising of Sovereigns and Treasury Bonds. The programme lends directly held global equities and bonds to approved borrowers against a collateral of Government and Supranational fixed interest securities of developed countries, which is marked to market on a daily basis. Securities on loan are included at market value in net assets on the basis that they will be returned to the Fund at the end of the loan term. Net income from securities lending received from the custodian is shown as income from investments in the Fund Account.

The amount of securities on loan at year end, analysed by asset class and a description of the collateral is set out in the table below.

Loan Type	31 March 2023		31 March 2022		Collateral Type
	Market Value £'000	Collateral Value £'000	Market Value £'000	Collateral Value £'000	
Equities	6,483	6,571	2,762	2,881	Treasury Notes and other Government debt
Bonds	33,470	34,854	33,144	34,560	Treasury Notes and other Government debt
Total	39,953	41,606	35,906	37,441	

Notes to the Pension Fund Accounts continued

16. Financial instruments

16a. Classification of financial instruments

The following table analyses the carrying amounts of financial assets and liabilities by category and Net Assets Statement heading.

	31 March 2023			31 March 2022		
	at fair value through profit and loss £'000	Assets at amortised cost £'000	Financial liabilities at amortised cost £'000	Fair value through profit and loss £'000	Assets at amortised cost £'000	Financial liabilities at amortised cost £'000
Financial Assets						
Bonds	356,101			379,027		
Equities	363,714			371,946		
Pooled investments	5,596,724			5,414,154		
Property pooled investments	280,305			324,285		
Private equity/infrastructure	614,963			464,955		
Derivative contracts	5,562			472		
Cash & cash equivalents	116,870	11,894		144,833	13,151	
Other investment balances		14,404			23,137	
Debtors/receivables		6,474			7,942	
	7,334,239	32,772	0	7,099,672	44,230	0
Financial Liabilities						
Derivative contracts	(409)			(8,834)		
Other investment balances			(11,904)			(5,344)
Creditors			(11,874)			(11,019)
	(409)	0	(23,778)	(8,834)	0	(16,363)
Total	7,333,830	32,772	(23,778)	7,090,838	44,230	(16,363)

16b. Net gains and losses on financial instruments

	31 March 2023 £'000	31 March 2022 £'000
Fair value through profit and loss	72,442	(200)
Assets at amortised cost	206	96
Total	72,648	(104)

17. Valuation of assets and liabilities carried at Fair Value

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets are carried at and have been valued using fair value techniques.

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuation provided
Quoted equities	1	Bid Market price on last day of accounting period	Not required	Not required
Quoted bonds	1	Market value on last day of accounting period	Not required	Not required
Quoted pooled investments	1	Net Asset Value/Bid prices on last day of accounting period	Net Asset Values	Not required
Cash and cash equivalents	1	Carrying value is deemed to be fair value due to short term nature of these instruments	Not required	Not required
Unquoted pooled investments including pooled property	2	Net Asset Value/bid prices on last day of accounting period	Net asset values	Not required
Private equity and infrastructure funds	3	Fair values as per international private equity and venture capital guidelines (2012)	Valuation of underlying investment/assets/companies/EBITDA multiples	Estimation techniques used in valuations, changes in market conditions, industry specific conditions
Property	2	Independent valuation by Colliers using RICS valuation standards	Market values of similar properties, existing lease terms estimated rental growth, estimated vacancies	Not required
Quoted funds in administration	3	Net asset value/bid prices on last day of accounting period	Net asset values/or if the fund holds illiquid assets, valuation of underlying investment/assets/companies/EBITDA multiples	If the fund holds illiquid assets, estimation techniques used in valuations, changes in market conditions, industry specific conditions
Forward exchange contracts	2	Market forward exchange rates on the last day of accounting period	Wide range of deals executed in the currency markets, exchange rate risk	Not required
Bespoke fund for equity protection programme assets	2	Net asset value of Fund based on valuation of underlying assets with quoted prices for bond holdings and market prices for derivatives	Wide range of deals executed in the bond holdings but limited comparable transactions for specialist equity derivatives	Valuation of derivatives is affected by the equity and foreign exchange market conditions

Note: Quoted fund in administration refers to the UK equities Fund managed by Link (earlier Woodford). Bespoke Fund for Equity Protection programme assets is managed by Insight.

Notes to the Pension Fund Accounts continued

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation methods described above, are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2023.

	Assessed valuation range (+/-)	Value as at 31 March 2023 £'000	Value on increase £'000	Value on decrease £'000
Private equity	23.7%	341,800	422,807	260,793
Infrastructure	11.7%	273,163	305,123	241,203
Other level 3 investments	23.7%	2,803	3,467	2,139
Total		617,766	731,397	504,135

	Assessed valuation range (+/-)	Value as at 31 March 2022 £'000	Value on increase £'000	Value on decrease £'000
Private equity	23.7%	290,018	358,752	221,284
Infrastructure	11.7%	174,936	195,404	154,468
Other level 3 investments	23.7%	8,219	10,167	6,271
Total		473,173	564,323	382,023

17a. Fair Value Hierarchy

Level 1

Assets and liabilities at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Investments include quoted equities, quoted fixed interest securities, quoted index linked securities and quoted unit trusts.

Level 2

Assets and liabilities at Level 2 are those where quoted market prices are not available or where valuation techniques are used to determine fair value. These techniques use inputs that are based significantly on observable market data. Investments include derivatives, direct property investments, property unit trusts and investments in Link pooled funds for ACCESS.

Level 3

Assets and liabilities at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data and are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. They include private equity and infrastructure investments the values of which are based on valuations provided by the general partners to the funds in which the Pension Fund has invested. Assurances over the valuation are gained from the independent audit of the accounts. These assets also include investments in quoted funds that were in administration as at 31 March 2023 and are invested in illiquid underlying assets.

These valuations are prepared by the fund managers in accordance with generally accepted accounting principles and the requirements of the law where these companies are incorporated. Valuations are usually undertaken periodically by the fund managers, who provide a detailed breakdown of the valuations of underlying assets as well as a reconciliation of movements in fair values. Cash flow adjustments are used to roll forward the valuations where the latest valuation information is not available at the time of reporting.

The following table provides an analysis of the assets and liabilities of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'000
Values at 31 March 2023				
Financial assets at fair value through profit and loss				
Bonds	356,101			356,101
Equities	363,714			363,714
Pooled investments	694,252	4,899,671	2,803	5,596,725
Pooled property investments		280,305		280,305
Private equity and infrastructure			614,963	614,963
Derivatives		5,562		5,562
Cash deposits	128,764			128,764
Other Investment balances	9,393			9,393
Non-Financial assets at fair value through profit and loss				
Property		501,584		501,584
Financial liabilities at fair value through profit and loss				
Derivatives		(409)		(409)
Other investment liabilities	(6,904)			(6,904)
Net Investment assets	1,545,320	5,686,713	617,766	7,849,798
Values at 31 March 2022				
Financial assets at fair value through profit and loss				
Bonds	379,027			379,027
Equities	371,946			371,946
Pooled investments	693,947	4,711,989	8,219	5,414,155
Pooled property investments		324,285		324,285
Private equity and infrastructure			464,955	464,955
Derivatives		472		472
Cash deposits	157,984			157,984
Other investment balances	23,137			23,137
Non-Financial assets at fair value through profit and loss				
Property		577,934		577,934
Financial liabilities at fair value through profit and loss				
Derivatives		(8,834)		(8,834)
Other investment liabilities	(5,344)			(5,344)
Net investment assets	1,620,697	5,605,846	473,174	7,699,717

Notes to the Pension Fund Accounts continued

17b. Reconciliation of fair value measurements within level 3

	Pvt Equity	Infrastructure	Other	Total £'000
Market value 1 April 2022	290,018	174,936	8,220	473,174
Transfers into level 3				0
Transfers out of level 3				0
Purchases during the year	53,759	78,389	0	132,148
Sales during the year	(25,371)	(11,153)	(1,308)	(37,832)
Unrealised gains/losses	8,254	29,813	(4,109)	33,958
Realised gains/losses	15,140	1,178		16,318
Market value 31 March 2023	341,800	273,163	2,803	617,766

18. Nature and extent of risks arising From financial instruments

Risk and risk management

The Fund's primary long-term risk is that the value of its assets will fall short that of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Council manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Kent Pension Fund Committee. Risk management policies are established to identify and analyse the risks faced by the Council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

18a. Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk. In general, excessive volatility in market risk is managed through diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risks, the Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market. The Fund is exposed to security and derivative price risks. This arises from investments held by the Fund for which the future price is uncertain. All security investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The possible loss from shares sold short is unlimited. The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments and their activity is monitored by the Council to ensure it is within limits specified in the Fund's investment strategy.

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisors, the Council has determined that the following movements in market price risk are reasonably possible for the 2022-23 reporting period.

Asset type	Potential Market Movements (+/-)
UK equities	15.4
Overseas equities	15.6
Global pooled equities inc UK	15.7
Bonds	7.6
Property	9.0
Infrastructure	11.7
Private equity	23.7

The potential price changes disclosed above are based on predicted volatilities calculated by our fund managers. The analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same. Had the market price of the Fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits would have been as follows (the prior year comparator is shown below):

Asset type	Value as at 31 March 2023 £'000	Percentage change %	Value on increase £'000	Value on decrease £'000
Cash and cash equivalents	128,764	0.00	128,764	128,764
Investment portfolio assets:				
UK equities	55,534	15.40	64,086	46,982
Overseas equities	308,180	15.60	356,256	260,104
Global pooled equities inc UK	4,885,711	15.70	5,652,768	4,118,655
Bonds inc. bond funds	1,067,114	7.60	1,148,215	986,013
Property pooled funds	280,305	9.00	305,533	255,078
Private equity	341,800	11.70	381,791	301,809
Infrastructure funds	273,163	23.70	337,903	208,423
Derivative assets	5,562	0.00	5,562	5,562
Total	7,346,133		8,380,878	6,311,390

The Fund has an equities downside protection programme which will protect the fund from falls up to 20% in global equity markets and will cap the returns to 10% for equities over the year. The current programme will run until March 2024.

Asset type	Value as at 31 March 2022 £'000	Percentage change %	Value on increase £'000	Value on decrease £'000
Cash and cash equivalents	157,984	0.00	157,984	157,984
Investment portfolio assets:				
UK equities	40,908	15.40	47,208	34,608
Overseas equities	331,038	15.60	382,680	279,396
Global pooled equities inc. UK	4,692,519	15.70	5,429,244	3,955,794
Bonds inc. bond funds	1,100,662	7.60	1,184,312	1,017,012
Property pooled funds	324,285	9.00	353,471	295,099
Private equity	290,018	11.70	323,950	256,086
Infrastructure funds	174,936	23.70	216,396	133,476
Derivative assets	0	0.00	0	0
Total	7,112,350		8,095,245	6,129,455

Notes to the Pension Fund Accounts continued

18a. Market risk continued

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest rate risk is routinely monitored by the Council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks. The Fund's direct exposures to interest rate movements as at 31 March 2023 and 31 March 2022 are set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset type	31 March 2023 £'000	31 March 2022 £'000
Cash and cash equivalents	127,035	155,309
Cash balances	1,729	2,679
Bonds		
– Directly held securities	356,101	379,027
– Pooled funds	711,013	721,635
Total change in assets available	1,195,878	1,258,650

Interest rate risk – sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A one percent movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy. The Fund's investment advisor has advised that long-term average rates are expected to move less than one percent from one year to the next and experience suggests that such movements are likely. The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- one percent change in interest rates:

Asset type	Carrying amount as at 31 March 2023 £'000	Change in year in the net assets available to pay benefits	
		+1% £'000	(1%) £'000
Cash and cash equivalents	127,035	0	0
Cash balances	1,729	0	0
Bonds			
– Directly held securities	356,101	(13,247)	13,247
– Pooled funds	711,013	(2,406)	2,406
Total change in assets available	1,195,878	(15,653)	15,653

Asset type	Carrying amount as at 31 March 2022 £'000	Change in year in the net assets available to pay benefits	
		+1% £'000	(1%) £'000
Cash and cash equivalents	155,309	0	0
Cash balances	2,679	0	0
Bonds			
– Directly held securities	379,027	(14,100)	14,100
– Pooled funds	721,635	(2,442)	2,442
Total change in assets available	1,258,650	(16,542)	16,542

Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits. The analysis demonstrates that a 100 bps increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value and vice versa. Changes in interest rates do not impact on the value of cash/cash equivalent balances but they will affect interest income received on those balances.

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Through their investment managers, the Fund holds both monetary and non-monetary assets denominated in currencies other than GBP, the functional currency of the Fund. Most of these assets are not hedged for currency risk and the Fund is exposed to currency risk on these financial instruments. However, a significant proportion of the investments managed by Goldman Sachs Asset Management and all investments in the CQS Fund are hedged for currency risk through forward currency contracts. The Fund's currency rate risk is routinely monitored by the Council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the range of exposure to current fluctuations. The following table summarises the Fund's currency exposure excluding the hedged investments as at 31 March 2023 and 2022:

Currency exposure – asset type	Asset value	Asset value
	31 March 2023 £'000	31 March 2022 £'000
Overseas equities	308,180	331,088
Overseas pooled funds	3,944,244	3,781,449
Overseas bonds	0	0
Overseas private equity, infrastructure and property funds	532,741	408,007
Non GBP cash	3,116	2,640
Total overseas assets	4,788,281	4,523,184

Currency risk – sensitivity analysis

Following analysis of historical data and expected currency movement during the financial year, in consultation with the fund's investment advisors, the Fund has determined that the following movements in the values of financial assets denominated in foreign currency are reasonably possible for the 2022-23 reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant. A relevant strengthening/weakening of the pound against various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency exposure – asset type	Asset value as at	Change to net assets	
	31 March 2023 £'000	+7.2% £'000	(7.2%) £'000
Overseas equities	308,180	330,368	285,991
Overseas pooled funds	3,944,244	4,228,230	3,660,259
Overseas bonds	0	0	0
Overseas private equity, infrastructure and property funds	532,741	571,098	494,384
Non GBP cash	3,116	3,340	2,892
Total change in assets available	4,788,281	5,133,036	4,443,526

Currency exposure – asset type	Asset value as at	Change to net assets	
	31 March 2022 £'000	+7.2% £'000	(7.2%) £'000
Overseas equities	331,038	354,873	307,203
Overseas pooled funds	3,781,449	4,053,713	3,509,185
Overseas bonds	0	0	0
Overseas private equity, infrastructure and property funds	408,007	437,384	378,630
Non GBP Cash	2,640	2,830	2,450
Total change in assets available	4,523,134	4,848,800	4,197,468

Notes to the Pension Fund Accounts continued

18b. Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment of a receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties. Derivative contracts are also covered by margins which provide collateral against risk of default by the counterparties.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Fund's credit criteria. The Fund has also set limits as to the maximum amount that may be placed with any one financial institution. The Fund's cash was held with the following institutions:

	Rating	Balance as at 31 March 2023 £'000	Balance as at 31 March 2022 £'000
Money market funds			
Northern Trust Sterling Fund	AAAm	12,295	8,615
SSGA Liquidity Fund	AAAm	0	0
Blackrock ICS	AAAm	43,648	2,072
Blackrock USD Government Liquidity Fund	AAAm	3,047	0
Aberdeen Sterling Liquidity Fund	AAAm	88	33,097
Goldman Sachs Liquid Reserve Government Fund	AAAm	17,481	11,246
Aviva Investors Sterling Liquidity Fund	AAAm	6,409	56,926
Federated (PR) Short-term GBP Prime Fund	AAAm	0	0
Deutsche Managed Sterling Fund	AAAm	3,923	7
HSBC Global Liquidity Fund	AAAm	0	23
LGIM Liquidity Fund	AAAm	28,043	32,847
Insight Sterling Liquidity Fund	AAAm	0	0
		114,933	144,833
Bank deposit accounts			
NatWest SIBA	A+	1,799	1,513
		1,799	1,513
Bank current accounts			
NatWest current account	A-	50	50
NatWest current account – Euro	A+	891	192
NatWest current account – USD	A+	651	10
Northern Trust – current accounts	AA-	8,214	8,825
Barclays – DTZ client monies account	A+	2,225	2,561
		12,032	11,638
Total cash and cash equivalents		128,764	157,984

18c. Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Fund has adequate cash resources to meet its commitments. The Council has immediate access to the Fund's money market fund and current account holdings.

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund investment strategy. All financial liabilities at 31 March 2023 are due within one year.

Refinancing risk

The key risk is that the Council will be bound to replenish a significant proportion of its Pension Fund financial instruments at a time of unfavourable interest rates. The Council does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

19. Funding Arrangements

In line with Local Government Pension Scheme (Administration) Regulations 2013 (as amended), the Fund is required to obtain an actuary's funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2022.

The key elements of the funding policy are:

- To ensure the long-term solvency of the Fund and ensure that sufficient funds are available to meet all the benefits as they fall due for payment.
- To ensure employer contribution rates are as stable as possible.
- To minimise the long term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return.
- To reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so.

At the 2022 valuation a maximum deficit recovery period of 11 years (2019 – 14 years) is used for all employers. Shorter recovery periods have been used where affordable. This will provide a buffer for future adverse experience and reduce the interest cost paid by employers. For Transferee Admission Bodies the deficit recovery period is set equal to the future working life of current employees or the remaining contract period, whichever is the shorter.

In the 2022 triennial valuation, the smoothed value of the Fund's assets at the valuation date was £7,555m and the liabilities were £7,374m. The assets therefore, represented 102% (2019 – 98%) of the Fund's accrued liabilities, allowing for future pay increases.

The contribution rate for the average employer, including payments to target full funding has increased from 20.9% to 21.1% of pensionable salaries in 2020-21 and to 21.2% in 2021-22 and 21.3% in 2022-23. The funding level as a percentage has increased (due to good investment returns and employer contributions) although this has been partly offset by the changes in the financial assumptions used to calculate the liabilities.

The actuarial valuation has been undertaken on the projected unit method. At individual employer level the projected unit funding method has been used where there is an expectation that new employees will be admitted to the Fund. The attained age method has been used for employers who do not allow new entrants. These methods assess the costs of benefits accruing to existing members during the remaining working lifetime, allowing for future salary increases. The resulting contribution rate is adjusted to allow for any differences in the value of accrued liabilities and the market value of assets.

The 2022 actuarial assumptions were as follows:

Valuation of Assets:	Assets have been valued at a 6 month smoothed market rate	
Rate of return on investments (discount rate)	4.5% p.a.	
Rate of general pay increases:	Long term	3.9% p.a.
	Short term	N/A
Assumed pension increases	2.9% p.a.	

Notes to the Pension Fund Accounts continued

20. Actuarial present value of promised retirement benefits

	31 March 2023 £m	31 March 2022 £m
Actuarial present value of promised retirement benefits		
Present value of promised retirement benefits	(7,735.4)	(11,778.8)
Fair value of scheme assets at bid value	7,831.8	7,702.4
Net liability	96.4	(4,076.4)

The Fund accounts do not take account of liabilities to pay pensions and other benefits in the future. Based on the latest valuation, the fair value of net assets of the Fund represents 101% of the actuarial valuation of the promised retirement benefits. Future liabilities will be funded from future contributions from employers.

The liability above being calculated on an IAS 19 basis and differs from the results of the 2022 triennial funding valuation because IAS 19 stipulates a discount rate rather than a rate which reflects a market rate.

Assumptions used:	% p.a.
Salary increase rate	3.85%
Inflation/Pensions increase rate	2.85%
Discount rate	4.80%

In December 2018 the Court of Appeal passed the McCloud judgement, which relates to age discrimination in relation to judges and firefighters pensions. On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases and legislation is now being drafted to bring forward these changes. Updated Regulations are to be consulted on in 2023 with the earliest effective date expected to be October 2023. The Government has confirmed that there will be changes to all main public sector schemes, including the LGPS, to remove this age discrimination. For the 2022 valuation, as instructed by the Department of Levelling Up, Housing and Communities (DLUHC), our actuaries have assumed that the legislation will bring forward the changes as currently proposed, and have valued the benefits in line with this. This exercise has estimated the additional costs to be approximately 0.7% of the Fund's liabilities and these have been included in the total liabilities of the Fund at the 2022 valuation.

21. Current Assets

	31 March 2023 £'000	31 March 2022 £'000
Debtors		
– Contributions due – employees	4,759	5,039
– Contributions due – employers	16,541	16,376
	21,300	21,415
Sundry Debtors	6,474	7,942
Total Debtors	27,774	29,357
Cash	1,729	2,679
Total Current Assets	29,503	32,036

22. Current Liabilities

	31 March 2023 £'000	31 March 2022 £'000
Creditors		
– Benefits payable	17,746	15,631
– Sundry creditors	11,874	11,019
Total current liabilities	29,620	26,650

23. Additional Voluntary Contributions

Scheme members have the option to make additional voluntary contributions to enhance their pension benefits. In accordance with regulation 4(2)(b) of the LGPS (Management and Investment of Funds) Regulations 2009, these AVC contributions are not included within the Pension Fund Accounts. These contributions are paid to the AVC provider directly by the employer and are invested separately from the Pension Fund, with either Utmost Life, Prudential Assurance Company or Standard Life Assurance Company. These amounts are included within the disclosure note figures below.

	Prudential	Prudential	Standard Life	Standard Life	Utmost Life	Utmost Life
	2022-2023	2021-2022	2022-2023	2021-2022	2022-2023	2021-2022
	£'000	£'000	£'000	£'000	£'000	£'000
Value at 1 April	10,286	9,711	2,043	2,032	330	404
Value at 31 March	10,054	10,286	1,914	2,043	277	330
Contributions paid	2,309	1,762	186	120	3	1

24. Related Party Transactions

The Fund is required to disclose material transactions with related parties, not disclosed elsewhere, in a note to the financial statements. During the year each member of the Kent Pension Fund Committee is required to declare their interests at each meeting. None of the members of the Committee or senior officers undertook any transactions with the Fund.

	2022-2023	2021-2022
	£'000	£'000
Kent County Council is the largest single employer of members of the Pension Fund and during the year contributed:	83,624	79,585
A list of all contributing employers and amount of contributions received is included in the Fund's annual report available on the pension fund website.		
Charges from Kent County Council to the Kent Pension Fund in respect of pension administration, governance arrangements, investment monitoring, legal and other services.	4,118	3,910
Year end balance due to Kent County Council arising out of transactions between Kent County Council and the Pension Fund.	(6,934)	(6,181)

The year end credit balance due to KCC mainly comprises of recharges and of VAT payable to KCC.

Key management personnel

The employees of Kent County Council who held key positions in the financial management of the Kent Pension Fund during 2022-23 was the Director of Finance (and their interim whilst the Director of Finance was on maternity leave) and the Head of Pensions and Treasury (new post appointed February 2022).

Total remuneration payable to key management personnel is set out below:

	31 March 2023	31 March 2022
	£'000	£'000
Salary	303	164
Allowances	16	9
Other	0	0
Employer's pension contributions	58	37
Total	377	210

25. Contingent liabilities

There are no contingent liabilities as at 31 March 2023.

26. Contractual commitments

Outstanding capital commitments (investments) as at 31 March 2023 totalled £386.82m (31 March 2022: £495.41m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over the life of each fund.

27. Contingent Assets

41 admitted body employers in the Kent Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Fund and payment will only be triggered in the event of employer default.

Post Pool Reporting

The Fund's assets pooled and non-pooled are as follows:

Pooled (ACCESS)		
Fund Manager	Asset Class	£'000
Baillie Gifford	Global Equities	1,071,672
Schroders	UK Equities	1,184,303
Schroders	Global Equity	405,052
M&G	Global Equities	536,060
Ruffer	Absolute Return	191,519
Total Pooled		3,388,606
Non-Pooled		
Fund Manager	Asset Class	£'000
Schroders	Fixed Income	239,281
DTZ	Property	545,702
Goldman Sachs	Fixed Interest	385,314
Woodford	UK Equities	2,803
BMO (Pyrford)	Absolute Return	382,164
CQS	Fixed Income	226,095
Sarasin	Global Equities	375,518
Fidelity	Pooled Property	141,308
Kames	Pooled Property	32,132
Impax	Global Equities	72,807
Insight	Equity Protection	1,039,867
Partners Group	Infrastructure	273,163
Harbourvest	Private Equity	259,578
M&G	Pooled Property	68,554
M&G AO	Fixed Income	245,998
YFM	Private Equity	82,222
Kent County Council Investment Team	Cash	86,957
Total Non-Pooled		4,459,463
Grand Total		7,848,069

For 2022-23 the ongoing costs of the investments broken down between pooled and non-pooled assets are detailed below:

Pool Set up Costs	2022-2023 £'000	Cumulative £'000	ACCESS
Strategic & Technical Advice	0	56	614
Legal	0	37	409
Project Management	0	53	588
ACCESS Support Unit	0	0	3
Other	0	19	210
Total	0	166*	1,824
Transition costs		608	

The Pooled ACS was operational in 2017-18 and all set up costs were incurred prior to that, so no costs attributable to set up for 2022-23.

*1/11th of total ACCESS costs

The fund's costs and net fee savings since inception of the pooling project are as follows:

	2016–2017 £'000	2016–2017 £'000	2017–2018 £'000	2018–2019 £'000	2019–2020 £'000	2020–2021 £'000	2021–2022 £'000	2022–2023 £'000	Cumulative £'000
Set up costs	6	80	80	–	–	–	–	–	166
Pooling ongoing costs				137	87	82	91	115	512
Transition costs	–	–		363	–	245	–	–	608
Fee savings	26	242	776	1,436	1,596	3,968	4,774	4,872	17,639
Net savings	32	162	696	936	1,509	3,641	4,683	4,757	16,353*

*Of the above total cumulative savings of £16.35m, £6.01m relates to investments awaiting pooling.

The investment managers are paid ad valorem fees on the assets under their management. As a result, the fees in absolute terms goes up as the investments appreciate in value.

For 2022-23, the ongoing costs of the investments broken down between pooled and non-pooled assets are detailed below. These costs have been compiled from information provided by the fund managers who have signed up to the LGA cost transparency code.

	Asset Pool			Non Asset Pool			Total £'000
	Direct £'000	Indirect £'000	Total £'000	Direct £'000	Indirect £'000	Total £'000	
FM Fees	–	9,038.94	9,038.94	4,668.67	14,887.82	19,556.48	28,595.42
Pool shared (ASU)	115.34	–	115.34	–	–	–	115.34
Transaction costs	–	2,530.40	2,530.40	165.72	1,154.15	1,319.87	3,850.26
Custody	–	–	–	51.03	–	51.03	51.03
Other – pooled fund costs	–	443.02	443.02	–	3,019.60	3,019.60	3,462.62
Total	115.34	12,012.36	12,127.70	4,885.41	19,061.57	23,946.98	36,074.68

Asset Allocation and Performance:

Asset Category	Opening Value		Closing Value		1 Yr Performance %	Benchmark %
	£'000	% of total fund	£'000	% of total fund		
ACCESS Pooled Investments						
UK Equity	1,143	14.8	1,184	15.1	3.63	2.95
Global Equity	2,109	27.4	2,013	25.6	(4.57)	(1.43)
Absolute Return	191	2.5	192	2.4	0.24	18.51
Total Pooled Assets	3,442	44.7	3,389	43.2	N/A	N/A
Under Pooled Governance						
UK Passive Equity	–	0.0	–	0.0	0.0	0.0
Global Passive Equity	–	0.0	–	0.0	0.0	0.0
Total Under Pooled Governance	–	–	–	–		
Assets Outside of the ACCESS Pool						
UK Equity	8	0.1	3	0.0	(53.56)	2.92
Global Equity	456	5.9	448	5.7	(1.71)	(1.43)
Equity Protection	791	10.3	1,040	13.2	31.42	(1.43)
Property	908	11.8	788	10.0	(10.65)	(14.87)
Infrastructure	175	2.3	273	3.5	16.55	2.27
Private Equity	290	3.8	342	4.4	8.34	2.27
Cash	127	1.6	87	1.1	2.25	2.27
Absolute Return	376	4.9	382	4.9	1.61	18.51
Fixed Income	1,123	14.6	1,097	14.0	(2.33)	4.28
Total Non-Pooled Assets	4,255	55.3	4,459	56.8	N/A	N/A
Grand Total	7,697	100.0	7,848	100.0	1.68	0.33

Independent Auditor's report

Independent auditor's report to the members of Kent County Council on the consistency of the pension fund financial statements of the Kent Pension Fund included in the Pension Fund Annual Report.

Opinion

The pension fund financial statements of Kent Pension Fund (the 'pension fund') administered by Kent County Council (the "Authority") for the year ended 31 March 2023 which comprise the Fund Account, the Net Assets Statement and the notes to the pension fund financial statements, including a summary of significant accounting policies are derived from the audited pension fund financial statements for the year ended 31 March 2023 included in the Authority's Statement of Accounts (the "Statement of Accounts").

In our opinion, the accompanying pension fund financial statements are consistent, in all material respects, with the audited financial statements, in accordance with proper practices as defined in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23 and applicable law.

Pension Fund Annual Report – Pension fund financial statements

The Pension Fund Annual Report and the pension fund financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the Statement of Accounts. Reading the pension fund financial statements and the auditor's report thereon is not a substitute for reading the audited Statement of Accounts and the auditor's report thereon.

The audited financial statements and our Report thereon

We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated 31 March 2023.

Section 151 Officer's responsibilities for the pension fund financial statements in the Pension Fund Annual Report

Under the Local Government Pension Scheme Regulations 2013 the Section 151 Corporate Director of Finance is responsible for the preparation of the pension fund financial statements, which must include the Fund Account, the Net Asset Statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension fund financial statements in both the Statement of Accounts and the Pension Fund Annual Report are set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

Auditor's responsibility

Our responsibility is to express an opinion on whether the pension fund financial statements in the Pension Fund Annual Report are consistent, in all material respects, with the audited pension fund financial statements in the Statement of Accounts based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), Engagements to Report on Summary Financial Statements.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Dossett

Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
London
31 March 2023

Kent Pension Fund Report and Accounts

For the year ended 31 March 2023



Kent Pension Fund

Delivering an outstanding service to our customers

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Agenda Item 19

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