

KENT COUNTY COUNCIL

PENSION FUND COMMITTEE

MINUTES of a meeting of the Pension Fund Committee held in the Darent Room, Sessions House, County Hall, Maidstone on Thursday, 19 September 2024.

PRESENT: Mr N J D Chard (Chaired the meeting), Mr P Bartlett, Cllr J Burden, Mr P C Cooper, Mr P Doust, Cllr M Jones, Mr J P McInroy, Mr C Passmore, Mrs S Prendergast, Mr S Sim, Mr P Stepto, Mr J Wright, Ms J Meade, Mr D L Brazier and Mr C Simkins.

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

UNRESTRICTED ITEMS

1. Apologies and Substitutes

(Item 1)

Apologies for absence were received from Mr Hill for whom Mr Brazier was present as substitute, Ms Dawkins for whom Ms Meade was present as substitute, Councillor Yates and Councillor Blair.

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

(Item 2)

Mr Bartlett declared that he was employed by the Bank of New York Mellon and would leave the meeting during any discussion relating to Insight Investment who were an affiliate.

Councillor Burden declared an interest in item 12, Employer Governance Matters, relating to Higham Parish Council, Gravesham. He would leave the room during its consideration.

3. Minutes of the meeting held on 27 June 2024.

(Item 3)

RESOLVED that the minutes be signed as a correct recorded of the meeting held on 27 June 2024.

4. Committee Work Plan/Action Log

(Item 4)

1. Mr Buckland introduced the report that provided an update on the work programme and actions identified from previous meetings. He advised that the Government's pension review would be added to the Programme. He added that officers were looking into the possibility of using a secure portal on the Pension's website to allow Members and officers to access confidential documents and other useful information.
2. RESOLVED to note the work programme and updated action log.

5. Pensions Administration

(Item 5)

1. Mrs Chambers introduced the report that provided an update on various administration matters relating to the Pension Scheme.
2. During consideration of the item the following points were noted:
 - The Annual Benefit Statements had been published on the Portal for the first time.
 - The Annual Allowance Statements were on track for competition within their statutory deadlines.
 - There had been a significant recruitment campaign over the last couple of years following an assessment of capacity within the team. This had led to a number of secondment opportunities and internal promotions. Currently capacity within the team was deemed to be adequate and would be kept under review.
 - A review of job descriptions and pay grades was underway and there would be an update on progress at the next Committee meeting.
3. RESOLVED to note the contents of the report.

6. Update from the Pension Board

(Item 6)

1. Mr Buckland provided the Committee with the update as Mr Thomas, Chairman of the Pension Board, could not attend the meeting. Mr Buckland highlighted that one of the main items considered by Board was a presentation from Mr Paul, Barnett Waddingham, about the Pension Regulators Code. Barnett Waddingham conducted a governance review of the Fund and found that it was in a strong position as it was compliant with the majority of the Code's modules.
2. RESOLVED to note the update from the Board.

7. Pension Fund Report & Accounts and External Audit

(Item 7)

1. Ms Surana introduced the report that included a copy of the annual Kent Pension Fund Report and Accounts. She noted that the external auditors, Grant Thornton, were currently auditing the Fund's accounts and Annual Report. It was expected that the Audit findings would be reported to the Governance and Audit Committee and the Pension Board in November, and an update would be provided to the Pension Fund Committee in December.
2. RESOLVED to note the report and to delegate authority to the Interim Corporate Director – Finance and the Chairman of the Pension Fund Committee to authorise the final Annual Report on receipt of the audit certificate.

8. Responsible Investment Update

(Item 8)

1. Mr Graham introduced the report that gave an update on the Fund's responsible investment activities since the last meeting, and the work of the Responsible Investment Working Group.

2. During consideration of the item the following points were noted:
 - The Principles for Responsible Investment assessment for the calendar year 2023, would be circulated to the Committee in due course.
 - In relation to Securities Lending, there was a managed programme, established by ACCESS, that had clear parameters on what could be accepted as collateral and rates.
 - Appendix 1 provided the Committee with an example of the type of company engagement carried out by external asset managers. Some Members would like to have seen more challenge from the Investment Manager. Mr Graham would follow this up the Investment Manager and would report back to the Committee.
 - ACCESS was looking to employ a third party as voting and engagement provider, to offer an additional level of challenge to asset managers in the ACCESS pool.
3. RESOLVED to note the report.

9. Investment Performance and Asset Allocation Update *(Item 9)*

1. Ms Surana introduced the report and noted that the current asset allocation was aligned with the strategic asset allocation therefore it was felt that no rebalancing was required.
2. During consideration of the item the following points were noted:
 - The Fund had underperformed for the quarter.
 - Cash flow was being monitored closely and the Fund was currently holding a sufficient cash balance, however, it was expected to reduce during the course of the year as drawdowns were expected to be in excess of distributions from asset managers.
 - Mercer were going to conclude a piece of work which would establish a liquidity waterfall and governance arrangements for accessing liquidity for future investments.
 - The intra asset class review was well underway and began by looking at equities allocation.
3. RESOLVED to note the report and:
 - a) to agree that no rebalancing is undertaken.
 - b) to delegate authority to the Head of Pensions and Treasury to withdraw sufficient funds from the Insight Liquidity Fund to ensure the Fund's internal cash balances are sufficient to meet ongoing liquidity needs.

Motion to Exclude the Press and Public

RESOLVED that 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.

10. Investment Strategy Implementation *(Item 10)*

1. Mr Graham introduced the report that included an update on the intra asset class review, an update on the review of the equity allocation, an update on the Funds property allocation and an update on the risk monitoring programme.
2. Mr English, Mercer, presented the Quarter two 2024 Manager Ratings and News Updates, as detailed in appendix two of the report.
3. Mr Page, Mercer, presented and update on the Risk Management Framework as detailed in appendix one of the report.
4. During consideration of the item the following points were noted:
 - Following the equity review, the Committee would consider a report recommending more balanced mandate sizes and styles, which will also consider sustainability.
 - The next asset class for review would be fixed income. Mercer would report on their initial findings to the Committee in December.
 - Property allocations were managed exclusively by DTZ.
 - A number of manager rating changes have occurred while Mercer have been carrying out their review. It was beneficial for the rating changes to be updated and reviewed at this time as it allowed Mercer (and the Fund) to take the findings into account during the course of the intra asset class review.
 - The Committee agreed to move from a static equity protection strategy to a systematic approach in April 2024. Initial indications suggested that the new approach was working as expected.
 - Members would benefit from a single page, easily digestible, summary of explanation and performance following the move from the static to systematic model of equity protection.
 - Mr English and Mr Page were thanked for their presentations.
5. RESOLVED to note the report.

11. Actuarial Valuation Planning *(Item 11)*

1. Mr Buckland introduced the report noting that this related to the core functions of the Fund, namely, to ensure contributions from employers remained stable and payments of pensions were made.
2. Mr Muir, Barnet Waddingham, provided an overview of the Plan that would lead to the completion of the Valuation by 31 March 2026. He also highlighted the Enlighten system that offered bitesize training videos for Board and Committee Members.
3. During consideration of the item the following points were noted:
 - The Committee would welcome and update on progress at each meeting.
 - A similar presentation was provided to the Pension Board. It was important that Members were fully engaged with the process from the outset.
 - Members would receive training online and in person.
 - The Actuarial Valuation was intended to keep employer contribution rates as stable as possible. Employers would be involved as much as possible throughout the process.
 - Mr Muir was thanked for his presentation.

4. RESOLVED to note the report.

12. Employer Governance Matters *(Item 12)*

1. Mr Buckland advised that investigation was underway into the possibility of allowing delegated authority to the Head of Pensions and Treasury to agree the admission applications to the fund, and to issue termination certificates. A report with further details and proposals would be brought to a future meeting of the Committee for consideration.
2. Mr Tagg introduced the report that proposed a number of admission matters, provided an update on backdated admissions, and included the employer risk analysis.
3. During consideration of the item it was noted that:
 - Barnett Waddingham had conducted an employer risk analysis for the Fund and highlighted 14 employers of particular interest.
 - Officers would engage with the employers highlighted by Barnett Waddingham, and the Board and Committee would be updated on the outcomes.
4. RESOLVED to note the report and agree:
 - a) that an updated admission agreement is entered into with West Kent Housing Association;
 - b) to the admission to the Kent Pension Fund of Ridge Crest Cleaning Ltd (re Sandwich Technology School Academy);
 - c) to the admission to the Kent Pension Fund of Compass Contract Services UK Ltd (re Stour Academy);
 - d) to the admission to the Kent Pension Fund of Compass Contract Services UK Ltd (re Kent Catholic Schools Partnership (KCSP) primary and secondary schools);
 - e) to the admission to the Kent Pension Fund of Principal Catering Consultants Ltd (re Inspira Trust);
 - f) to the admission to the Kent Pension Fund of Principal Catering Consultants Ltd (re Diocese of Canterbury Academy Trust);
 - g) to the admission to the Kent Pension Fund of NSL Ltd (re Folkestone and Hythe District Council);
 - h) to the admission to the Kent Pension Fund of The Contract Dining Company Ltd (re Rivermead Inclusive Academy Trust);
 - i) to the admission to the Kent Pension Fund of Nourish Contract Catering Ltd (re Swale Academies Trust);
 - j) to the admission to the Kent Pension Fund of Cater link Ltd (re Halling Primary School/Medway Council) without a bond;

- k) that a 5-year Debt Spreading Agreement is entered into with Higham Parish Council;
- l) that once legal agreements have been prepared for matters a) to k) the Kent County Council seal can be affixed to the legal documents.

13. ACCESS Pooling Update

(Item 13)

1. Mr Graham presented the report that provided a summary of the activities of the ACCESS pool.
2. During consideration of the item it was noted that:
 - The ACCESS Joint Committee received a presentation from Mr McDonald, Director of the ACCESS Support Unit, highlighting developments since the General Election.
 - The timeline for the Pension Review appeared to be leading towards an announcement in the budget at the end of October.
 - Council Officers were well respected within the pension sector, and Government had engaged with them and ACCESS representatives about the Government's Pension Review.
 - It was good that the Fund had some involvement in the process, and developments would be closely monitored.
 - Mr Buckland would provide Members with a brief note about his recent meeting with the Minister for Pensions.
3. RESOLVED to note the report and to:
 - a) Accept the recommendation made by the ACCESS Joint Committee to appoint Waystone Management UK (Waystone) as operator of the ACCESS Authorised Contractual Scheme (ACS) from 5 March 2025 until 4 March 2035 (subject to break clauses) and to enter into an operator agreement with Waystone to that effect.
 - b) Agree to delegate authority to manage all associated documentation arrangements arising from recommendation a) to the Head of Pensions and Treasury in consultation with the Chairman

14. Governance Update

(Item 14)

1. Mr Buckland introduced the report that provided an update on all governance matters, including the Fund's response to the Government's letter calling for evidence about asset pooling and efficiency. The response would be circulated to Members outside of the agenda.
2. During consideration of the item it was noted that:
 - The Barnett Waddingham assessment of the Fund against the Pension's Regulator Code was carried out without any input from Officers and showed the Fund to be in a strong position of compliance.
 - The Good Governance Review would allow the Fund to be run more efficiently.
 - Congratulations were offered to Mr Graham who had been recently shortlisted for an award at the 2024 LAPF Investments Awards.

3. RESOLVED to note the report and delegate authority to the Head of Pensions and Treasury in consultation with the Chairman and Vice Chairman to respond to the Government's call for evidence on behalf of the Fund.

15. McCloud & Data Rectification Update

(Item 15)

1. Mrs Chambers introduced the report that provided an update on work relating to the McCloud Remedy, data cleansing and backlog clearance.
2. During consideration of the item the following points were noted:
 - Officers met with ITM regarding the data rectification project and agreed a deadline of the end of September for employers to submit full and accurate data. This would give employers a year to provide the data required.
 - The tender process to provide an operator to clear the backlog of cases was still underway, the contract would be expected to start on 1 November for a period of three years.
3. RESOLVED to note the report.

16. Cyber Security Update

(Item 16)

1. Mr Buckland introduced the report.
2. During consideration of the item the following points were noted:
 - There would be a crisis simulation to test the Fund's new Cyber Security Policy and Incident Response Plan.
3. RESOLVED to note the report.

17. Pension Fund Risk Register

(Item 17)

1. Mr Buckland introduced the report noting that the review of risks was an ongoing process that was carried out at least once every quarter to ensure they remained appropriate.
2. During consideration of the item the following points were noted:
 - A robust induction training programme for new Members would be very important following the County Council Elections in May 2025. Comprehensive training would be provided to mitigate the risk of loss of expertise arising from changes in the Committee membership.
 - Members suggested that the induction programme could be split into small sections with a summary note for each, as this would help to provide new Members with a basic understanding.
 - Existing Committee Members could give their input on the training programme.
 - Members who remained on the Committee following the Elections could offer mentoring to new Members to help them in their role on the Committee.
3. RESOLVED to note the Risk Register.