

**PENSION FUND COMMITTEE**

**Thursday, 19th September, 2024**

**10.00 am**

**Darent Room, Sessions House, County Hall, Maidstone**





## AGENDA

### PENSION FUND COMMITTEE

**Thursday, 19th Sept, 2024 at 10.00 am**  
**Darent Room, Sessions House, County**  
**Hall, Maidstone**

Ask for: **James Clapson**  
Telephone: **03000 417387**

#### **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, Mrs S Prendergast 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 Blair, Cllr J Burden and Cllr R Yates
Medway Council (1):	Cllr M Jones
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 Apologies and Substitutes
- 2 Declarations of interest by Members in items on the agenda for this meeting.
- 3 Minutes of the meeting held on 27 June 2024. (Pages 1 - 8)
- 4 Committee Work Plan/Action Log (Pages 9 - 14)

- 5 Pensions Administration (Pages 15 - 24)
- 6 Update from the Pension Board (Pages 25 - 28)
- 7 Annual Report (Draft)  
Report to follow.
- 8 Responsible Investment Update (Pages 29 - 36)
- 9 Investment Performance and Asset Allocation Update (Pages 37 - 62)

**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)*

- 10 Investment Strategy Implementation (Pages 63 - 124)
- 11 Actuarial Valuation Planning (Pages 125 - 144)
- 12 Employer Governance Matters (Pages 145 - 202)
- 13 ACCESS Pooling Update (Pages 203 - 226)
- 14 Governance Update  
Report to follow.
- 15 McCloud & Data Rectification Update (Pages 227 - 234)
- 16 Cyber Security Update (Pages 235 - 238)
- 17 Pension Fund Risk Register (Pages 239 - 274)

Benjamin Watts  
General Counsel  
03000 416814

**Wednesday, 11 September 2024**

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## KENT COUNTY COUNCIL

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### PENSION FUND COMMITTEE

MINUTES of a meeting of the Pension Fund Committee held in the Council Chamber, Sessions House, County Hall, Maidstone on Thursday, 27 June 2024.

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

ALSO PRESENT: Mr R J Thomas

IN ATTENDANCE: Mr N Buckland (Head of Pensions and Treasury), Ms S Surana (Investments, Accounting and Pooling Manager), Mrs E Green (Senior Pensions Programme Manager), Mr S Tagg (Senior Accountant - Employer Governance and Compliance), Mr J Graham (Pension Fund Treasury and Investments Manager), Mr G Wookey (Team Manager) and James Clapson (Democratic Services).

### UNRESTRICTED ITEMS

#### **1. Membership**

*(Item 1)*

It was noted that Councillor Jones replaced Councillor Prenter as the Medway Council representative, and Councillor Blair replaced Councillor Beer as the Dover Council representative on the Committee.

#### **2. Apologies and Substitutes**

*(Item 2)*

Apologies for absence were received from Councillor Yates.

#### **3. Declarations of interest by Members in items on the agenda for this meeting.**

*(Item 3)*

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.

#### **4. Minutes of the meeting held on 26 March 2024**

*(Item 4)*

RESOLVED that the minutes of the meeting held on 26 March 2024 were correctly recorded and that they be signed by the Chairman.

## **5. Committee Work Plan/Action Log**

*(Item 6)*

1. Mr Buckland introduced the report that provided an update on the work programme and actions from previous meetings. He advised that there would be engagement with Barnett Waddingham and the Committee towards the end of the year, in preparation for the 2025 actuarial valuation.
2. RESOLVED to note the work programme and updated action log.

## **6. Pensions Administration**

*(Item 7)*

1. Ms Green 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:
  - Case work performance had improved from 79% to 89%. The performance percentage figure was drawn from a number of different key performance indicators that combined to provide a single percentage.
  - Newly recruited colleagues were settling well into their roles.
  - 6500 people had already signed up to the MyPension Online service. It allowed scheme members to access more services online.
  - Adoption of the new telephony system was progressing rapidly and was expected to go live in mid-July. This system would improve analysis of the type of contacts received.
  - With reference to the overseas proof of life verification project so far, approximately 80 % of the verifications were completed via digital authentication. The remaining 20% were completed via the return of paper forms.
  - The year end process was well underway and the majority of the 562 end of year returns had been received.
  - The transition from the Lifetime Allowance to a new pension tax regime had been a complex process. It took effect from 6 April 24.
3. RESOLVED to agree:
  - a) To note the contents of the report.
  - b) To approve the new Pension Overpayment and Write Off policy.

## **7. Update from the Pension Board**

*(Item 8)*

1. Mr Thomas, Chairman of the Pension Board, presented his report that summarised proceedings of the Pension Board meeting on 11 June 2024. During the update Mr Thomas highlighted the following areas:
  - The Board received a governance update that detailed recent legislative changes.
  - An update was received on the 2023/24 accounts that showed an underspend against the budget.
  - The Audit Plan was presented by Mr Williams (Grant Thornton), and it was noted that Grant Thornton had been appointed as auditors for the next five years.

- A lot of work had taken place to prepare for the roll out of the Pension Dashboard.
- The Overpayment and Write-off's policy was considered and recommended to the Committee for approval.
- The Board nominated Mr Parsons to be their representative on the Responsible Investment Working Group (RIWG).
- A presentation on Cyber Security was received from Mr Perea (Mercer), and the Board considered mitigation measures and how incidents would be responded to.
- The Risk Register was considered
- There would be an update on employer governance matters at the next Board meeting, and an update on the McCloud rectification.

2. RESOLVED to note the update from the Board.

## **8. Responsible Investment Update**

*(Item 9)*

1. Mr Graham introduced the report that gave an update on the Fund's responsible investment activities since the last meeting. He highlighted that the Responsible Investment Policy had been updated with input from the RIWG, and following a peer review against other LGPS funds that identified some areas for improvement.
2. During consideration of the item the following points were noted:
  - The Responsible Investment policy would be subject to annual review.
  - Thanks were offered to Mr Chard for his work as Chairman of the RIWG.
  - Mr Doust queried if the net earning total detailed in the table at paragraph 5.2 was correct, Mr Graham offered to confirm to total and respond to Mr Doust following the meeting.
3. RESOLVED to note the report and to approve the revised Responsible Investment Policy at Appendix 1 of the report.

## **9. Investment Performance and Asset Allocation Update**

*(Item 10)*

1. Mr Graham introduced the report noting that the portfolio was in line with asset allocation weights following the implementation of the new strategic asset allocation. He added that while performance had seen positive results, these results were not as good as benchmarked expectations. This was largely because the market rally was generated through a disproportionately high performance of a very limited number of stocks.
2. Ms Surana noted that it was expected that there would be a further reduction in the Fund's operational cash balance, and the Committee would have the opportunity to consider a liquidity analysis at the September meeting.
3. RESOLVED to note the report and agree that no rebalancing is undertaken

## **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.

### **EXEMPT ITEMS** (Open access to minutes)

#### **10. Investment Strategy Implementation** (Item 11)

- .1. Mr Graham introduced the report and provided an update on the Investment Strategy Implementation. Mr Page provided an update on the Equity Protection Strategy and Mr English (Mercer) presented the findings of the equity review.
2. During consideration of the item the following was noted in response to points raised by the Committee:
  - The Fund did not have an immediate requirement to increase liquidity, therefore it was recommended that the Committee agree to the requested one year extensions. It was felt that this would provide Partners Group and YFM with an opportunity to maximise the remaining value to be realised from the residual investments. The investment consultants were also supportive of the extensions.
  - In the past, the Fund had benefited from active investment. The active managers had performed very well.
  - Consideration could be given to having more UK fund managers.
  - Implementation of the new Systematic Equity Protection Strategy had progressed in line with expectations, a further update would be provided to the Committee at the next meeting.
  - The equity review provided by Mercer did not specifically try to predict market impacts following geopolitical events; however, it was felt that geopolitical events would not significantly impact the advice issued by Mercer because the Fund's investments were actively managed. Active managers would consider company specific risks for each investment, and these should incorporate changes to geopolitical situation.
  - Feedback on the equity review was welcome. The Committee would consider a paper in September about the Equity Portfolio.
  - It was good that the members of ACCESS had the opportunity to choose their investment managers.
  - Following monitoring by DTZ, the Fund had taken action to mitigate the risk to its investment in the Fidelity Property Fund. An update regarding this investment would be brought the next Committee meeting.
  - Stock selection was carried out by fund managers, but exposure to US equities could be increased if the aim was to invest more in the US Magnificent Seven companies.
  - The Currency Strategy was reviewed every three years and was scheduled for review in 2025.
3. RESOLVED to note the report and agree:
  - a) A one-year extension to the Partners Group Global Infrastructure 2009 fund;
  - b) A one-year extension to the Partners Group Direct Infrastructure 2011 fund;



- c) A one-year extension to the YFM Growth Fund I subject to a satisfactory legal review of associated documentation; and
- d) To delegate the execution arrangements for recommendations a) to c) to the Head of Pensions and Treasury in consultation with the Chairman of the Committee

## **11. Governance Update**

*(Item 12)*

1. Mr Buckland introduced the report that provided a progress update on the three year Business Plan that was agreed at the last Committee meeting. Mr Buckland noted that there was currently an underspend on the budget of around £3million. This was largely because investment management costs had been lower than expected. Mr Buckland also highlighted the letter that had been received from Local Government Minister Simon Hoare regarding the management, governance and administration of Local Government Pension Schemes.
2. During consideration of the item the following points were noted:
  - Although overall the budget was underspent there were some areas of overspend, these related to:
    - Administration expenses, largely due to additional IT costs in connection to the GMP rectification, and pension administration software costs.
    - External consultation fees for the development of the Investment Strategy, carbon net zero work and equity protection work.
    - A correction of £200,000 for an erroneous accrual of income that that took place in the 2022/23 year.
  - The costs of running the Fund were charged to the employers within the fund. Contributions from these employers were calculated every three years.
  - The response to the Minister's letter would demonstrate how the Fund had benefited from pooling. The Chairman would discuss the response with officers, and a paragraph of the response would be drafted with input from ACCESS colleagues.
  - Some of the language used within the Minister's letter could be construed as inflammatory.
3. RESOLVED to note the report and agree to delegate authority to the Head of Pensions and Treasury in consultation with the Chairman to respond to the letter from the Local Government Minister.

## **12. Employer Governance Matters**

*(Item 13)*

1. Mr Tagg introduced the report that looked at the final quarter of 2023/24.
2. During consideration of the item it was noted that:
  - The number of Fund employers had increased by four.
  - Receipt of contributions from employers had been consistent throughout the year.
  - Backdated legal agreements offered some flexibility but could also make processing applications significantly more complicated. This could lead to delays in payment and was a challenge faced by all authorities.
  - A practical approach, within the constraints of the regulations, was taken to try and support individuals impacted by delays in completion of the legal process.

- The Board and Committee would receive an update on the administration of backdated legal agreements.
3. RESOLVED to note the report and agree:
    - a) to the change in security from bond to guarantee for previously agreed admission of Birkin Cleaning Services Limited.
    - 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

### **13. Pension Fund Risk Register**

*(Item 14)*

1. Mr Buckland presented the report noting that the risk register had been moved on to KCC's risk system. He highlighted that there were 29 risks on the register. 22 of these had a green rating, seven had an amber rating and there were none with a red rating. He added that some of the amber risks would achieve a green rating following decisions made by the Committee during the meeting.
2. During consideration of the item it was noted that:
  - KCC were the administrating authority and the largest contributor to the Fund. If an employer became bankrupt the employer's guarantee or bond arrangements would be triggered to ensure that pension payments continued to be made.
3. RESOLVED to note the Pension Fund Risk Register.

### **14. McCloud & Data Rectification Update**

*(Item 15)*

1. Ms Green introduced the report and highlighted that a tender exercise was underway to find a provider to undertake clearance of the backlog. ITM were unable to carry out the work because they did not have access to the Altair system which was owned by Heywood.
2. RESOLVED to note the report and agree:
  - a) to undertake a tendering exercise for backlog clearance and to enter into required contracts.
  - b) To delegate appropriate actions to the Corporate Director of Finance and the Head of Pensions and Treasury relating to contracts and sign off.

### **15. ACCESS Pooling Update**

*(Item 16)*

1. Mr Graham introduced the report and advised that the ACCESS Joint Committee (AJC) last met on 10 June. He noted that the report detailed the items considered at the meeting and the decisions that were made.
2. During consideration of the item the following points were noted:

- The AJC received a very good presentation from Tavistock who were employed as communications consultants. Tavistock were well placed to engage with Government about the future of the ACCESS Pool following the General Election.
- There would be a sub-fund consolidation review to ensure that the investments matched the strategies of the 11 ACCESS members. An update would be provided at the AJC meeting in September.
- KCC officers worked very closely with ACCESS colleagues and thanks were offered to all involved for their efforts.

3. RESOLVED to note the report.

## **16. Cyber Security Update**

*(Item 17)*

1. Ms Green introduced the report that presented the Cyber Security Policy and Incident Response Plan.
2. During consideration of the item the following points were noted:
  - The Response Plan would be tested.
  - Consideration would be given to the inclusion of a secondary form of contact for key response officers that was not computer based, such as telephone numbers.
  - The Pension Board would receive updates on the implementation of the Policy and Plan.
  - KCC's Technology Team had provided specialist advice.
  - In the event of an attack, there would be business continuity for employers. If the system was to become inoperable, payments would be based upon the amounts paid in the previous month.
3. RESOLVED to approve the:
  - a) Kent Pension Fund's Cyber Security Policy
  - b) Kent Pension Fund's Incident Response Plan

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From: Chairman Pension Fund Committee  
Interim Corporate Director of Finance

To: Pension Fund Committee – 19 September 2024

Subject: Committee work programme and Action Log

Classification: Unrestricted

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**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 recommended to:

- note the work programme and the updated action log;

**FOR INFORMATION**

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**1. Committee Work Programme**

1.1 Members will be aware that the established meeting pattern is 4 quarterly meetings plus 1 strategy development/ "away-day".

1.2 **Appendix 1** shows the plans for the next four 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. In addition, the Risk Management Group (RMG) meets when needed to consider activity in this area. The Responsible Investment working group (RIWG) meets monthly to develop thinking in this area. These groups are chaired by the Chairman and Vice Chairman respectively. Terms of Reference for the RIWG were reviewed and agreed at the last meeting. At the next meeting of RMG a similar document will be reviewed and brought back to the Committee for approval.

**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 recent meetings 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.

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**Nick Buckland, Head of Pensions and Treasury**

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**September 2024**

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## Draft Committee workplan

	3 December 2024	6 February 2025	11 March 2025	18 June 2025
Work programme update	Y		Y	Y
Governance update including Fund policies due for review	Y		Y	Y
Update from the Pensions Board meeting	Y		Y	Y
Pension Fund Business plan and budget update and general governance updates	Y		Y	Y
ACCESS update	Y		Y	Y
Fund Employer matters	Y		Y	Y
Administration update <ul style="list-style-type: none"> <li>• McCloud</li> <li>• KPI reporting</li> </ul>	Y		Y	Y
Training update	-		Y	-
Investment Performance	Y		Y	Y
Risk register update. (Full RR at least twice a year)	Y		Y	Y
Investment Strategy <ul style="list-style-type: none"> <li>• Rebalancing</li> <li>• Manager monitoring</li> <li>• Implementation update</li> <li>• Update from RMG</li> </ul>	Y		Y	Y
Responsible Investment <ul style="list-style-type: none"> <li>• Update from RIWG</li> <li>• Impact investments</li> </ul>	Y		Y	Y
Actuarial Valuation 2025 <ul style="list-style-type: none"> <li>• Pre valuation prep.</li> <li>• Consider assumptions.</li> <li>• Initial thinking</li> </ul>	Y		-	Y
Committee Strategy development “away day”		Y		

## Pension Fund Committee Action Log – 2023-24

Date of Meeting	Agenda Item	Action/Question	Outcome	Complete (Y/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.	Ongoing
28/09/2022	8 - Pensions Admin	Plans for review of workload of administration team ahead of significant workload.	Team has been reviewed, and recruitment plans commenced. Committee to be updated regularly.	Ongoing
29/03/2023	20 - Employer Matters	Provide an update on Sevenoaks leisure	Update when known	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 September's meeting to be linked with Actuary review of employer covenant – update as part of 2025 valuation	Ongoing
12/12/2023	9— Training	Request that presentations for all training sessions be circulated to all	Officers have done so, and will do so in the future	Y
12/12/2023	10— Investment Performance	Add the date of Committee to the Investment Strategy Statement for version control	Completed in December 2023	Y
12/12/2023	11— Investment Strategy	Request for assurance that we are not charged fees on fees in new Property management arrangements	Confirmed verbally at meeting and note circulated by email post meeting to confirm.	Y



12/12/2023	12 – Responsible Investment	Advice to Committee members when the news on the net zero target can be shared	Members advised by email of Fund publicity	Y
26/03/2024	5 – Work Programme	Investment management fees – to be considered in a future paper?	Confirmed fees will be a factor when reviewing Investment Management arrangements later in 2024-25	Ongoing
26/03/2024	6 – Employer Governance	Are 95% contributions received on time not challenging enough?	Change considered, and 95% target removed for future reporting.	Y
26/03/2024	7 – Pensions Administration	Ensure accessibility of documents when moving to digital by default approach.	Confirmed accessibility is integral to all communications and members will be able to request hard copy or other formats when needed.	Y
26/03/2024	7 – Pensions Administration	More information on recruitment timetable and headcount requested	Email sent in April confirming details	Y
26/03/2024	9 – Member training	Request to have details around member attendance at training events	Will be presented in September 2024 once data collected and reported in Fund's Annual Report and Accounts.	Ongoing
27/06/2024	8 – Pension Board update	Committee requested to see the detailed performance data that the Pension Board receives.	Information to be circulated to Committee members.	Ongoing
27/06/2024	9-Responsible Investment	Query on the value of stock on loan, and income received.	Values have been confirmed as accurate and Committee will receive update in September	Y

			meeting	
27/06/2024	11-Investment Strategy	More detail and updates on Fidelity property fund	Updates to be provided at future meetings	Ongoing
27/06/2024	12 – Governance	Confirm to Committee 2024-25 budget figures and update if necessary	Committee will be updated in September 2024	Ongoing
27/06/2024	17 – Cyber Security	To consider alternative approaches to communicating in the event that email system is down	WhatsApp groups in place for all team members, and mobile numbers shared	Y
27/06/2024	17 – Cyber Security	Circulation of confidential Committee and Board papers to no-KCC emails addresses	Officers working with Committee services to establish if alternative approach is appropriate	Ongoing

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

To: Kent Pension Fund Committee – 19 September 2024

Subject: Pensions Administration

Classification: Unrestricted

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### **Summary:**

This report brings Members up to date with a range of matters concerning the administration of the Kent Pension Fund for the period 1 May to 31 July 2024. The report covers the following areas:

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

### **Recommendations:**

The Committee is recommended to note the report.

### **FOR INFORMATION**

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#### **1. Casework Performance**

- 1.1 Details of the administration casework performance can be found at **Appendix 1.**
- 1.2 During the period 1 May to 31 July 2024 a total of 11,029 cases were completed. This is a decrease of 1,915 cases completed from the previous period. The average performance across all casework has decreased from 85% to 78%. Performance has been categorised into red (below 80% SLA), amber (80-90% SLA) and green (above 90% SLA) in order to help Members and Officers identify where performance improvements are required.
- 1.3 Performance has been impacted during the period due to the extended processing times for cases affected by the abolition of the Lifetime Allowance, administration colleagues supporting on the end of year process, implementation of the new telephony system, introduction of the new member self-service platform and the team still carrying a number of vacancies.

1.4 Regular drop-in sessions have been arranged by the Technical Team to support colleagues through the changes resulting from the abolition of the Lifetime Allowance in order to speed up processing times. Recruitment is underway to increase capacity in the Communications and Support Team so that in future years resource does not need to be sourced from other teams to support the year end process. Whilst the implementation of the improved telephony and self-service systems will have a positive impact on customers and in turn the pensions administration team, change does take time to embed before benefits can be realised. Recruitment is also underway to fill a significant number of the outstanding vacancies.

## 2. **Recruitment**

2.1 A summary of the recruitment activity over the period is show below:

Position	Team	Start Date	Number	External/ Internal
Pensions Assistant	Communications & Support Team	01/07/2024	1	12-month fixed term contract for former agency team member
Pensions Officer	Administration Team	01/07/2024	2	Commencement of internal secondment
Senior Pensions Administrator	Administration Team	01/07/2024	2	Commencement of internal secondment

2.2 A recruitment campaign for 12 vacancies was launched in July 2024, for roles within the Administration Team (7 posts at various grades), the Communication and Support Team (4 posts at various grades) and the Technical and Training Team (1 post). 7 of these vacancies are a result of backfilling (from previous internal promotions), the other 5 roles are new posts which have been created to support data management within the Communications and Support Team, and internal training requirements.

2.3 There are a further 4 vacancies which are scheduled for advertising later in 2024/25. These have been scheduled in a different phase to ensure business continuity within the service. Further backfilling recruitment is expected and is scheduled for 2025/26.

## 3. **Project Updates**

3.1 **Annual Benefit Statements** – Active member statements were published online for the first time, with paper copies being sent to those members who have opted out of digital communication (circa 1,000). Important notes, [FAQs](#) and a guidance [video](#) were all produced to support members.

Statements for **Deferred** members were posted to home addresses during July. These statements will also be published online from 2025.

3.2 **MyPension Online** – The upgrade to the Member Self Service offering to provide several new features for members went live on 13 May 2024, the new ‘Engage’ service rebranded to ‘MyPension Online’ has seen an increase in registered members from 500+ per week, to 500+ per day. Work has started to make documents publishable online for members to view instantly.

3.3 **Telephony** – The new system brought in some new features such as:

- Call Queue Positions & Hold Music.
- Callback feature so callers do not have to stay holding on the call.
- Internal control over phone messages, Call flow changes (so the team can adapt to the current situation, get messages out if there needs to be an emergency closure on the phones etc.).
- Better Reporting and Statistics.
- Ability to tag calls so the team can report on what calls are relating to.

Over the 15 months prior to the new phone system being implemented (April 2023 – June 2024) 26,858 calls were received into the team. This averaged at around 1,790 calls per month. However, the team were only able to deal with 17,418 of those calls, meaning that they were only answering 65% of the calls.

The large number of missed calls can be attributed to a few factors:

- The old system did not have any hold music or call queue positions. The phone would just ring and callers would feel they were being ignored and would hang up before anyone was available to answer. The vast majority of callers would hang up before a “timeout” message played at 5 minutes.
- There were only 2 members of the team on the phones at any one time. With extremely limited statistics, a need to balance the work and the limitations of the previous phone system the team would not have been able to put more resource on the phones.

For the 8 working days in July (at the time of writing this update) that the new system has been implemented, 557 calls were received. When rounded up to a month (working on 22 working days average in a month), this comes to 1,531 calls.

Out of the calls received, only 22 were not handled meaning that the team answered 96% of calls. Of those 22 calls, 4 callers hung up before they even entered a call flow – so while they were either listening to menu options or one of the personalised messages directing callers to online services. The other 18 callers hung up while they were holding on in the queue. With that in mind the average queue time over those 8 days was just under 33 seconds. So,

while some callers may have waited longer than others, in general calls were answered very quickly.

The average amount of time each agent spends on a call is around 6 minutes 17 seconds.

So far, the call handling has improved and has risen by 31%. This is down to 2 factors:

- Callers now know they are in a queue – callers get hold music and call queue position, plus have the option to call back, so they are not hanging up because they think they are being ignored. While the average wait time is only seconds, in the first few days the team have seen some callers holding for 10 minutes+. The longest hold time so far seen was about 18 minutes, but the member on the phone was happy when their call was answered. The team would not have had anyone holding on for 18 minutes under the previous system as they would have given up.
- There are more colleagues available on the phones – by having a more sophisticated system, more options for routing calls and real-time monitoring of the lines the team have been able to trial having a larger group of colleagues on the phones. This means there are more members of the team able to answer the phones, so callers get through first time rather than ringing back repeatedly.

Impact on the Pensions team:

- With more colleagues on the phones during the day, the management team have been monitoring the impact on completing daily casework. Previously the administration team would have been on the phones for 2 hours in a day, which would be very busy on with constant calls. This would wipe out 2 hours of the working day and management would get updates that work was not completed due to “busy phones”. As the team have only been working with the new system for 8 days (at the time of writing this update) and colleagues are adapting to the new system and a new way of working. However, so far there has been no detrimental impact on the volume of casework.
- By having a more sophisticated system the team have been able to ensure that calls are spread out more evenly and are able to tweak as they go to ensure no one individual is overwhelmed by calls.

3.4 **Overseas Proof of Life Verification** – 795 proof of life verifications have been completed. Of which, only 98 were paper submissions. There are 44 overseas pensioners still to complete the proof of life verification, and their pensions remain suspended.

#### 4. ***Pension Overpayment Write Offs***

4.1 The number of pension overpayment write offs for the period 1 May to 31 July 2024 are set out below:

	May 2024		June 2024		July 2024	
	Number	Total	Number	Total	Number	Total
<b>£200-£5,000</b>	14	£7,164.85	17	£7,063.65	-	-
<b>£5,000-£50,000</b>	-	-	-	-	-	-
<b>£50,000+</b>	-	-	-	-	-	-

## 5. **Communications and Support (C&S) Update**

5.1 **Appendix 2** shows the scheme employers currently onboarded to **iConnect** and their total active members. Meetings are taking place to plan the next tranche of employers that will be onboarded.

Other members of the C&S team are being trained to increase the team numbers. This will enable the team to have capacity to onboard a greater number of employers simultaneously.

5.9 A series of [member webinars](#) on various subjects have been arranged, and they are advertised on the website. Since the previous Committee meeting, the team have delivered 1 webinar a month for June, July and August. Total number of members attending 474.

5.10 The [Deferred](#) and [Active](#) Member newsletter have been published and are available online. Paper copies are being sent to those members that requested to opt out of digital communications.

5.12 Preparations are underway for the **Pension Awareness week** in September (webinars and visits to employers).

## 6. **Technical and Training Updates**

6.1 **Abolition of the Lifetime Allowance (LTA)** - The Government has opened a short consultation on amendments to the legislation around the abolition of the LTA. While it is not expected any significant work will be caused by this, the team are monitoring the outcome as part of plans to meet the disclosure requirements from 2025, of which plans are currently in progress.

6.4 **Annual Allowance exercise** - The Technical Team are continuing to work on the Annual Allowance exercise for 2023/24.

Due to changes to the tax limits, it is expected that less members will exceed the limit this year, which should make the exercise shorter.

6.5 **Pension Transfer Referrals** - During the last quarter, the Technical Team have experienced a higher volume of technical referrals relating to the transfer out of benefits. This has been caused by manual calculations required for the McCloud remedy. In addition, the ongoing requirements around pension scam

checks have also increased the complexity of the information that must be requested before authorising a transfer. These checks have the effect of slowing down transfers as there is often a back and forth of information between the scheme member and the team.

**6.6 Training and Development** – Training figures for the period 01/04/2024 – 30/06/2024:

In house training sessions	35
Sessions led by Training Officers	27
External LGA training courses attended	11

6.7 From April 2024 the Training Team have now built in 3 protected weeks into the schedule therefore any training postponed can now be rescheduled within the protected weeks. Colleagues will not have to wait (potentially up to 3 months) for training to be rescheduled onto the next schedule. If no training needs to be rescheduled, the team will switch focus towards the new SharePoint area containing procedure notes, regulations and how to videos for staff on a variety of subjects.

6.8 2 Members of staff have commenced the pilot intake of students for the PMI Award in Pensions Essentials (level 2). The Award in Pensions Essentials (APE) is a level 2 qualification aimed at those new to pensions. Level 2 qualifications are equivalent to GCSE. The qualification is delivered by Barnett Waddingham. They will provide online learning materials for each unit and the examinations. The course is 12 months duration.

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**September 2024**

**Appendix 1 – May to July 2024 Performance Report**

**Appendix 2 – iConnect Onboarded Employers and Active Member Numbers**

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	Case Type	Number of cases completed	Number of cases completed within SLA	% of cases completed within SLA	Number of cases completed outside of SLA
Deaths	Initial Death Notification	377	330	88	47
	Survivors Pensions	145	120	82	25
	Death Grant Payment	76	44	58	32
	Balance of Payments/Overpayment Recovery	238	215	90	23
Retirements	Payment of Retirement Benefits	811	743	91	68
	Provision of Retirement Estimates	1134	980	86	154
Early Leavers	Payment of Refunds	367	355	97	12
	Provision of Deferred Benefit Statements	641	179	28	462
Transfers	LGPS Transfer In Estimates	68	58	85	10
	Aggregation In Estimates	61	29	48	32
	LGPS Transfer Out Estimates	59	31	53	28
	LGPS Transfer In Actuals	93	7	8	86
	Aggregation In Actual	736	179	24	557
	LGPS Transfer Out Actuals	12	0	0	12
	Non LGPS Transfer In Estimates	42	25	60	17
	Non LGPS Transfer Out Estimates	52	22	42	30
	Non LGPS Transfer In Actuals	17	6	35	11
Non LGPS Transfer Out Actuals	20	6	30	14	
Divorces	Pension Sharing on Divorce Estimates	80	72	90	8
	Pension Sharing on Divorce Implementations	2	1	50	1
General	New Starters	2684	2202	82	482
	General Correspondence	1687	1409	83	278
	Change of Details (i.e. address, name, nomination)	1181	1179	100	2
	Opt Outs	218	177	81	41
	Lost Pension	228	222	97	6
Total		11029	8591	78	2438

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<b>ONBOARDED i-Connect Live Date</b>	<b>Employer Name</b>	<b>Employer number</b>	<b>Actives as at April 23</b>
01/09/19	Dartford Borough Council	00004	276
01/09/19	Maidstone Borough Council	00008	526
01/09/19	Swale Borough Council	00012	268
01/04/19	Romney Marshes Area Internal Drainage Board	00027	4
01/04/19	Faversham Town Council	00031	5
01/04/19	Darenth Parish Council	00034	1
01/04/19	Upper Medway ID Board	00041	7
01/04/19	Lower Medway ID Board	00042	9
01/04/19	Stone PC	00049	17
01/04/19	Sevenoaks Town Council	00050	4
01/04/19	Southborough Town Council	00057	11
01/04/19	Rochester Bridge Trust	00059	14
01/04/19	Caldecott Community	00070	9
01/04/21	Kent & Essex Inshore Fisheries & Conservation Authority	00072	14
01/04/19	Swanscombe and Greenhithe Town Council	00085	3
01/04/19	Tenterden Town Council	00086	8
01/04/19	Hythe Town Council	00092	7
01/04/19	River Stour (Kent) IDB	00093	5
01/04/19	Tourism South East	00094	1
01/04/19	Westerham Town Council	00096	5
01/04/22	Sandwich Town Council	00099	9
01/04/19	Ditton Parish Council	00100	2
01/04/19	Wrotham Parish Council	00198	1
01/04/19	Otford Parish Council	00210	1
01/04/23	Borough Green Parish Council	00218	2
01/04/19	Snodland Town Council	00225	5
01/04/19	Cranbrook Parish Council	00234	3
01/04/19	Ramsgate Town Council	00235	13
01/04/19	Hartley Parish Council	00236	2
01/04/19	Seal Parish Council	00237	1
01/04/19	Your Leisure Kent Limited	00238	2
01/02/19	Gravesham Community Leisure Limited	00239	18
01/04/19	Herne & Broomfield Parish Council	00248	3
01/04/19	Ash Parish Council	00252	2
01/04/19	Chestfield Parish Council	00254	1
01/04/19	Leigh Parish Council	00255	1
01/04/19	Shaw Healthcare (FM Services) Ltd	00268	1
01/04/19	Eastry Parish Council	00270	1
01/04/21	Canterbury Christ Church University	00273	1149
01/04/19	Woodnesborough Parish Council	00275	1
01/04/19	Great Mongeham Parish Council	00276	1
01/04/19	Folkestone Town Council	00277	10
01/04/19	Pembury Parish Council	00278	4
01/04/19	West Kingsdown Parish Council	00280	1
01/04/19	Minster on Sea Parish Council	00288	2
01/04/19	Hawkinge Town Council	00289	2
01/04/19	Eythorne Parish Council	00300	1
01/04/19	Eynsford Parish Council	00303	2
01/04/23	St Stephen's Junior School (Academy)	00319	42
01/04/23	Amherst School (Academy)	00323	53
01/04/19	Otham Parish Council	00337	1
01/04/19	Downswood Parish Council	00338	1
01/04/23	St John's CEP School (Academy)	00367	71
01/04/19	Kings Hill Parish Council	00393	3
01/04/23	Graveney Primary School (Academy)	00418	7
01/04/23	Wentworth Primary School (Academy)	00424	67
01/04/23	Hampton Academy - HCT	00426	79
01/04/22	Biffa Municipal Ltd	00495	4
01/04/23	Kent Schools - Capita	00500	4139
01/04/21	Kent County Council	00600	8784
01/04/19	Pathways to Independence Ltd	00655	1
01/04/23	Jubilee Primary School	00667	14

01/04/19	Great Chart and Singleton Parish Council	00743	2
01/04/19	Chiddingstone Parish Council	00749	1
01/04/19	New Romney Town Council	00754	7
01/04/19	Swingfield Parish Council	00756	1
01/04/19	Meopham Parish Council	00766	2
01/04/19	Westbere Parish Council	00768	1
01/04/19	Smeeth Parish Council	00769	1
01/04/19	Harrietsham Parish Council	00770	3
01/04/19	Walmer Town Council	00774	4
01/04/19	Platt Parish Council	00775	1
01/04/19	Lydd Town Council	00776	1
01/04/19	Barham Parish Council	00813	1
01/04/23	Invicta Law	00815	34
01/04/19	Hever Parish Council	00835	1
01/04/19	Westgate-on-Sea Town Council	00857	1
01/04/23	Cantium Business Solutions Limited	00858	100
01/04/23	EDSECo Ltd	00862	204
01/04/22	Leybourne Parish Council	00957	1
01/08/21	Town & Country Cleaners- Stour	00964	1
01/04/23	Shears Green Inf Academy – HAT	00968	28
01/04/23	Sports and Leisure Management	00985	7
01/09/23	Ash Cum Ridley Parish Council	AA103	3
01/04/24	Ashford Borough Council	00002	506
24/03/24	Suez Recycling & Recovery UK	AA104	4
01/04/24	Herne Bay High School (Academy)	00322	97
01/04/24	Folkestone & Hythe District Council	00011	443
01/04/24	Tonbridge & Malling Borough Council	00014	247
01/04/24	Herne Bay Junior School - KCC	00170	58
01/04/24	Thomas Aveling Academy - BST	00351	113
01/04/24	Fort Pitt Grammar Academy - BST	00414	47
01/04/24	The Robert Napier School Academy - BST	00459	75
01/04/24	Phoenix Academy - BST	00460	44
01/04/24	Balfour Junior Academy - BST	00773	34
01/04/24	Beyond Schs Trust Central - BST	00880	26
01/04/24	Rainham Mark Grammar School (Academy) - RMET	00370	56
01/04/24	Twydall Primary Academy - RMET	00739	31
01/04/24	Riverside Primary Academy - RMET	00811	41

Total active members -

17928

From: Chairman Kent Pension Board  
Interim Corporate Director of Finance

To: Pension Fund Committee – 19 September 2024

Subject: Pension Board update

Classification: Unrestricted

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**Summary:**

This report summarises the Board meeting that took place on 3 September 2024.

**Recommendation:**

The Pension Fund Committee is recommended to note this update from Pension Board.

**FOR INFORMATION**

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**1. Background**

1.1 This briefing note has been prepared as a summary of the discussions at the meeting of the Pension Board on 3 September 2024.

**2. Pension Board – 3 September 2024**

2.1 At its meeting on 3 September 2024 the Kent Pension Board considered a varied agenda, and a number of the key items are considered below.

**3. The Pensions Regulator's General Code**

3.1 Gavin Paul from Barnett Waddingham presented the findings from the work that he and his colleagues had undertaken to assess the Kent Fund's compliance with the newly issued code. Mr Paul note that the analysis had been undertaken as a "reverse gap analysis" with Barnett Waddingham accessing the Fund's publicly available information, strategies and policies. This had meant the work had not been a disruption to officers.

3.2 He continued to note that the General Code had been issued earlier in 2024, and that it was split across a number of modules, not all of which were applicable to LGPS funds. He added that it included different expectations across the modules, using words such as "must", "should" and "good practice" with each having different levels of expectation.

3.3 He explained the analysis was split across 53 modules; 24% were not relevant for the LGPS, in 55% of modules the Fund met expectations, 17% the Fund met some, but not all expectations within a module. He added that there was only 4%

of the modules where the Fund was not meeting expectations. This was a very positive result for Kent.

- 3.4 He discussed some work that could be undertaken to ensure full compliance, however he suggested that the upcoming implementation of the LGPS Good Governance review, might move the goalposts a bit, and that it may be appropriate, given the Fund's high level of compliance, to wait until this is introduced before making too many changes.

#### **4. Detailed update on Pensions administration including a review of the Key Performance Indicators.**

- 4.1. 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.
- 4.2. 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 substantial progress that had been made, and the Board asked a number of questions on this. The Board was grateful for the detailed responses received and commended the team for the work that had been undertaken in the last year. Updates on a number of key projects were received including the work around the McCloud remedy.

#### **5. Update on the work of the Pension Fund Committee**

- 5.1. The Head of Pensions and Treasury (in the absence of the Chairman of the Committee) updated the Board on the work of the Committee in recent meetings. He specifically covered the ongoing review of the Fund's Investment asset classes, and that the current focus was equity. He noted developments within ACCESS and commented on the recent Joint Committee meeting, and the work on the independent review of ACCESS's governance.
- 5.2. He continued to discuss recent investment performance and the recent interest in the LGPS from the Government. He noted that ACCESS were looking to respond in a co-ordinated way, and that it was generally believed that any change of Government would not reduce the pressure on LGPS funds.

#### **6. Investment and RI update**

- 6.1. The Pension Fund Investment and Treasury Manager presented an update on the work on implementing the recently agreed Investment strategy and the subsequent Intra-asset class review. He noted that progress had been made and that the ongoing review of equity should be concluded by the end of 2024.

#### **7. Actuarial Valuation preparation**

- 7.1 Roisin McGuire and Graeme Muir gave the Board an update on the preparation work that had recently commenced ahead of the 2025 actuarial valuation. This

work included, in particular engagement with the key stakeholder groups, including the Kent Finance Officers Groups, key employer bodies, and Board and Committee. Barnett Waddingham will make a similar presentation elsewhere on today's agenda.

## **8. Risk Register**

8.1 The Board reviewed the revised Risk Register and noted the improved presentation. This is being considered elsewhere on today's agenda, and the Board were pleased the Risk Register had been reviewed, updated and were keen to ensure that the full document is received at every meeting.

## **9. Employer Governance Matters**

9.1 The Pension Fund Investment and Treasury Manager commented on the report which covered the work being undertaken to assess the employer covenant, and how this work would feed into the 2025 Valuation exercise. He also discussed the ongoing issues with back-dated employer admission agreements, and the work that was in progress to address this and manage the impact on the Fund.

## **10. Cyber Security**

10.1 The Senior Pensions Programme Manager updated the Board on work in addressing Cyber Security. She noted plans for future work, and the plans that had been agreed by the previous meeting of the Committee. Members asked specific questions around security of confidential Board and Committee papers, specifically for those without KCC email addresses. Officers agreed to investigate and report back.

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**September 2024**

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From:	Chairman Pension Fund Committee Interim Corporate Director - Finance
To:	Pension Fund Committee – 19 September 2024
Subject:	Responsible Investment Update
Classification:	Unrestricted

### Summary:

This report provides an update on the Fund's responsible investment activities, including the work of the Responsible Investment (RI) 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 recommended to note this report.

## 1. Responsible Investment Working Group

- 1.1. The Responsible Investment Working Group (RIWG) has met twice since the last meeting of the Committee, on 20 June and 25 July.
- 1.2. At its June meeting, the RIWG received a presentation from the Local Authority Pension Fund Forum (LAPFF). LAPFF is a voluntary association of 89 LGPS funds and 7 LGPS Pools who collectively have assets under management of £350bn.
- 1.3. Keith Bray from LAPFF gave an overview of the profile and activities of the LAPFF which mainly includes:
  - facilitating commissioning of research into and by engagement with investee companies where ESG concerns have been identified.
  - issuing occasional voting alerts for members to discuss with their fund managers.
  - facilitating collaboration with other institutional investors, both nationally and internationally.
- 1.4. The presentation also highlighted the engagements undertaken by the LAPFF which covered topics such as:
  - Climate change
  - Mining
  - Human rights of Indigenous communities
  - Environmental risks
  - Finance and accounting

- Board composition

- 1.5. At its meeting on 25 July, the RIWG received a presentation from the IIGCC, an investor network focused on accelerating climate action by facilitating knowledge exchange and providing resources, of which the Kent Pension Fund is a member.
- 1.6. The IIGCC presented an overview of its tools and resources, most notably the Net Zero Investment Framework which supports both companies and asset owners in the setting of carbon reduction targets with clear action plans and implementing and managing the action plans through portfolio construction engagement with companies and investment solutions.
- 1.7. The IIGCC also provided an overview of the current regulatory landscape and direction of travel which will affect the reporting by asset managers as well as investors/asset owners.
- 1.8. Officers will be reviewing how the tools can be utilized to make progress on the implementation of the Fund's net zero target and reporting obligations.

## **2. PRI Annual Assessment**

- 2.1. In addition, officers also completed the submission of the Principles for Responsible Investment assessment for the calendar year 2023. The annual PRI reporting exercise helps the Fund assess and benchmark the its RI policies and practices against peers and best practice. Results of the assessment will be shared with the RIWG and the Committee when available.

## **3. Voting Activity for the 3 Months to 30 June 2024**

- 3.1. The Fund regards the exercise of ownership rights, including voting rights, as a critically important activity that enhances value and supports the maintenance of a sustainable financial system in which the interests of the Fund's beneficiaries are effectively accounted for when companies make important strategic decisions
- 3.2. Asset managers are required to carry out all voting decisions at company meetings on behalf of the Fund. For pooled assets, voting should be carried out in accordance with the ACCESS voting guidelines on a comply or explain basis. For non-pooled assets with voting rights, asset managers should adhere to their own voting policies.
- 3.3. Asset managers are required to provide feedback information on voting decisions on a quarterly basis. A summary of the voting activity of the managers for the quarter to 30 June 2024 is shown in the table below :

<b>Manager</b>	<b>Fund Name</b>	<b>Number</b>	<b>No. of</b>	<b>No. of votes</b>
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		of Meetings	votes for	Against, Abstained or Withheld
<b>ACCESS POOL</b>				
Baillie Gifford	WS ACCESS Global Equity Core Fund	125	1678	176
Schroders	WS ACCESS UK Equity Fund	30	650	11
Schroders GAV	WS ACCESS Global Active Value Fund	399	5170	777
M&G	WS ACCESS Global Dividend Fund	3	44	3
Robeco	WS ACCESS EM Equity Fund	22	293	62
Columbia Threadneedle	WS ACCESS Emerging Markets Equity Fund	55	617	134
Ruffer	WS ACCESS Absolute Return Fund	23	396	44
<b>NON POOLED</b>				
Impax	Impax Environmental Markets (Ireland) Fund	52	607	76
Pyrford	Global Total Return	46	623	30
Sarasin	Segregated mandate	33	412	301

2.4 Officers also review the voting alerts received from LAPFF from time to time and share with the asset managers if it is identified that the portfolio holds the relevant shares. The voting alerts are intended to provide additional information on ESG issues related to upcoming voting opportunities and enable the Fund to discuss potentially important stewardship events with asset managers on a timely basis.

### 3. Engagement activity

3.1. The Fund expects the investment managers who hold shares on its behalf to fully comply with the UK Stewardship Code 2020 (the Code) and to be a signatory to the UN supported Principles for Responsible Investment. Asset managers are expected to actively engage with companies to monitor and develop their management of material ESG issues to protect and enhance the value of the Fund's investments

3.2. An example of a successful engagement around health and safety and sustainability reporting conducted by one of the Fund's external asset managers – Ruffer – is provided in Appendix 1.

### 4. Securities Lending

4.1. Securities lending allows another party — typically a financial institution — to temporarily borrow stocks from an investor. In return, the investor typically gets paid a fee which is split between the lender and the broker.

- 4.2. Institutions typically borrow stocks for trading activities, like settlements, short selling and hedging risks. Banks also borrow treasuries and investment grade bonds to meet their reserve requirements.
- 4.3. As well as increasing returns for shareholders, stock lending (and borrowing) provides liquidity to capital markets enabling more efficient pricing and supporting the viability of the capital markets in which investors such as the Kent Pension Fund participate on a long term basis.
- 4.4. The ACCESS pool agreed a common policy for securities lending which commenced in November 2018 and the following information is provided by the ACCESS pool. All the sub-funds have been set up to enable securities lending to take place, which is operated by Northern Trust, the Pool's custodian.
- 4.5. The Kent Pension Fund also has a securities lending programme with Northern Trust for the directly held segregated assets not yet in the pool.
- 4.6. Standard guidelines have been agreed in both the programmes to provide maximum protection for assets which include borrower/market restrictions as well as adequacy and type of collateral (cash) backing the loaned assets.
- 4.7. The programmes afford the managers the ability to recall shares for voting to meet their stewardship obligations. NTRS also operate a buffer management system which restricts a portion of lendable stocks to allow for representative voting
- 4.8. The Securities Lending performance for the quarter ending 30 June 2024 is set out in the table below:

<b>Fund</b>	<b>Manager</b>	<b>Average Stock on Loan</b>	<b>% On Loan</b>	<b>Net Earnings</b>
		<b>£m</b>		<b>£m</b>
<b>WS ACCESS Global Equity Core</b>	Baillie Gifford	106.698	10.8	0.069
<b>WS ACCESS Global Dividend</b>	M&G	95.355	7.7	0.029
<b>WS ACCESS Absolute Return</b>	Ruffer	96.477	23.6	0.085
<b>WS ACCESS UK Equity</b>	Schroders	19.825	2.1	0.009
<b>WS ACCESS Global Active Value Fund</b>	Schroders	18.162	2.4	0.009
<b>WS ACCESS EM Equity Fund</b>	Robeco	17.660	7.8	0.006
<b>WS ACCESS Emerging Markets Equity Fund</b>	Columbia Threadneedle	3.904	1.5	0.002
<b>Direct assets mandate</b>	Goldman Sachs	32.053	8.5	0.016
<b>Direct assets mandate</b>	Sarasin	0.000	0.0	0.013
<b>Total</b>		<b>390.134</b>		<b>0.238</b>

- 6.4 Baillie Gifford Global Equity Core, M&G Global Dividend Fund and Ruffer Absolute Return lent a total of seven of the top ten revenue earning stocks,

which included: Ginkgo Bioworks Holdings, UK (GOVT OF) 0.25% BDS, ISHARES IV Plc, ADR ESCIENTIA Plc, Visa Inc, Keyera Corp, UK TSY 2.75%.

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**29 August 2024**

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## **Appendices**

Appendix 1 – Examples of Company Engagements carried out by External Asset Manager



## **Appendix 1 – Examples of Company Engagements carried out by our External Asset Managers**

**Asset Manager:** Ruffer

**Holding:** Newmont Corporation

### Background and objective

Newmont Corporation is a prominent global mining company which has been widely recognised as the world's leading producer of gold, as well as engaging in the exploration of other metals. Ruffer initially carried out engagement with Newmont in relation to its Annual General Meeting due to concerns over high executive compensation and to address concerns about their health and safety practices following recent incidents of fatalities at a number of mining sites.

### Engagement outcomes and further action

#### *1. Understanding Newmont's stance on executive pay.*

Newmont provided assurances that it conducted thorough analyses of executive pay, including the benchmarking against relevant domestic and international peers. While Ruffer's voting research provider suggested that the Chair's pay exceeded the proxy peer group median, Newmont highlighted the lack of negative shareholder feedback on remuneration in previous AGMs as evidence of shareholder support.

Ruffer emphasised the importance of additional disclosure to alleviate any concerns and will continue to monitor Newmont's future disclosures alongside any shareholder feedback.

#### *2. How are Newmont addressing concerns regarding health and safety practices following reported fatalities?*

On the issue of health and safety, Newmont acknowledged the tragic incidents at several of its mine sites, including Cerro Negro in Argentina, and detailed its efforts to investigate these events. Newmont stated they are working with third-party specialists to carry out investigations and to suggest any consequent changes to its safety processes and has also implemented a fatality risk management system.

Newmont also stated that they have reinvigorated management focus on the topic of health and safety, which has a significant role given the company's focus. Ruffer will continue to monitor Newmont's health and safety practices and ensure that the improvements are realised.

#### *3. Clarity on how Newmont plan to integrate the assets and sustainability practices of Newcrest, given their recent acquisition.*

For context, Newmont completed its acquisition of Newcrest – an Australia-based gold and copper mining company – back in late 2023 and was described as the largest merger in gold mining history.

Ruffer typically consider Newmont as a good performer on sustainability in terms of the quality of its reporting and consideration of ESG factors in its business strategy but requested clarity on when Newcrest's assets would be integrated into Newmont's sustainability reporting, especially given differences in their emissions reduction targets and Net Zero ambitions.

Newmont informed Ruffer that it plans to incorporate Newcrest's assets into its sustainability reporting within the next 12 months. This engagement will be ongoing, with a plan to coordinate another meeting with Newmont's sustainability team, in due course, to ensure continued progress in these areas.



From:	Chairman Pension Fund Committee Interim Corporate Director of Finance
To:	Pension Fund Committee – 19 September 2024
Subject:	Investment Performance and Asset Allocation Update
Classification:	Unrestricted

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**Summary:**

This report provides an update on the Fund's asset allocation, performance and cashflow position. Performance reporting is prepared on a quarterly basis while asset allocation (rebalancing) decisions are based on the latest month-end valuations available. Accordingly, performance is reported as at 30 June 2024 while asset allocation is discussed with reference to the Fund's value as at 31 July 2024. Detailed performance information is provided in the *Quarterly Fund Performance Report* found at Appendix 1.

**Recommendation:**

The Committee is asked to note the report, and:

- a) to agree that no rebalancing is undertaken (para. 1.4)
- 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 (para 4.6)

**FOR DECISION**

---

**1. FUND VALUE AND ASSET ALLOCATION**

- 1.1 As of 31 July 2024 (the latest available date), the Fund's value was £8.3bn compared to £8.1bn as at 30 April 2024, the position previously reported to the Committee. The table below sets out the current asset allocation versus the Fund's new strategic asset allocation and its revised rebalancing policy.
- 1.2 As previously reported, stage one of the implementation plan for the strategy was completed in May. This brought the allocation at the asset class level broadly in line with the strategic allocation.

Asset Class / Fund Manager	Strategic Asset Allocation	Tolerance Band	Current Asset Allocation		Variance	Status
	(%)	(%)	£m	(%)	(%)	
<b>Equities</b>	<b>53.0%</b>	<b>+/- 10%</b>	<b>4,570.5</b>	<b>55.1%</b>	<b>2.1%</b>	<b>In Range</b>
<b>UK Equities</b>	<b>10.0%</b>	<b>+/- 2.5%</b>	<b>906.1</b>	<b>10.9%</b>	<b>0.9%</b>	<b>In Range</b>
Schroders UK Equity			903.9	10.9%		
Link Fund Solutions			2.2	0.0%		
<b>Global Equities</b>	<b>38.0%</b>	<b>+/- 5%</b>	<b>3,273.9</b>	<b>39.5%</b>	<b>1.5%</b>	<b>In Range</b>
Schroders GAV			474.5	5.7%		
IMPAX Funds			74.0	0.9%		
Baillie Gifford			1,197.8	14.4%		
M&G Global Diversified			621.2	7.5%		
Sarasin			430.7	5.2%		
Insight- Global Synthetic Equity			475.6	5.7%		
<b>Emerging Market Equities</b>	<b>5.0%</b>	<b>+/- 2.5%</b>	<b>390.4</b>	<b>4.7%</b>	<b>-0.3%</b>	<b>In Range</b>
Columbia Threadneedle			200.3	2.4%		
Robeco			190.1	2.3%		
<b>Fixed Income</b>	<b>22.0%</b>	<b>+/- 5%</b>	<b>1,751.7</b>	<b>21.1%</b>	<b>-0.9%</b>	<b>In Range</b>
<b>Credit</b>	<b>15.0%</b>	<b>+/- 5%</b>	<b>1,244.2</b>	<b>15.0%</b>	<b>0%</b>	<b>In Range</b>
Goldman Sachs			428.0	5.2%		
CQS			266.4	3.2%		
M&G Alpha Opportunities			283.4	3.4%		
Schroders Fixed Income			266.0	3.2%		
<b>Risk Management Framework</b>	<b>7.0%</b>	<b>N/A</b>	<b>507.5</b>	<b>6.1%</b>	<b>-0.9%</b>	<b>N/A</b>
Insight			507.5	6.1%		
<b>Alternatives</b>	<b>25.0%</b>	<b>+/- 10%</b>	<b>1,902.5</b>	<b>22.9%</b>	<b>-2.1%</b>	<b>In Range</b>
<b>Absolute Return</b>	<b>5.0%</b>	<b>N/A</b>	<b>417.3</b>	<b>5.0%</b>	<b>0%</b>	<b>N/A</b>
Ruffer			181.0	2.2%		
Pyrford			235.7	2.8%		
<b>Infrastructure</b>	<b>5.0%</b>	<b>N/A</b>	<b>379.6</b>	<b>4.6%</b>	<b>-0.4%</b>	<b>N/A</b>
Partners Group			79.6	4.6%		
<b>Private Equity</b>	<b>5.0%</b>	<b>N/A</b>	<b>369.6</b>	<b>4.5%</b>	<b>-0.5%</b>	<b>N/A</b>
YFM			68.9	0.8%		
Harbourvest Intl			300.7	3.6%		
<b>Property</b>	<b>10.0%</b>	<b>N/A</b>	<b>736.1</b>	<b>8.9%</b>	<b>-1.1%</b>	<b>N/A</b>
DTZ Direct Property			466.0	5.6%		
DTZ Pooled Property			69.8	0.8%		
Fidelity International			138.6	1.7%		
Kames Capital			27.4	0.3%		
M&G Property			34.4	0.4%		
<b>Cash</b>	<b>0.0%</b>	<b>5%</b>	<b>68.1</b>	<b>0.8%</b>	<b>0.8%</b>	<b>In Range</b>
<b>Total</b>	<b>100.0%</b>		<b>8,292.8</b>	<b>100.0%</b>		

- 1.3 The current asset allocation is aligned with the new strategic asset allocation, allowing for approved tolerance bands. The UK Equities and Global Equities allocations are marginally overweight. As the global equity protection options which form part of the Risk Management Framework move in the opposite direction from the global equities, the Risk Management Framework valuation has fallen and is marginally underweight. Redemption proceeds from two property unit trusts- M&G Built to Rent Fund and Lothbury Fund have reduced the Fund's exposure to property. This is expected to rise in the following quarter as the fund has made a new investment of £35m in the L&G built to Rent property Fund in July and £12m in IPIF Property Unit Trust, which will bring the allocation close to target.
- 1.4 Given that the current asset allocation remains within range of the Fund's approved tolerance bands, no rebalancing is recommended at the current time.

## 2. INVESTMENT PERFORMANCE

- 2.1 The Fund's quarterly and longer-term performance as of 30 June 2024 is summarised below. Further detail is provided in the *Quarterly Fund Performance Report* found at Appendix 1.

### Investment performance: quarter to 30 June 2024

- 2.2 The Fund's investments returned 1.4% in the three months to 30 June 2024, compared to the benchmark return of 1.9%.
- 2.3 **UK equities** generated higher returns compared to the global index with the FTSE All Share index gaining 3.4% over the quarter. The Fund's UK equity manager, Schroders, kept pace with the benchmark during the quarter with a return of 3.4%.
- 2.4 **Global equities** performance was positive over the quarter, with the MSCI All Countries World Index returning 2.8%. Performance was driven by large cap, US stocks that are regarded as beneficiaries of AI, where the Pension Fund is underweight. Indeed, market breadth was extremely narrow especially in the US where almost three quarters of the index's constituent stocks lagged the index, the highest proportion since the 1990s. European equities declined amidst political uncertainty, but UK stocks rose to an all-time high driven by financials, health care and resources.
- 2.5 Global equity manager Baillie Gifford's returns of 0.1% were below its fixed weight regional benchmark of 1.5%. Impax, and the Schroders Active Value Fund underperformed the MSCI benchmark of 2.8% this quarter with returns of -4.6% and 0.1%, respectively. Sarasin and M&G outperformed the benchmark with 3.1% and 4.0% returns, respectively. Therefore, collectively, the Fund's global equity mandates delivered a return of 2.0% during the quarter.
- 2.6 **Emerging market equities:** Emerging markets equities returned 5.8% in sterling terms and outpaced developed markets, reflecting anticipated interest rate cuts in the US (emerging markets are sensitive to changes in the US monetary policy) as well as other favourable factors affecting the China, India, and South Africa markets. As the Fund's emerging market equities allocation

was only invested in April 2024, quarterly and longer-term returns are not available on these mandates as of 30 June.

- 2.7 **Fixed income.** Bonds delivered positive returns following positive news on inflation. The Fund's credit-focused (CQS and M&G) produce higher returns than Schroders and Goldmans Sachs (who additionally use views on the direction of interest rates to drive returns) with CQS outperforming the benchmark of 2.2% with a return of 2.5%. M&G Alpha Opportunities marginally underperformed the same benchmark with a return of 2.0%.
- 2.8 The newly established index linked gilts portfolio, which is part of the Risk Management Framework (RMF) managed by Insight, detracted with a -4.2% return. More detailed information on the performance of the Risk Management Framework is included later in today's agenda.
- 2.9 **Property** total returns were 1.2% in this quarter with increased investment activity leading to positive capital returns. On a sectoral basis, retail, hotel and residential sector returns were 2.0% whilst the office sector recorded negative total returns of -0.2%. The direct property portfolio, managed by DTZ, and which comprises the majority of the property allocation, outperformed the benchmark with a return of 2.0% (versus 1.7%) whilst the indirect property mandates each underperformed in the quarter.
- 2.10 Amongst the two **absolute return** mandates, Pyrford and Ruffer achieved absolute returns of 0.6% and 0.1%, respective - underperforming the RPI + 5% benchmark of 1.1%.
- 2.11 The **private equity** and infrastructure managers underperformed the cash benchmark 1.3% over the quarter.

### 3. LONGER TERM PERFORMANCE

- 3.1 For the year ended 31 March 2024, the Fund achieved a return of 6.7% against a benchmark return of 10.7%, an underperformance of 4.0%.
- 3.2 Against a backdrop of gradual disinflation and renewed expectations of interest rate cuts, bonds have performed well over the last year. All the Fund's bond managers have significantly outperformed the cash benchmark in the 1-year period. CQS were the best performing manager with a return of 13.4% against a benchmark of 9.4%, followed by the M&G Alpha Opportunities fund, which returned 11.8%.
- 3.3 Equities have also rallied with several major indices reaching record highs. However, the Fund's active managers have underperformed the benchmark. Much of this underperformance can be attributed to an underweight holding of the "Magnificent-7" tech stocks, which have driven the concentrated rally in global equities recently, (although the rally has become broader based in the most recent quarter with commodities benefiting from the improved economic backdrop). Given the rally in global equities over the past 12 months, the equity protection programme has detracted from overall Fund returns.
- 3.4 Relative performance from the absolute return managers against their inflation plus 5% target over the past 12 months has been mixed. Ruffer detracted with a

return of 0.5% whilst Pyrford has outperformed the benchmark with 7.3%. Property as an asset class has had a challenging year with benchmark returns being close to zero (0.1%), and the Fund's property managers have all produced negative returns. The DTZ directly managed portfolio returned 0.3% against a bespoke benchmark of 0.6% over the year. Under the expanded mandate DTZ will have discretion over remodelling the property portfolio over the longer term to improve performance.

- 3.5 For the three-year period, the Fund achieved a return of 2.0% compared to its strategic benchmark of 5.8%, an underperformance of 3.8%.
- 3.6 Benchmark equity returns have been strong during the three-year period with UK and Global equity indices returning 7.9%, and 8.6% respectively. Of the equity managers, only M&G, have outperformed the benchmark over the period with an annualised return of 9.9% whilst the Fund's growth-style manager, Baillie Gifford, significantly detracted with a return of -8.2% against a regional benchmark return of 7.1%. As noted in section 2 above, officers have commenced a review of the equities portfolio to ensure it remains aligned with the Fund's long term investment objectives.
- 3.7 The equity protection programme has detracted from performance over this period too, as equities have rallied. As noted above, the program reduces the overall volatility associated with equities by limiting losses and gains vs the benchmark. As part of the investment strategy review the Fund implemented a systematic equity protection programme, which is expected to reduce underperformance in a positive environment for equities. Changes to the Fund's composition of the Fund's collateral, including the inception of the index linked gilt portfolio, is expected to improve the returns within the risk management framework.
- 3.8 The private equity and investment allocations have been the best performers in the three-year period while the absolute return managers have struggled against their inflation-linked benchmarks, given elevated levels of inflation over the performance horizon.

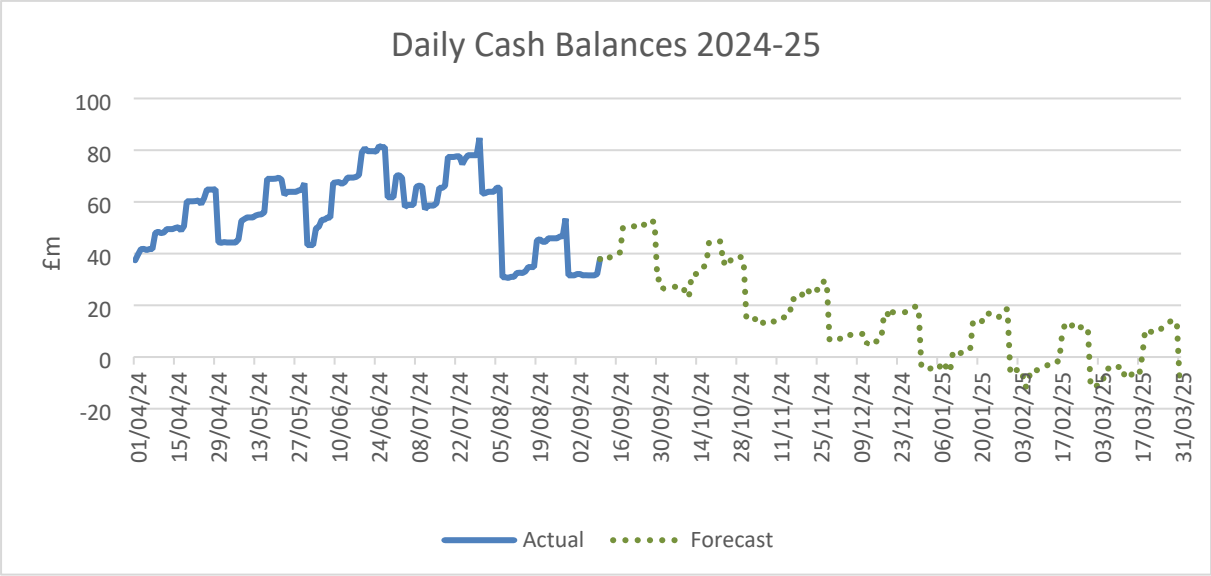
#### **4. CASH FLOW**

- 4.1 The cash balance as of 30 June 2024 was £61.8m, up from £24.5m at the end of the previous quarter. This figure excludes £171m of cash currently held with Insight arising from the sale of assets from the Pyrford Total Return Fund under the Committee's strategic asset allocation implementation plan. This additional liquidity source is discussed further in paragraph 4.8 below.

##### Actual Cash Flow Experience and In Year Forecast (2023-24)

- 4.2 The chart below shows the Fund's actual cash flow experience from 1 April of to 09 September 2024 (as at the date of writing this report) as well as forecast cash flow to 31 March 2025. The chart shows that operational (non-investment) cash flows occur within a fairly repetitive cycle from one month to the next, which reflects standardised timing for contribution receipts and pensions payroll payments.

- 4.3 Actual cash flow experience in the year to date has also been influenced by transaction activity within the property allocation: cash balances have increased with sales from the M&G UK Residential Fund and the Lothbury Property Fund; and have subsequently decreased when these proceeds were reinvested in the L&G Build to Rent Fund and Industrial Property Investments Fund. The transactions were carried out in accordance with DTZ’s discretionary mandate.
- 4.4 The balances are expected to trend down over the remainder of the year. This is due to investment activity within the alternatives allocation and results from the fact that capital drawn down by the alternatives asset managers, is expected to exceed capital and income received. This is a trend that is expected to evolve with the market cycle and with the anticipated life cycle of the Fund’s existing and future investments to alternative asset classes.



4.5 As the graph shows, liquidity pressures are expected to arise in Q1 2025, if no action is taken. The key driver of the projected cash flows is the pace and timing of capital calls and distributions from the Fund’s private equity and infrastructure commitments, which are subject to uncertainty. In practice, the Fund has a readily available source of cash via the Insight Liquidity Fund, currently valued at £173m, which it can use to ensure internal cash balances remain sufficient. Officers will use the internally maintained cash flow forecast to anticipate liquidity needs and intend to redeem cash from the Insight Liquidity Fund to ensure that internal cash balances remain at suitable levels. Specifically, officers intend to take action to ensure projected internal cash balances remain at a level of at least £20m on a 30-day forward-looking basis.

4.6 The Committee is asked 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.

Cash Flow Forecast (2024-2027)

4.7 Officers maintain a forecast of the Fund’s cash flows over the medium term to ensure that liquidity requirements are identified and managed in an orderly fashion. The 3-year cash flow forecast for the Fund based on existing investment commitments is summarised in the table below.

	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>
	<b>Q2,3,4</b>	<b>Full Year</b>	<b>Full Year</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Opening cash balance</b>	<b>61.8</b>	<b>0.0</b>	<b>110.7</b>
<b>Revenue</b>			
Pensions contributions	233.3	324.0	326.0
Property income	13.5	18.0	18.6
<b>Total inflows</b>	<b>246.7</b>	<b>342.0</b>	<b>344.6</b>
Pensions payments	-232.5	-319.0	-328.0
Admin, governance and oversight	-7.1	-7.4	-7.6
Investment management fees	-3.5	-4.8	-5.0
<b>Total outflows</b>	<b>-243.0</b>	<b>-331.2</b>	<b>-340.6</b>
<b>Net revenue cashflow</b>	<b>3.7</b>	<b>10.7</b>	<b>4.0</b>
<b>Investments</b>			
YFM	6.8	23.0	20.0
Partners Group	-30.0	63.0	110.0
Harbourvest	-16.5	14.0	80.0
Property investments net of redemptions	-35.0		
<b>Net investment cashflow</b>	<b>-74.8</b>	<b>100.0</b>	<b>210.0</b>
<b>Closing internal cash balance</b>	<b>-9.3</b>	<b>110.7</b>	<b>324.7</b>
<b>Cash held with Insight</b>	<b>170.9</b>	<b>161.6</b>	<b>161.6</b>
<b>Total cash balances (internal+Insight)</b>	<b>161.6</b>	<b>272.4</b>	<b>486.4</b>

- 4.8 The table shows that the Fund's cash flow from pension contributions and some investment income (property income) is currently sufficient for meeting its ongoing pension liabilities, and that this situation is expected to persist for the medium term.
- 4.9 The table also shows that investment activity within the alternatives allocation (including real estate) is expected to have a significant impact on projected cash balances. Specifically, the Fund anticipates that net investment cashflows will result in a total out flow of approximately £75m in 2024-25. However, for 2025-26 and 2026-27, net investment cash flows are expected to result in total inflows of circa £100m and £210m, respectively. Members should note that the table only factors in *existing* commitments and therefore the forecast is expected to evolve as future investments are committed (which is expected to be necessary in order to ensure actual exposure to private equity, property, and infrastructure remains aligned to the Fund's target exposure levels for these asset classes).
- 4.10 The size and timing of the investment cash flows relating to the alternative investment allocations cannot be precisely predicted, and capital calls can be issued at relatively short notice (two weeks). Therefore, it is important that the Fund has adequate liquidity to manage this inherent uncertainty.

- 4.11 In addition to current and forecast cash levels, the Fund also has £171m held in the Insight Liquidity Fund, as noted above, which is currently available as a source for additional liquidity to meet investment requirements both for existing commitments, future asset class rebalancing as well as any additional collateral requirement under the Risk Management Framework.
- 4.12 Given the currently high levels of cash, officers have no concerns over liquidity. Notwithstanding this, officers plan to establish, and introduce into the Fund's investment governance arrangements, a target level of liquidity to ensure both that the Fund has ample liquidity at all times and that it does not hold surplus liquidity, which could act as a drag on investment returns.
- 4.13 Mercer have carried out an initial assessment of the collateral requirements for the Risk Management Framework (RMF) and are satisfied that the current amount of collateral supporting the RMF is sufficient and meets the regulatory requirement.
- 4.14 The Risk Management Working Group will consider the optimal collateral buffer at its autumn meeting and a Collateral Waterfall Framework will be developed which (if agreed) will provide officers with delegated authority to replenish collateral from pre-approved sources in specific circumstances agreed by the Committee. Following consideration by the RMWG, a proposal will be brought to the Committee meeting in December for decision.

## Appendices

### Appendix 1 – Quarterly Fund Performance Report – Q2 2024

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James Graham, CFA (Pension Fund and Treasury Investments Manager)

Sangeeta Surana (Investments, Accounting and Pooling Manager)

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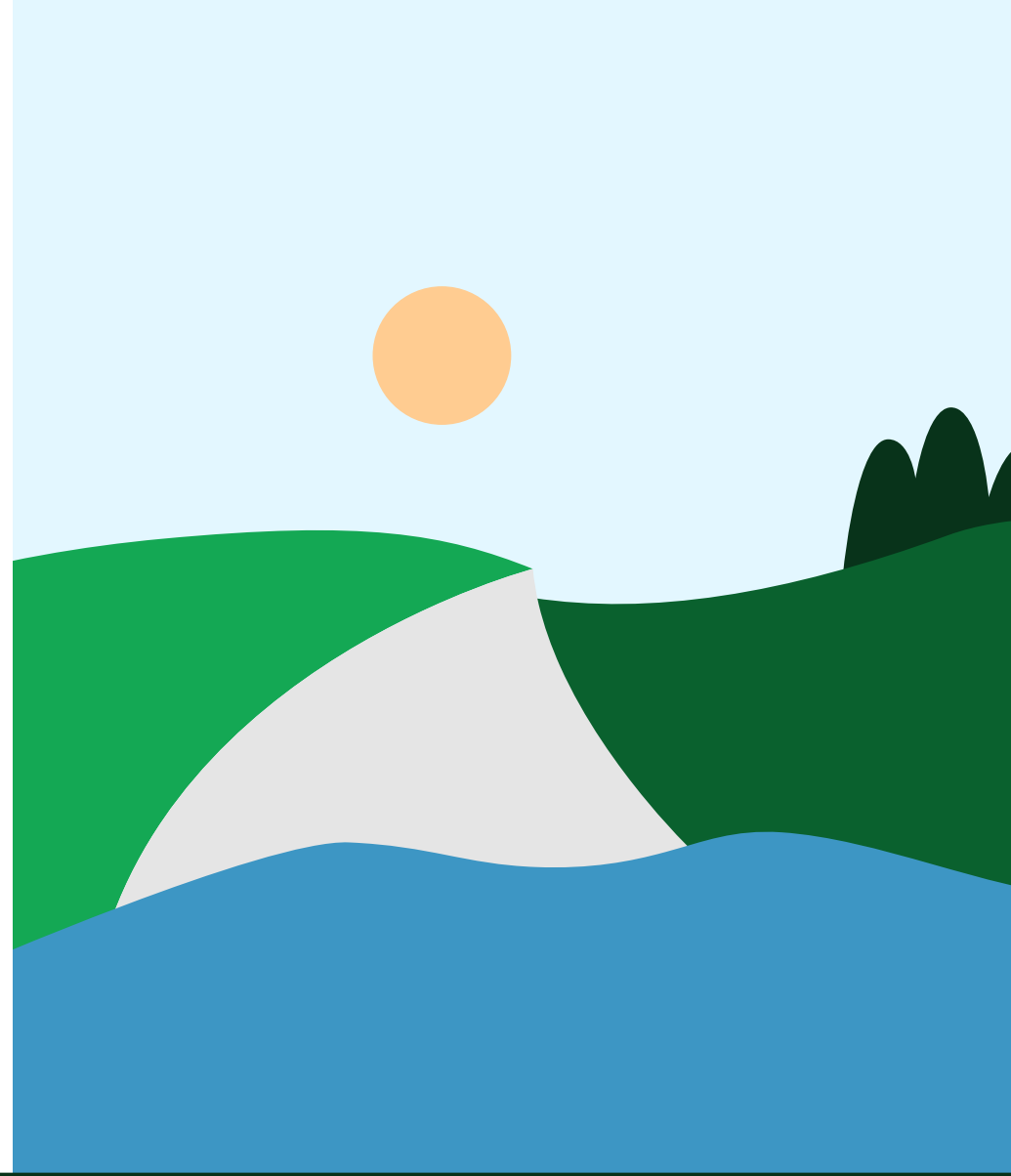
**E: [james.graham@kent.gov.uk](mailto:james.graham@kent.gov.uk) / [sangeeta.surana@kent.gov.uk](mailto:sangeeta.surana@kent.gov.uk)**

**6 September 2024**

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# Kent Pension Fund **Q2 2024 Fund Performance**



# Market Commentary

- The second quarter of 2024 saw inflation rates largely soften towards central banks' targets for most developed market ("DM") economies. This set the stage for a shift towards monetary policy easing. The European Central Bank ("ECB") cut interest rates in June. Cooling inflation and a gradual loosening of the labor markets in the US prompted markets to price in two cuts by the US Federal Reserve ("Fed") by the end of 2024. The timing of potential rate cuts by the Bank of England ("BoE") was pushed to August despite waning price pressures, as service inflation remains elevated. Despite this, bond yields rose over the quarter as inflation data had initially surprised higher in the quarter, especially in the US. Equity markets, barring Japanese equities, continued to rally, with emerging market equities outperforming developed markets. Political volatility remained high with a snap election called in the UK & France while the first TV debate of the US election campaign took place in June.
- The final estimate of US GDP for Q1 2024 has been revised higher to 1.4% (quarter-on-quarter annualized), however, lower than the growth of 3.4% seen in Q4 2023. The increase in Q1 primarily reflected increases in consumer spending, housing investment and business investment. These were partly offset by a decrease in inventory investment. Headline US inflation fell over Q2 2024, decreasing to 3.3% in May from 3.5% at the end of March. Core US inflation has been declining in recent months. The Federal Reserve, at its June meeting, decided to maintain policy rates at 5.50% but revised their outlook for rate cuts to just one in 2024.
- Chinese GDP grew 5.3% (year-on-year) in Q1 2024, higher than 5.2% in Q4 2023, boosted by strong growth in high-tech manufacturing. The economy continues to be challenged by a property crisis and subdued business and consumer activity. Policymakers are providing more support for the property sector and recent business surveys are beginning to point towards a broadening out of stronger economic activity. The People's Bank of China (PBoC) kept the one-year rates unchanged at 3.45%.

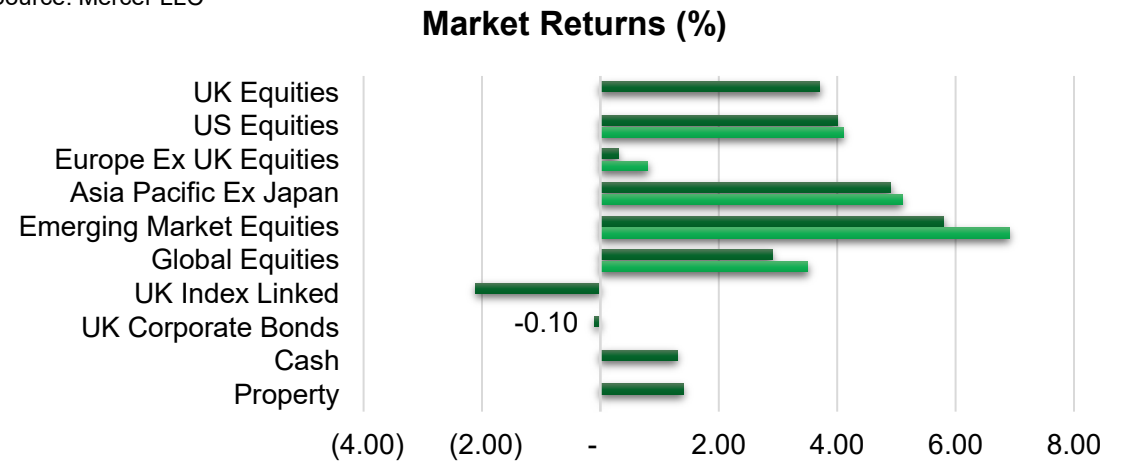
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Q1 GDP in Japan declined 2.9% (quarter-on-quarter annualized), down from an earlier estimate of a 1.8% contraction. This contraction was largely due to a safety scandal at a large automaker which led to a factory shut down.

In the first quarter of 2024, seasonally adjusted GDP increased by 0.3% (quarter-on-quarter) in the eurozone. Spain showed the strongest growth with 0.7% (quarter-on-quarter), while Germany, France, and Italy were around the eurozone average. The ECB reduced interest rates by 0.25% following their June meeting to 4.25% for main refinancing operations, 4.50% for the marginal lending facility, and 3.75% for the deposit facility. Headline inflation in the eurozone rose to 2.5% in June from 2.4% in March.

UK GDP grew by 0.7% in Q1 (quarter-on-quarter), recovering from a decline of 0.3% and 0.1% in the previous two quarters. Headline inflation in the UK fell to 2.0% in May from 3.2% in March. This was led by a slowdown in the cost of food. However, core inflation remains elevated at 3.5%. The Bank of England maintained interest rates at 5.25%.

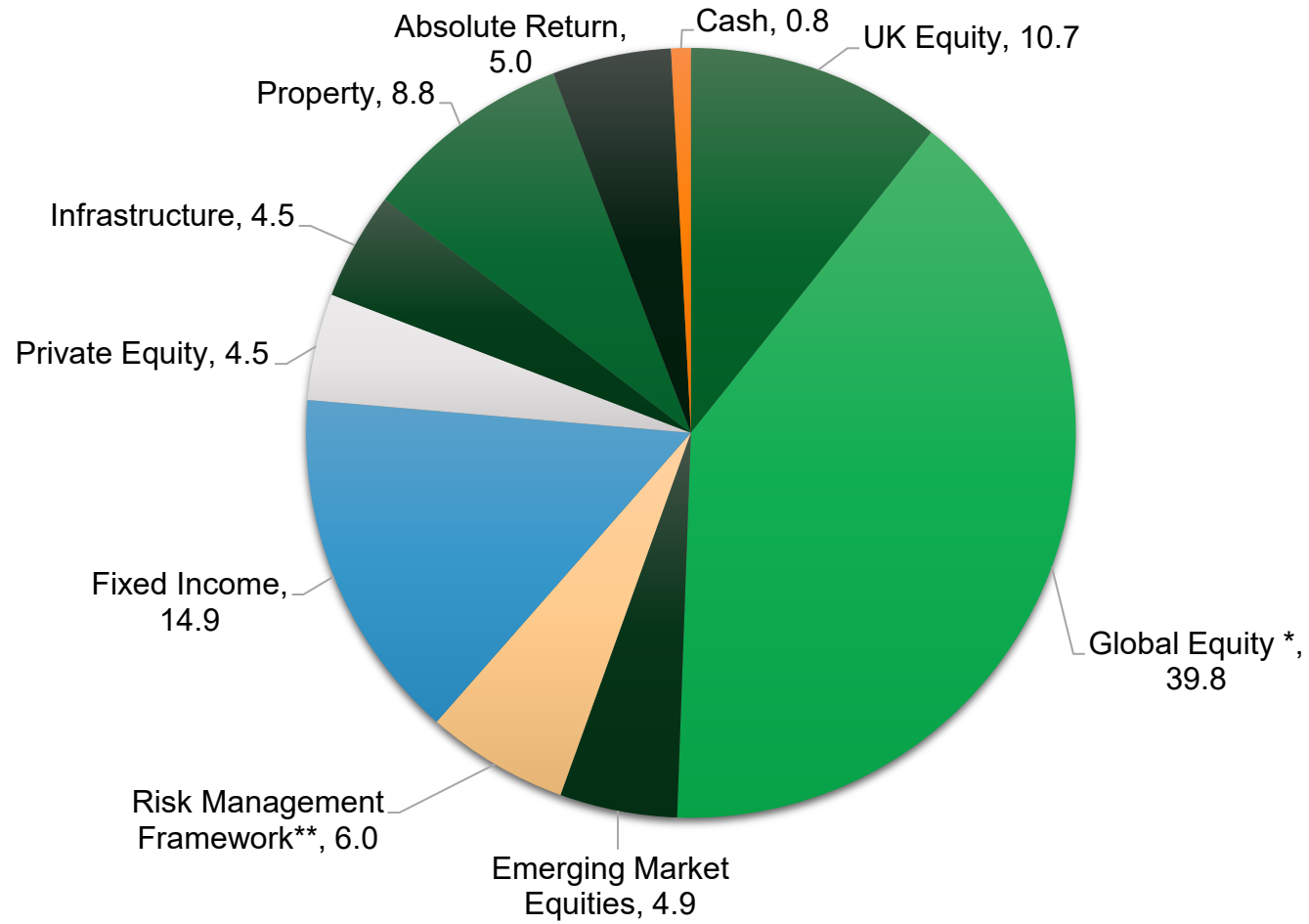
Source: Mercer LLC



Source: Mercer LLC, Refinitiv and Schroders



# Asset Allocation – 30 June 2024



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\*Synthetic Equity exposure with Insight is included within Global Equity.

\*\*Risk Management Framework is made up of Gilts, as well as Insight IWS contribution and Equity Protection collateral.

Source: Northern Trust, RADAR Reporting



# Fund Manager Summary

Asset Class	Fund Manager	Market Value as at 30 June 2024 (£m)	Market Value as at 31 March 2024 (£m)	Change in MV (£m)	% of Total
UK Equity	Schroders UK Equity	884	1,246	-362	10.7
	Woodford Equity	2	2	-0	0.0
Global Equity	Impax	71	75	-3	0.9
	Sarasin	439	426	13	5.3
	Baillie Gifford	1,205	1,204	1	14.6
	Schroders Global Active Value	476	476	0	5.8
	M&G Global Dividend Fund	618	594	24	7.5
	Emerging Markets Equity	Columbia Threadneedle	198	-	198
Robeco		209	-	209	2.5
Equity Protection	Insight	971	963	8	11.8
Fixed Income	CQS	264	257	6	3.2
	Goldman Sachs	421	418	2	5.1
	Schroders Strategic Bond Fund	262	260	2	3.2
	M&G Alpha Opportunities	282	276	6	3.4
Absolute Return	Ruffer	180	180	0	2.2
	Pyrford	232	231	1	2.8
Property	DTZ	466	462	4	5.6
	DTZ Pooled Property	53	60	-7	0.6
	DTZ (previously Aegon)	27	28	-0	0.3
	M&G Residential Property	43	43	0	0.5
	Fidelity	138	137	0	1.7
Infrastructure	Partners Group	373	376	-3	4.5
Private Equity	HarbourVest	305	308	-3	3.7
	YFM	65	79	-14	0.8
Cash	Internal Cash	68	47	21	0.8
<b>Total</b>		<b>8,253</b>	<b>8,147</b>	<b>106</b>	<b>100.0</b>

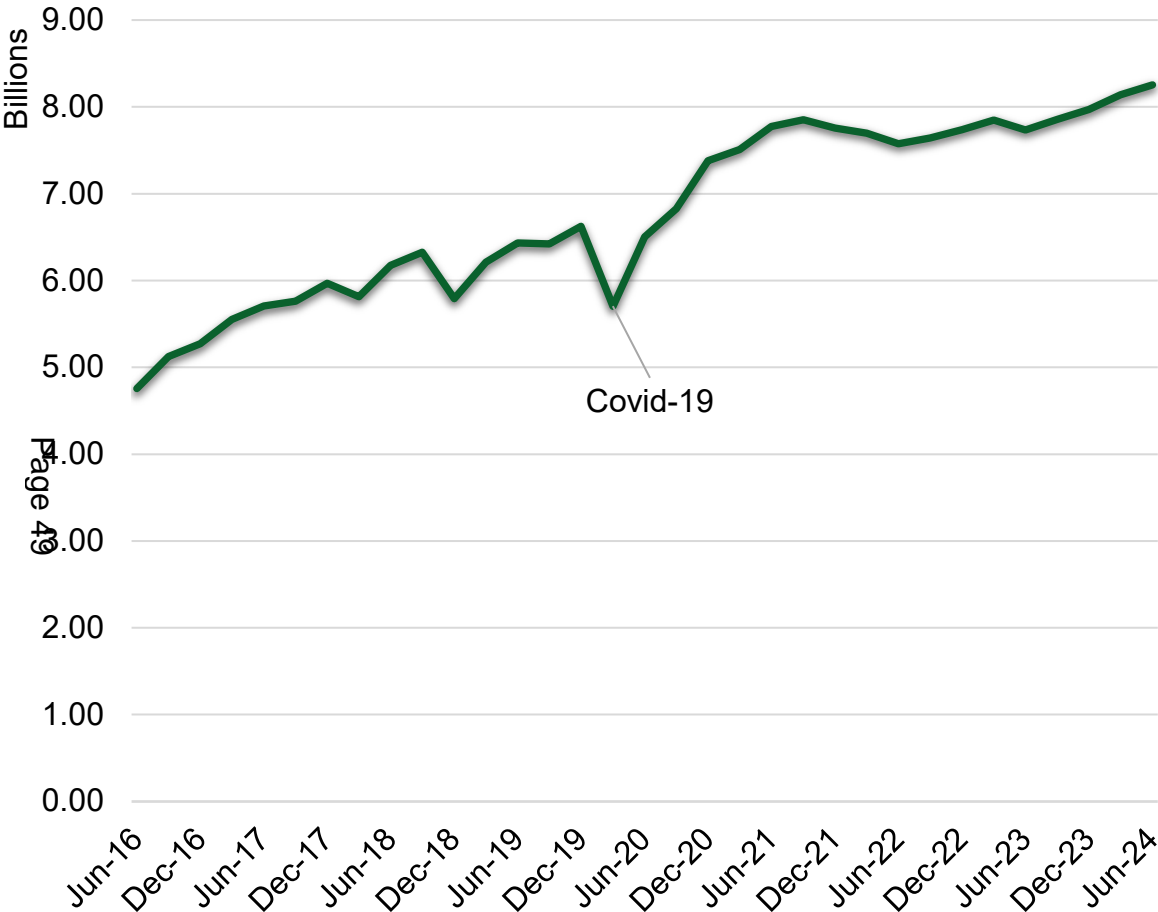
Please note, as a result of the Fund's Investment Strategy, £400m was transferred out of Schroders UK Equity, during the quarter, in order to bring the UK Equity allocation down to 10%. This was equally distributed between the Fund's new Emerging Market Equity funds, Robeco and Columbia Threadneedle.

Source: Northern Trust, RADAR Reporting

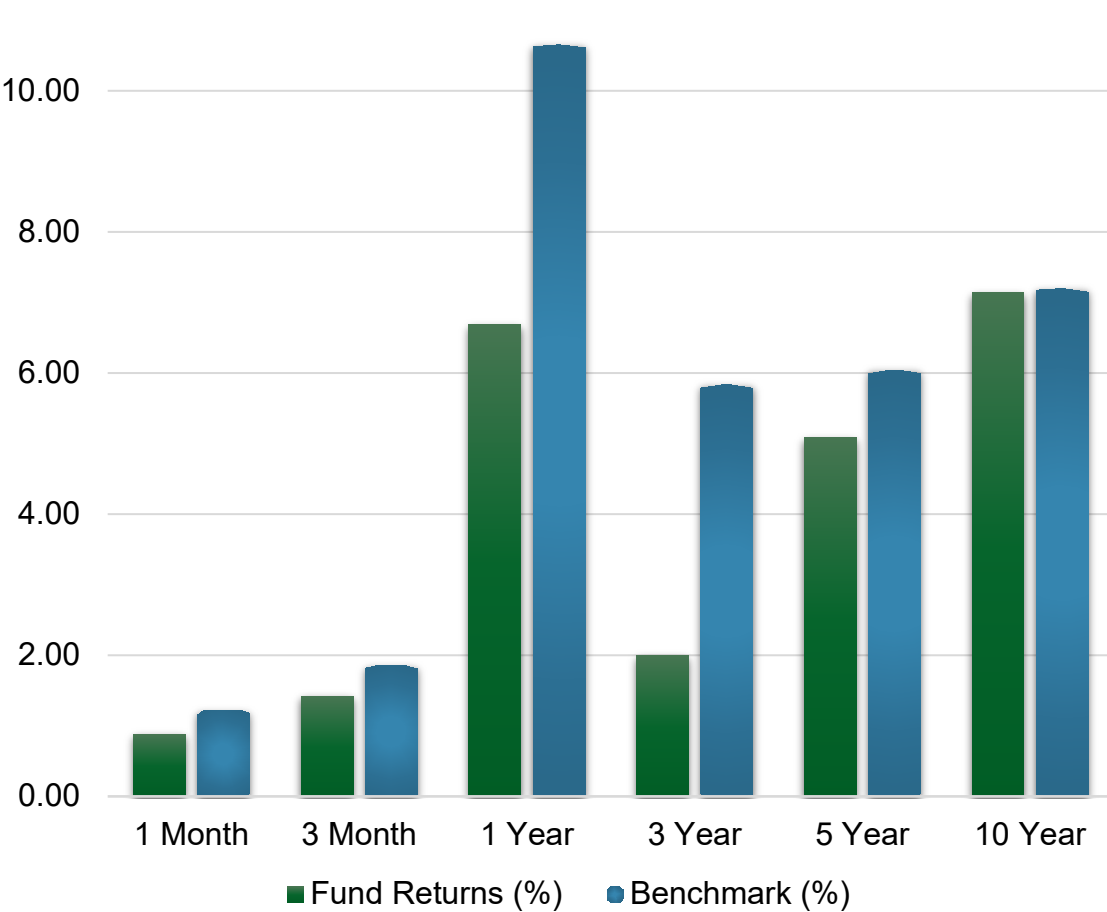


# Historical Performance

Total Fund Value (£Bn)



Total Fund Performance vs Benchmark

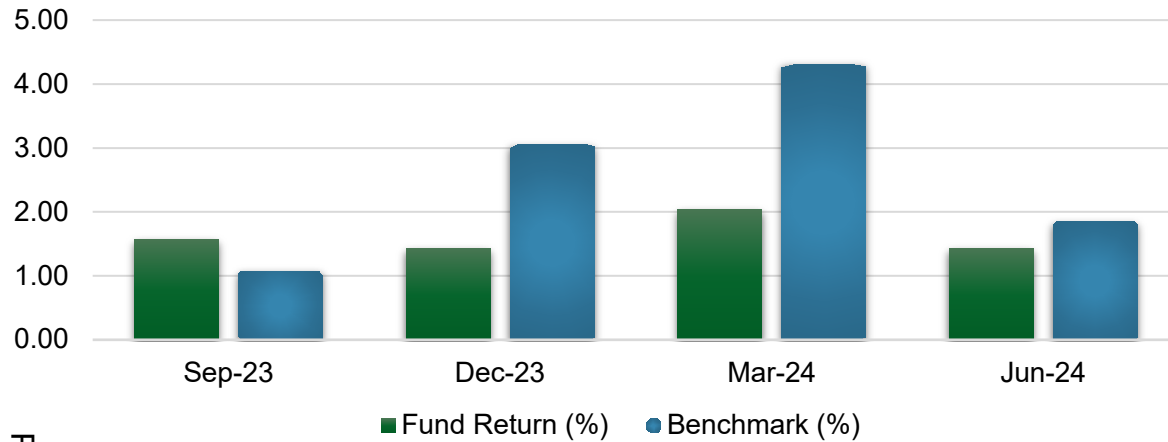


Source: Northern Trust, RADAR Reporting



# Discrete Performance

Quarterly Returns

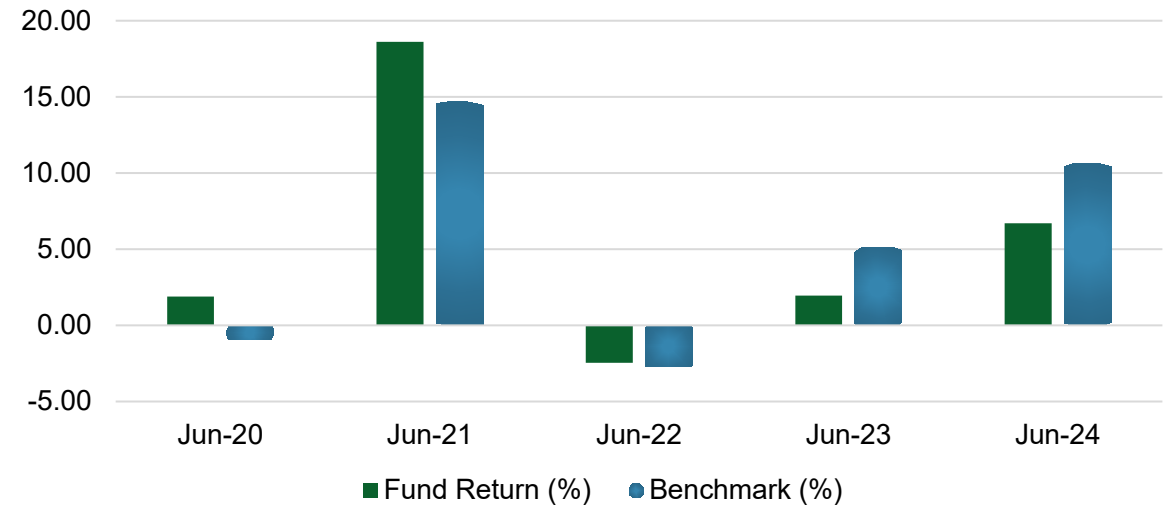


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- The Fund demonstrated positive performance in three of the past five years, outperforming the benchmark in June 2020, 2021, and 2022, driven by strategic allocations in high-growth assets.
- The past two years has seen the Fund underperform the benchmarks, with persistent inflation and rising interest rates causing increased volatility, particularly in equities and fixed income markets.

- The Fund slightly underperformed the benchmark in Q2 2024. Global equities were lagging due to increased volatility, recently, due to persistent inflation concerns and central banks' tightening policies.
- Fixed income mandates also struggled slightly with bond yields remaining high. Total Fund value up overall due to increases in UK Equity and EM Equity performance.

Annual Returns (last 5 years)

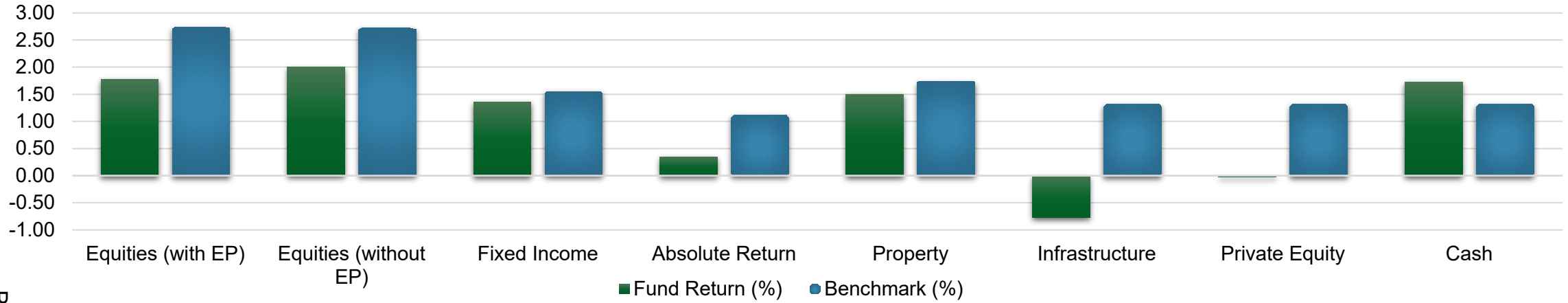


Source: Northern Trust, RADAR Reporting

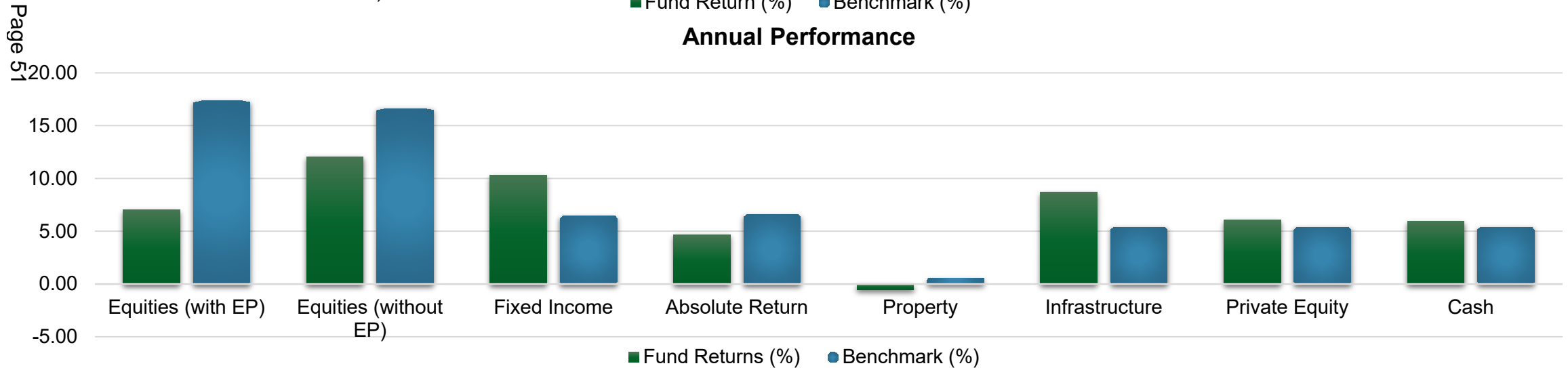


# Asset Class Performance

Quarterly Performance



Annual Performance



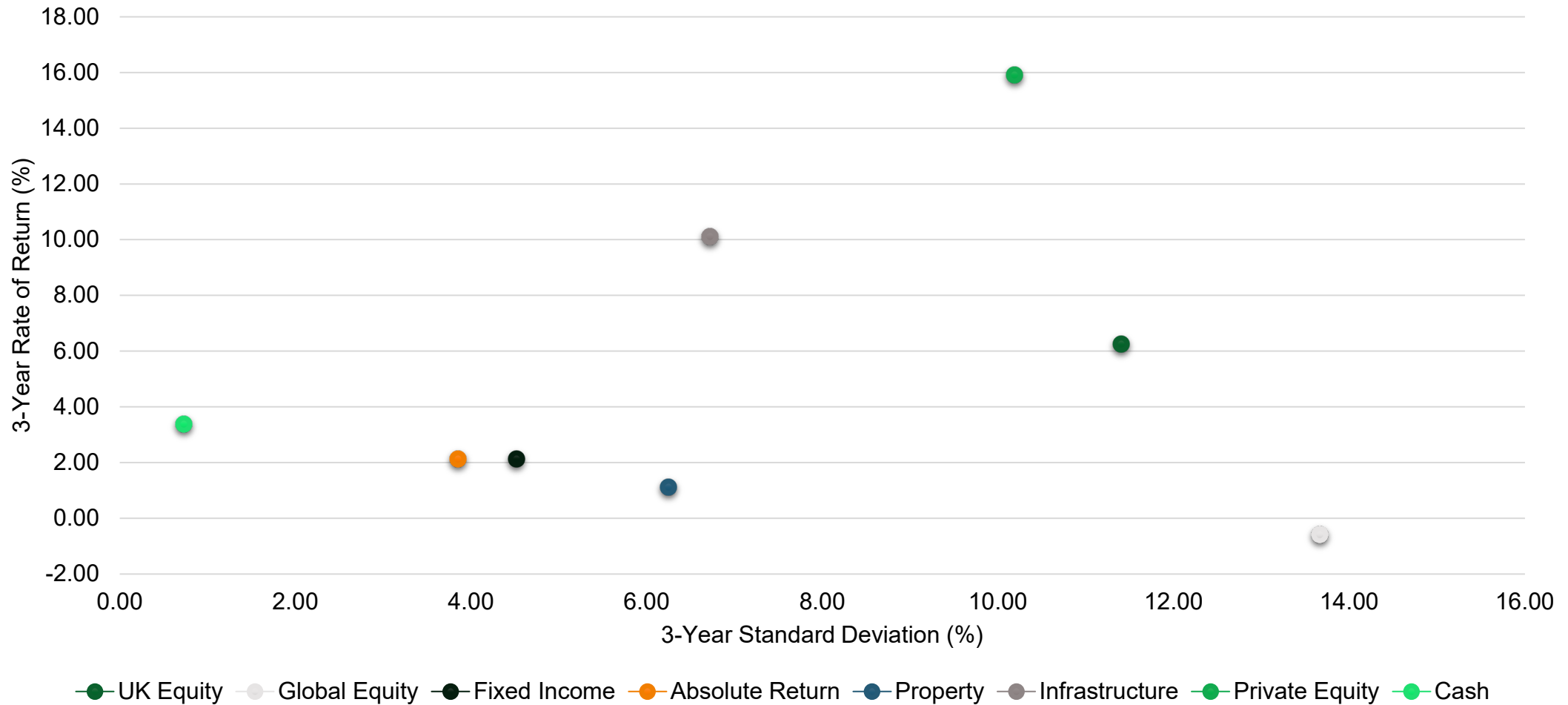
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Source: Northern Trust, RADAR Reporting



# Risk vs Return – Asset Class Level

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Source: Northern Trust, RADAR Reporting





# Detailed Performance by Manager

	Quarter		1 Year		3 Year (p.a.)	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
<b>Total Fund</b>	1.42	1.85	6.69	10.65	1.99	5.83
<b>UK Equity</b>						
Schroders - WS ACCESS UK Equity Fund	3.42	3.37	9.44	13.25	6.09	7.89
<b>Global Equity</b>						
Baillie Gifford - WS ACCESS Global Equity Core Fund	0.07	1.50	10.42	16.02	-8.15	7.05
Sarasin	3.13	2.80	14.36	20.06	5.90	8.60
Schroders - WS ACCESS Global Active Value Fund	0.08	2.80	16.10	20.06	8.14	8.60
Impax	-4.55	2.80	-0.62	20.06	-2.26	8.60
M&G - WS ACCESS Global Dividend Fund	4.04	2.80	15.25	20.06	9.87	8.60
<b>EM Equity</b>						
Columbia Threadneedle – WS ACCESS EM Equity Fund	N/A	N/A	N/A	N/A	N/A	N/A
Robeco – WS ACCESS EM Equity Fund	N/A	N/A	N/A	N/A	N/A	N/A
<b>Fixed Income</b>						
Goldman Sachs	0.55	0.86	8.33	3.50	-0.08	3.50
Schroders Fixed Income	0.81	1.27	9.18	5.40	1.10	2.86
CQS	2.52	2.23	13.14	9.41	3.52	6.88
M&G Alpha Opportunities	2.04	2.23	11.82	9.41	5.43	6.88
<b>Property</b>						
DTZ	2.02	1.74	0.32	0.55	1.73	0.92
Fidelity	0.27	1.15	-2.95	0.06	-1.43	0.63
DTZ (Kames)	-0.30	1.15	-0.38	0.06	1.91	0.63
M&G Property	0.40	1.15	-2.77	0.06	1.03	0.63
<b>Private Equity</b>						
HarbourVest	0.04	1.32	5.14	5.39	13.22	2.93
YFM	-0.44	1.32	8.45	5.39	26.03	2.93
<b>Infrastructure</b>						
Partners Group	-0.77	1.32	8.69	5.39	10.12	2.93
<b>Absolute Return</b>						
Pyrford	0.56	1.12	7.29	6.58	3.42	12.96
Ruffer - WS ACCESS Absolute Return Fund	0.08	1.12	0.45	6.58	-0.21	12.96

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# Alternatives Performance

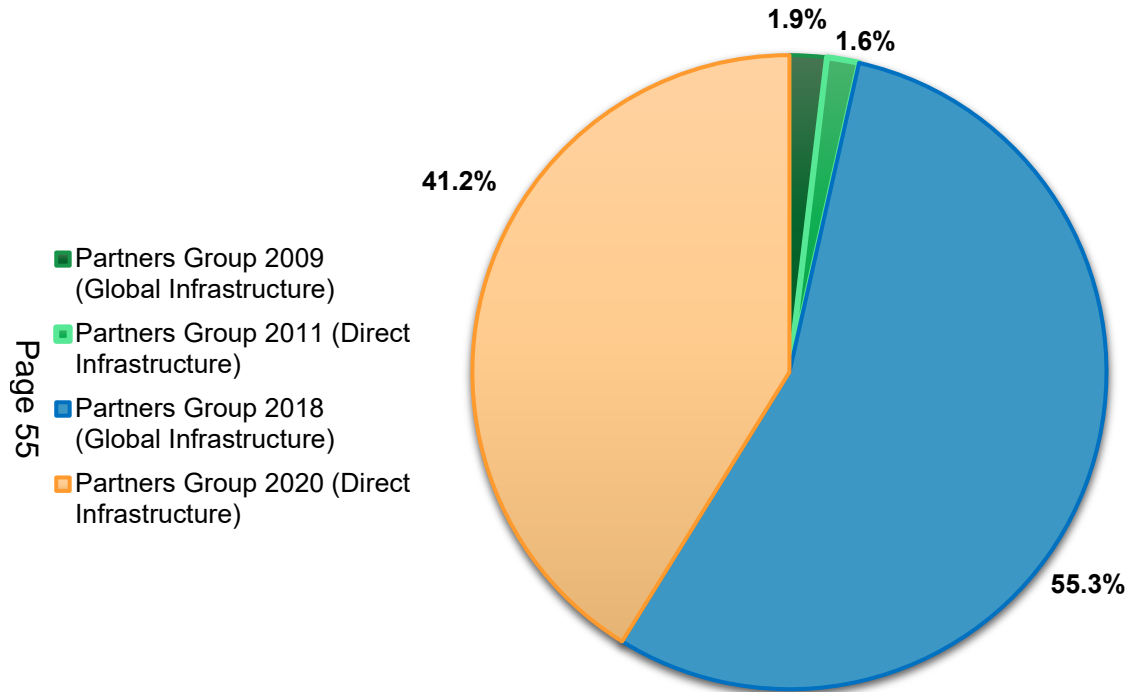
AS AT 30 JUNE 2024							
Name of Fund	Value of commitment (£m)	Date of original commitment	Cumulative contributions made (£m)	Distributions received (£m)	Net Asset Value at 30/06/2024 (£m)	IRR	TVPI
HIPEP VI-Cayman Partnership Fund L.P.	31	Oct-10	28.8	50.8	14.3	13.8%	2.26
HarbourVest Partners IX L.P.	53	Oct-10	40.9	77.9	34.4	17.9%	2.74
HarbourVest 2018 Global Feeder AIF L.P.	57	Oct-18	44.7	23.3	63.0	19.7%	1.93
HarbourVest 2019 Global Feeder AIF SCSp	57	Mar-19	43.0	9.5	60.1	21.0%	1.62
HarbourVest 2020 Global Feeder AIF SCSp	57	Mar-20	47.4	4.8	55.3	11.2%	1.27
HarbourVest 2021 Global Feeder AIF SCSp	57	Mar-21	37.2	1.0	40.6	11.1%	1.12
HarbourVest 2022 Global Feeder AIF SCSp	57	Dec-21	22.6	1.0	26.8	48.3%	1.22
HarbourVest 2023 Global Feeder AIF SCSp	57	Dec-23	9.5	-	10.1		1.06
Partners Group Direct Infrastructure 2011 S.C.A., SICAR	19	Oct-10	16.5	20.5	6.1	7.9%	1.61
Partners Group Global Infrastructure 2009 S.C.A., SICAR	50	Oct-10	43.3	56.8	7.1	7.3%	1.48
Partners Group Global Infrastructure 2018 L.P. INC	222	Oct-18	180.5	15.6	206.3	9.6%	1.23
Partners Group Direct Infrastructure 2020 LP SICAV RAIF	222	Nov-19	134.1	3.0	153.5	14.7%	1.17
Chandos	6	Oct-07	6.0	6.7	0.02		1.11
YFM Equity Partners Growth Fund 1	10	Oct-14	10.0	13.5	14.7		2.82
YFM Equity Partners Buyout Fund 1	20	Mar-16	18.3	32.6	16.8		2.70
YFM Equity Partners Growth Fund 2	10	Oct-18	10.2	0.4	13.2		1.33
YFM Equity Partners Buyout Fund 2	20	Oct-18	16.0	18.1	10.7		1.81
YFM Equity Partners Growth Fund 3	10	Jun-21	6.8	1.0	7.6		1.25
YFM Equity Partners Buyout Fund 3	20	Sep-23	2.0	-	2.0		0.99

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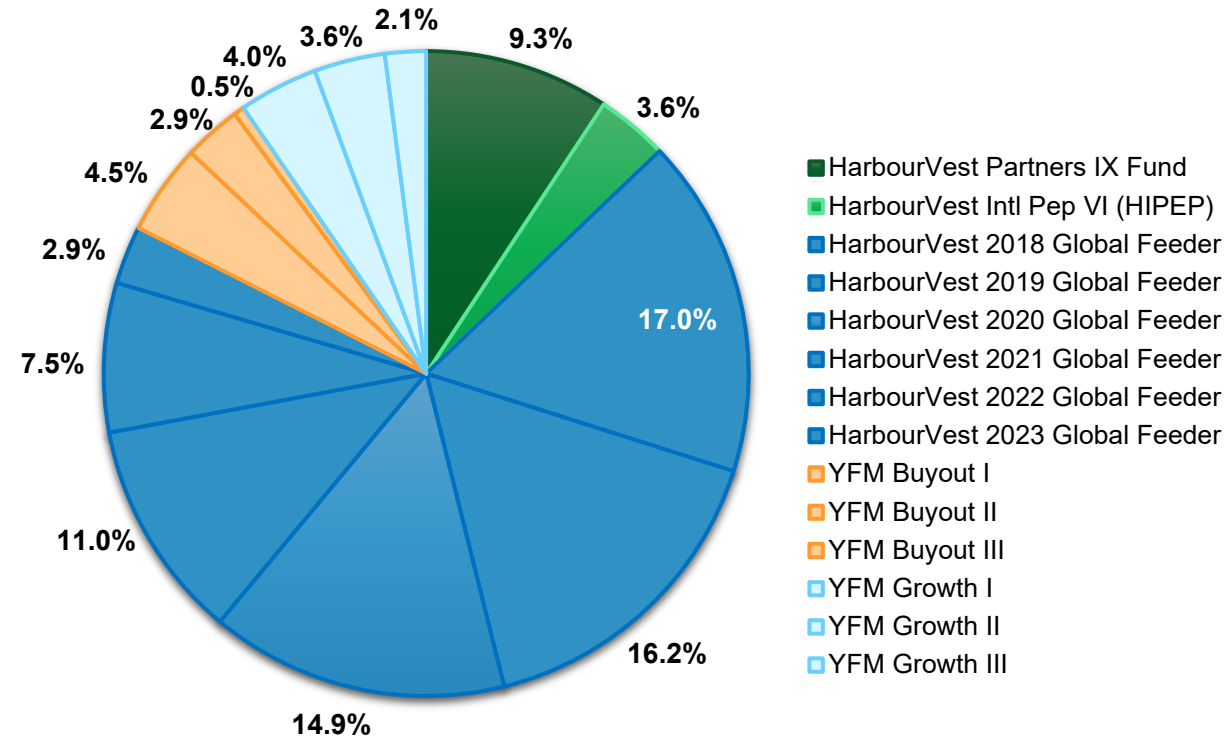


# Alternatives Breakdown

## Infrastructure Allocation (£373m)



## Private Equity Allocation (£370m)

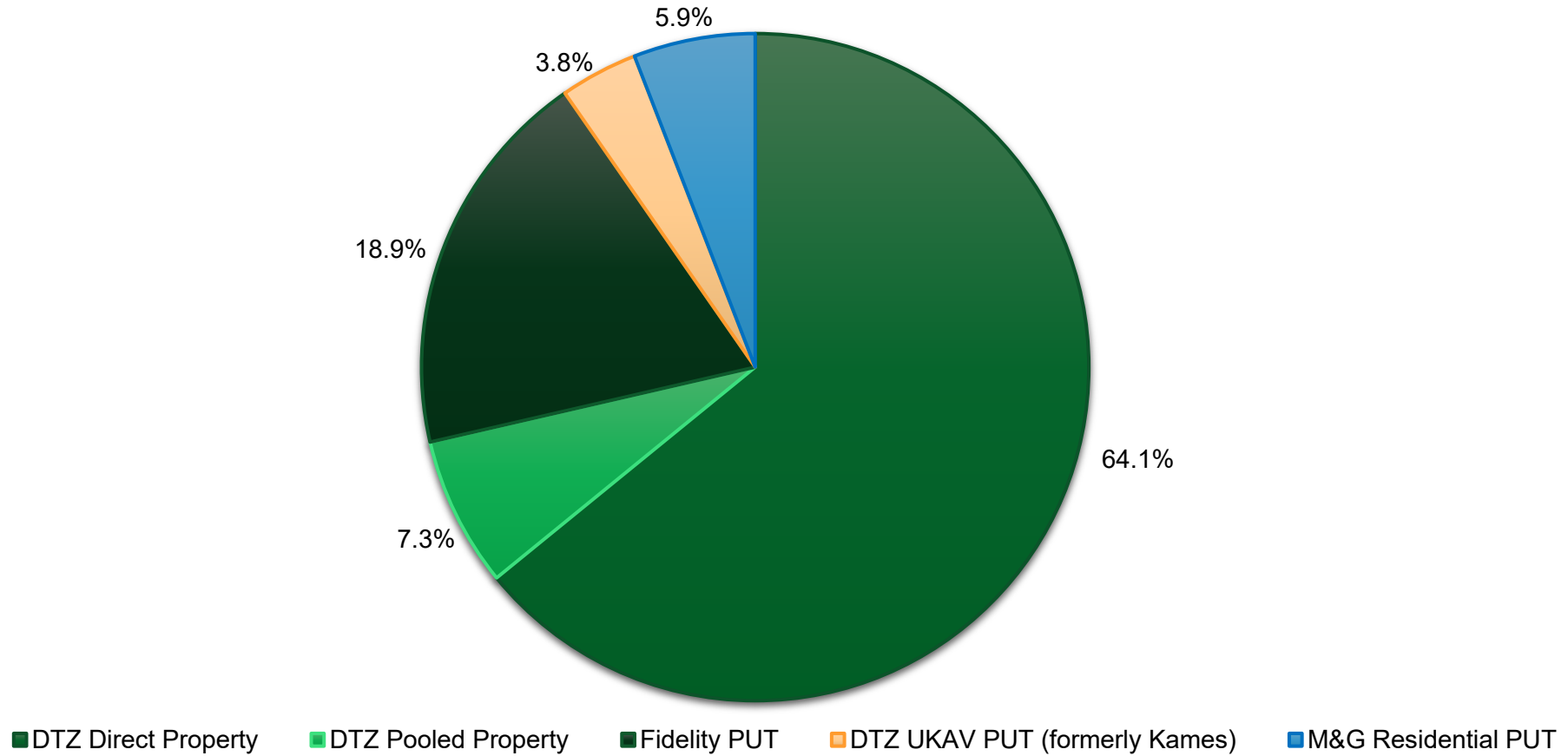


Note: The legend reads clockwise on the pie charts.



# Property Breakdown

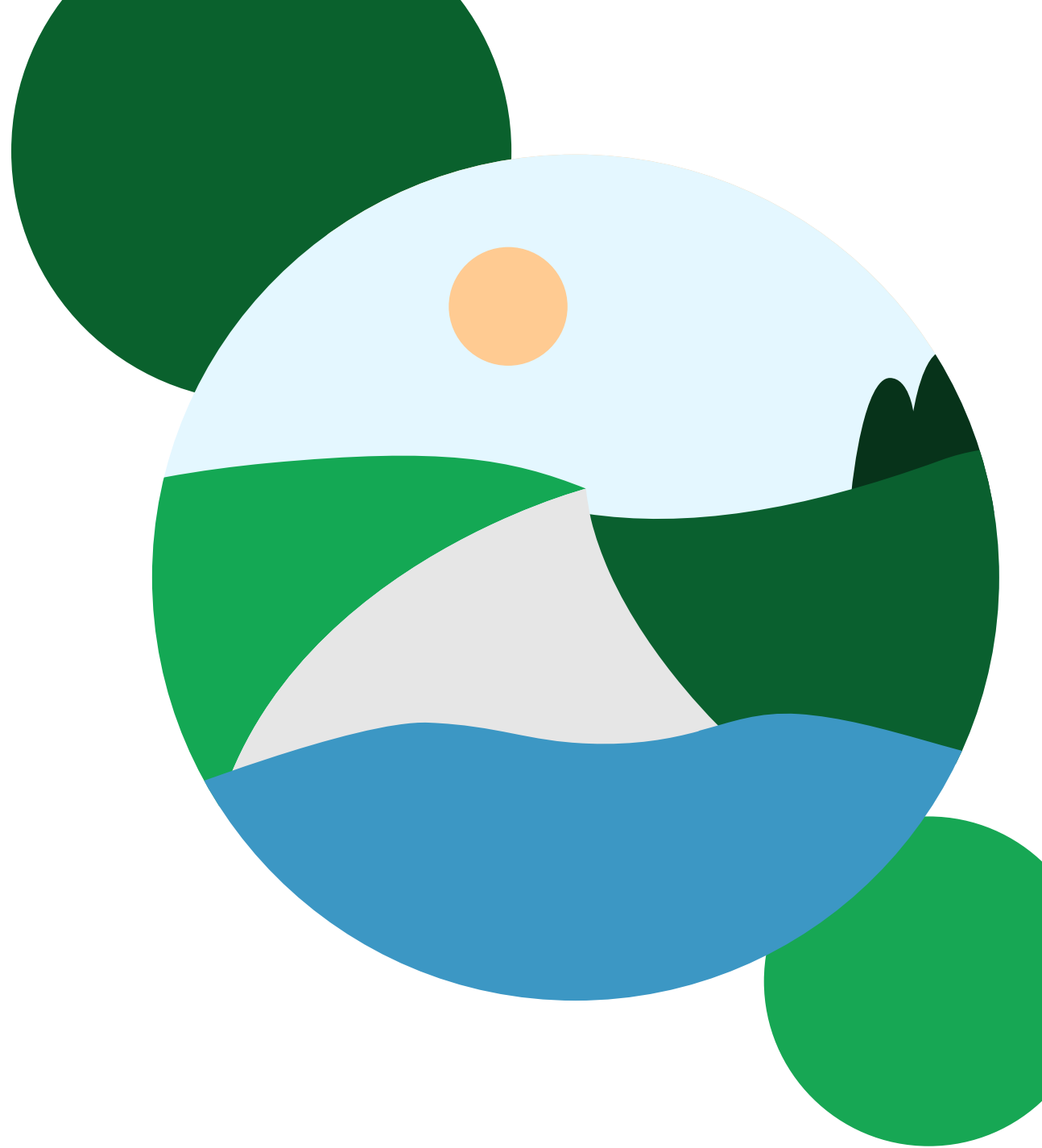
## Property Allocation (£728m)



Note: The legend reads clockwise on the pie chart.



# Appendix



# Benchmarks and Targets

## Appendix A

Asset Class / Manager	Performance Benchmark	Performance Target
<b>UK Equities:</b>		
Schroders - WS ACCESS UK Equity Fund	MSCI UK IMI	+1.5% pa over rolling 3 years
Woodford	FTSE All Share	Unconstrained
<b>Global Equities:</b>		
Baillie Gifford - WS 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 - WS ACCESS Global Dividend Fund	MSCI AC World Index GDR	+3% pa
Schroders - WS 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
<b>Fixed Income:</b>		
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 + 4%	ICE BofA Sterling 3-month Gov Bill Index + 4%
M&G Alpha Opprtunities	ICE BofA Sterling 3-month Gov Bill Index + 4%	ICE BofA Sterling 3-month Gov Bill Index + 4%
<b>Property:</b>		
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	
<b>Alternatives: (Cash / Other Assets)</b>		
Private Equity – YFM	SONIA	
Private Equity – HarbourVest	SONIA	
Infrastructure – Partners Group	SONIA	
Absolute Return – Pyrford	Retail Price Index (RPI)	RPI + 5%
Ruffer - WS ACCESS Absolute Return Fund	Retail Price Index (RPI)	
Internally managed cash – KCC Treasury and Investments team	SONIA	

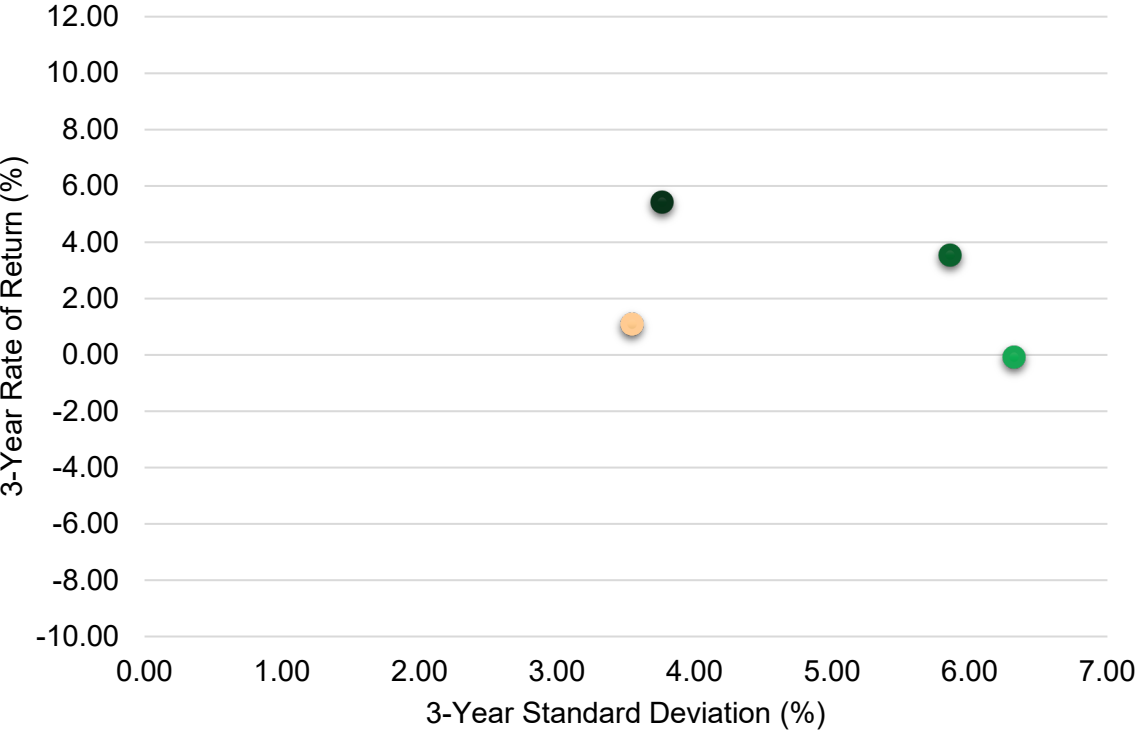
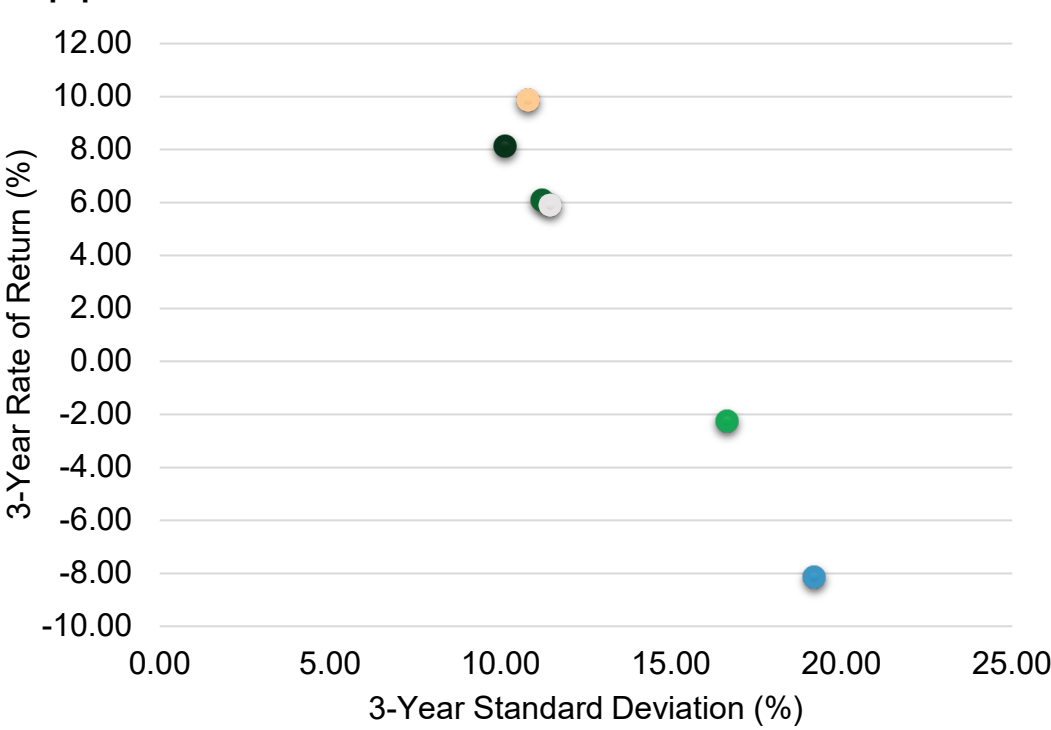
Source: Northern Trust, RADAR Reporting; Manager reports



# Risk vs Return – Equities and Fixed Income

## Appendix B

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- Schrodgers UK Equity
- Schrodgers Global Active Value
- Baillie Gifford Global Equity Core
- IMPAX Funds
- M&G Global Dividend Fund
- Sarasin

- CQS Investment
- M&G Alpha Opp Fund
- Goldman Sachs
- Schrodgers Fixed Income

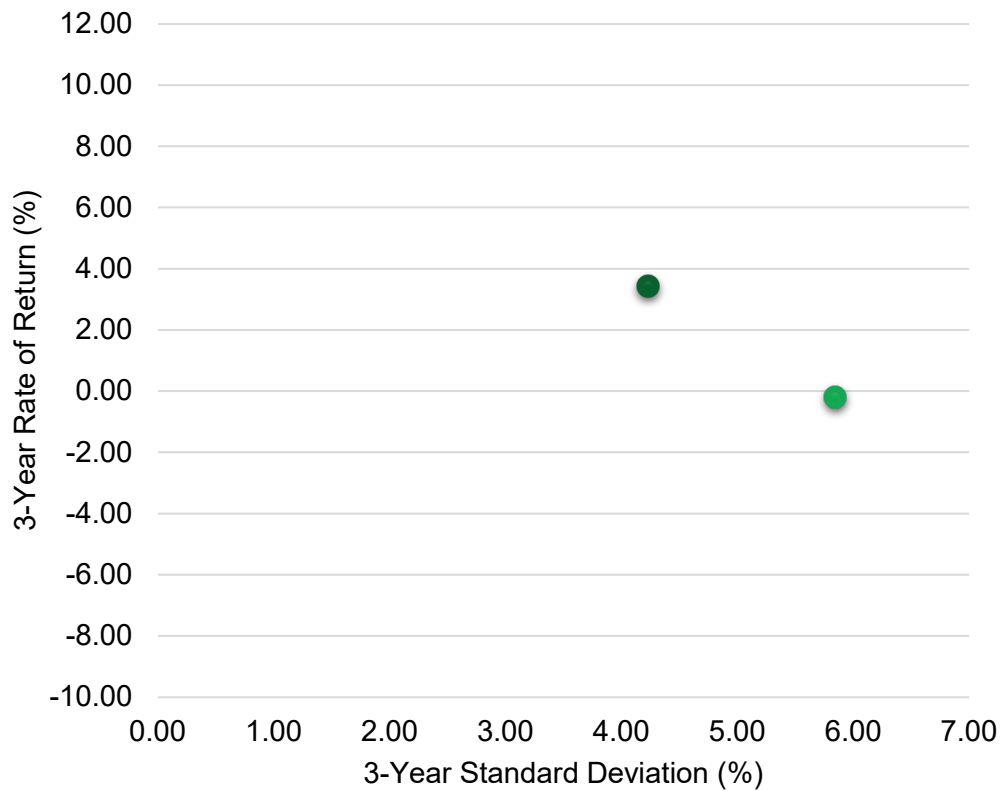
Source: Northern Trust, RADAR Reporting



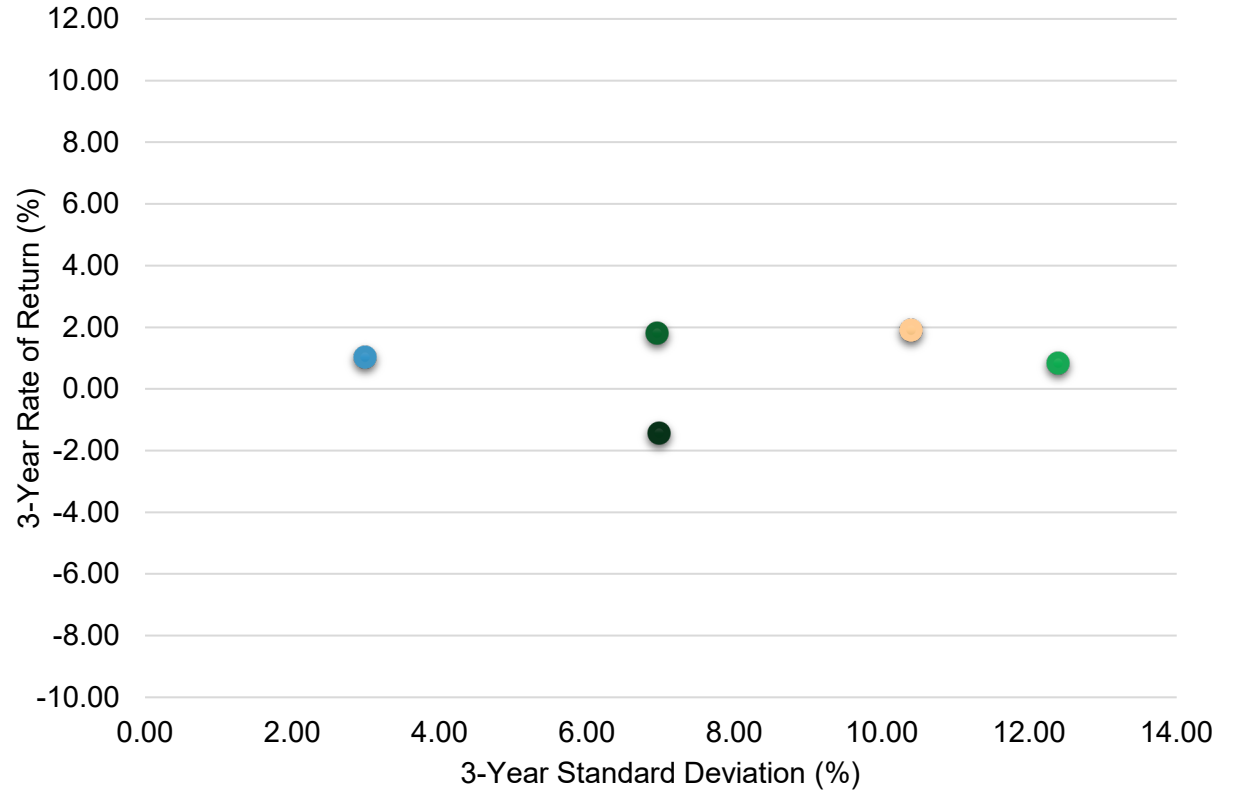
# Risk vs Return – Absolute Return and Property

## Appendix C

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● Pyrford International ● Ruffer



● DTZ ● DTZ Pooled Property ● Fidelity International  
 ● Kames Capital ● M&G Property

Source: Northern Trust, RADAR Reporting

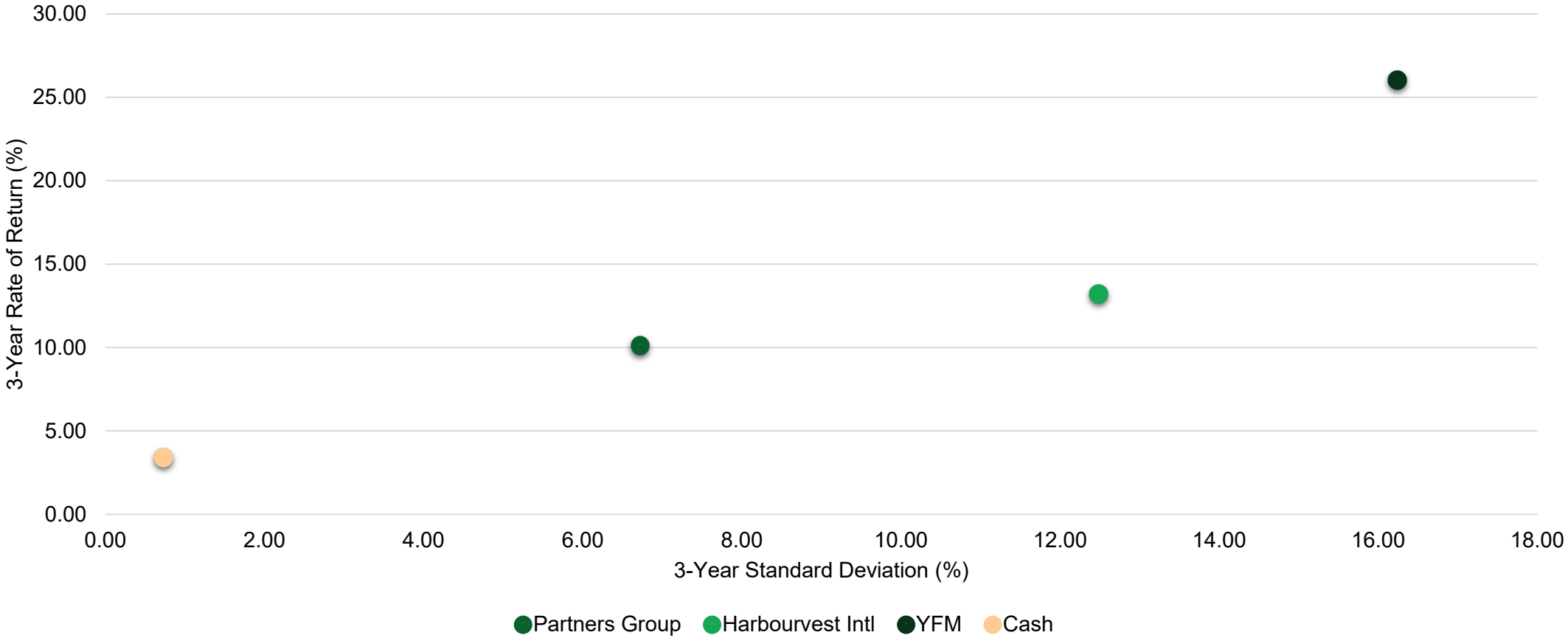




# Risk vs Return - Alternatives

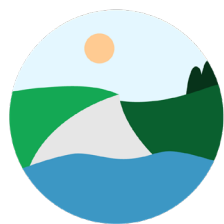
## Appendix D

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Source: Northern Trust, RADAR Reporting





# Kent Pension Fund

For more information, please visit

[www.kentpensionfund.co.uk](http://www.kentpensionfund.co.uk)

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Agenda Item 12

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Agenda Item 13

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