

PENSION FUND COMMITTEE

Tuesday, 3rd December, 2024

10.00 am

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





AGENDA

PENSION FUND COMMITTEE

Tuesday, 3rd December, 2024, 10.00 am
Council Chamber, 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 19 September 2024 (Pages 1 - 8)

4 Date of next meeting

The next meeting of the committee will be held on 6 February 2025, commencing at 10.00 am at Sessions House, Maidstone.

5 Committee Work Plan/Action Log (Pages 9 - 14)

6 Pensions Administration (Pages 15 - 42)

7 Update from the Pension Board (Pages 43 - 46)

8 Responsible Investment (Pages 47 - 66)

9 Investment Performance (Pages 67 - 92)

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 (Pages 93 - 252)

11 Employer Governance Matters (Pages 253 - 266)

12 Projects Update (Pages 267 - 272)

13 Governance (Pages 273 - 284)

14 Risk Register (Pages 285 - 320)

15 ACCESS Update (Pages 321 - 322)

16 Government Pensions Review (Presentation)

Benjamin Watts
General Counsel
03000 416814

Monday, 25 November 2024

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KENT COUNTY COUNCIL**PENSION FUND COMMITTEE**

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

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

ALSO PRESENT:

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

UNRESTRICTED ITEMS**1. Apologies and Substitutes**

(Item 1)

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

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

(Item 2)

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

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

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

(Item 3)

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

4. Committee Work Plan/Action Log

(Item 4)

1. Mr Buckland introduced the report that provided an update on the work programme and actions identified from previous meetings. He advised that the Government's pension review would be added to the Programme. He added that officers were

looking into the possibility of using a secure portal on the Pension's website to allow Members and officers to access confidential documents and other useful information.

2. RESOLVED to note the work programme and updated action log.

5. Pensions Administration

(Item 5)

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

6. Update from the Pension Board

(Item 6)

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

7. Pension Fund Report & Accounts and External Audit

(Item 7)

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

8. Responsible Investment Update

(Item 8)

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

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

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

Motion to Exclude the Press and Public

RESOLVED that the Press and Public be excluded from the meeting for the following business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of part 1 of Schedule 12A of the Act.

EXEMPT ITEMS
(Open access to minutes)

10. Investment Strategy Implementation
(Item 10)

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

11. Actuarial Valuation Planning
(Item 11)

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

- Members would receive training online and in person.
- The Actuarial Valuation was intended to keep employer contribution rates as stable as possible. Employers would be involved as much as possible throughout the process.
- Mr Muir was thanked for his presentation.

4. RESOLVED to note the report.

12. Employer Governance Matters (Item 12)

1. Mr Buckland advised that investigation was underway into the possibility of allowing delegated authority to the Head of Pensions and Treasury to agree the admission applications to the fund, and to issue termination certificates. A report with further details and proposals would be brought to a future meeting of the Committee for consideration.
2. Mr Tagg introduced the report that proposed a number of admission matters, provided an update on backdated admissions, and included the employer risk analysis.
3. During consideration of the item it was noted that:
 - Barnett Waddingham had conducted an employer risk analysis for the Fund and highlighted 14 employers of particular interest.
 - Officers would engage with the employers highlighted by Barnett Waddingham, and the Board and Committee would be updated on the outcomes.
4. RESOLVED to note the report and agree:
 - a) that an updated admission agreement is entered into with West Kent Housing Association;
 - b) to the admission to the Kent Pension Fund of Ridge Crest Cleaning Ltd (re Sandwich Technology School Academy);
 - c) to the admission to the Kent Pension Fund of Compass Contract Services UK Ltd (re Stour Academy);
 - d) to the admission to the Kent Pension Fund of Compass Contract Services UK Ltd (re Kent Catholic Schools Partnership (KCSP) primary and secondary schools);
 - e) to the admission to the Kent Pension Fund of Principal Catering Consultants Ltd (re Inspira Trust);
 - f) to the admission to the Kent Pension Fund of Principal Catering Consultants Ltd (re Diocese of Canterbury Academy Trust);
 - g) to the admission to the Kent Pension Fund of NSL Ltd (re Folkestone and Hythe District Council);
 - h) to the admission to the Kent Pension Fund of The Contract Dining Company Ltd (re Rivermead Inclusive Academy Trust);

- i) to the admission to the Kent Pension Fund of Nourish Contract Catering Ltd (re Swale Academies Trust);
- j) to the admission to the Kent Pension Fund of Cater link Ltd (re Halling Primary School/Medway Council) without a bond;
- k) that a 5-year Debt Spreading Agreement is entered into with Higham Parish Council;
- l) that once legal agreements have been prepared for matters a) to k) the Kent County Council seal can be affixed to the legal documents.

13. ACCESS Pooling Update

(Item 13)

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

14. Governance Update

(Item 14)

1. Mr Buckland introduced the report that provided an update on all governance matters, including the Fund's response to the Government's letter calling for evidence about asset pooling and efficiency. The response would be circulated to Members outside of the agenda.
2. During consideration of the item it was noted that:

- The Barnett Waddingham assessment of the Fund against the Pension's Regulator Code was carried out without any input from Officers and showed the Fund to be in a strong position of compliance.
 - The Good Governance Review would allow the Fund to be run more efficiently.
 - Congratulations were offered to Mr Graham who had been recently shortlisted for an award at the 2024 LAPF Investments Awards.
3. RESOLVED to note the report and delegate authority to the Head of Pensions and Treasury in consultation with the Chairman and Vice Chairman to respond to the Government's call for evidence on behalf of the Fund.

15. McCloud & Data Rectification Update

(Item 15)

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

16. Cyber Security Update

(Item 16)

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

17. Pension Fund Risk Register

(Item 17)

1. Mr Buckland introduced the report noting that the review of risks was an ongoing process that was carried out at least once every quarter to ensure they remained appropriate.
2. During consideration of the item the following points were noted:
 - A robust induction training programme for new Members would be very important following the County Council Elections in May 2025. Comprehensive training would be provided to mitigate the risk of loss of expertise arising from changes in the Committee membership.

- Members suggested that the induction programme could be split into small sections with a summary note for each, as this would help to provide new Members with a basic understanding.
- Existing Committee Members could give their input on the training programme.
- Members who remained on the Committee following the Elections could offer mentoring to new Members to help them in their role on the Committee.

3. RESOLVED to note the Risk Register.

From: Chairman Pension Fund Committee
Interim Corporate Director of Finance

To: Pension Fund Committee – 3 December 2024

Subject: Committee work programme and Action Log

Classification: Unrestricted

Summary:

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

Recommendation:

The Committee is recommended to:

- note the work programme and the updated action log;

FOR INFORMATION

1. Committee Work Programme

1.1 Members will be aware that the established meeting pattern is 4 quarterly meetings plus 1 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.

Nick Buckland, Head of Pensions and Treasury

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November 2024

Draft Committee workplan

	3 December 2024	6 February 2025 – Strategy day	11 March 2025	18 June 2025	Sept 2025
Work programme update	Y		Y	Y	Y
Governance update including Fund policies due for review	Y		Y	Y	Y
Update from the Pensions Board meeting	Y		Y	Y	Y
Pension Fund Business plan and budget update and general governance updates	Y		Y		Y
ACCESS update	Y		Y	Y	Y
Government Pensions Review	Y	Y	Y	Y	Y
Fund Employer matters	Y		Y	Y	Y
Administration update <ul style="list-style-type: none"> • McCloud • KPI reporting 	Y		Y	Y	Y
Training update	-		-	Y	Y
Investment Performance	Y		Y	Y	Y
Risk register update. (Full RR at least twice a year)	Y		-	Y	-
Investment Strategy <ul style="list-style-type: none"> • Rebalancing • Manager monitoring • Implementation update • Update from RMG 	Y		Y	Y	Y
Responsible Investment <ul style="list-style-type: none"> • Update from RIWG • Impact investments 	Y		Y	Y	Y
Actuarial Valuation 2025 <ul style="list-style-type: none"> • Pre valuation prep. • Consider assumptions. • Initial thinking 	Y		-	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?	Considered in implementation of strategy – December 2024	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	Advice to Committee members when the	Members advised by	Y

	Investment	news on the net zero target can be shared	email of Fund publicity	
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.	Completed – September 2024	Ongoing
27/06/2024	9-Responsible Investment	Query on the value of stock on loan, and income received.	September meeting received update.	Y
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 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
03/09/2024	5 - Governance Update	Issues around circulation/sharing of confidential papers	Officers will update on progress at December 2024 meeting	Ongoing
03/09/2024	6 – Pensions Administration	To share statistics to be included in dashboard	Shared after meeting	Y
03/09/2024	6 – Pensions Administration	What proportion of employers are onboarded to iConnect	CC to share an update	N
03/09/2024	12 – Employer Governance	Keep the Committee updated on Employer covenant risk	At each meeting	Ongoing

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

To: Kent Pension Fund Committee – 3 December 2024

Subject: Pensions Administration

Classification: Unrestricted

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 August to 31 October 2024. The report covers the following areas:

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

Recommendations:

The Board is recommended to:

- i. Note and comment on the report; and
- ii. Review and approve the revised Overpayment and Write-off Policy

Executive Summary:

	<i>Key Highlights</i>	<i>Matters to be closely monitored</i>
<i>Casework Performance</i>	<i>Increase in number of cases completed</i> <i>Increase in overall SLA performance</i>	<i>Performance on Survivor Benefits and Death Grant Payments</i> <i>Lack of progress on Deferred Benefits and Transfers/Interfunds Out could be affecting number of Undecided Leaver (status 2) records</i>
<i>Recruitment</i>	<i>13 roles filled – combination of external candidates and internal secondments</i>	<i>Follow up recruitment campaign for 2025 dependant on success of secondments</i>
<i>Overpayment Recovery and Write Off Limits</i>	<i>Total value of overpayments written off = £6,250.05</i>	<i>Overpayments Write Off Policy updated – to be approved by Pension Fund Committee</i>
<i>Communications and Support Update</i>	<i>Annual Benefit Statements published/issued by statutory deadline</i> <i>9 new employers onboarded to</i>	<i>Triennial Valuation preparations – data cleansing and backlog clearance vital</i> <i>Preparations for Employer Forum in</i>

	<i>iConnect</i>	<i>December</i>
<i>Technical and Training Updates</i>	<i>Additional guidance on McCloud implementation received</i> <i>Further legislation expected regarding the abolition of the Lifetime Allowance</i> <i>All Annual Allowance statements issued by statutory deadline</i>	<i>Additional complexity and demand on the team as a result of legislative changes</i> <i>Ensuring processes are updated and training provided</i>

FOR INFORMATION

1. Casework Performance

- 1.1 Details of the administration casework performance can be found at **Appendix 1**.
- 1.2 During the period 1 August to 31 October 2024 a total of 11,378 cases were completed. This is an increase of 349 cases completed from the previous period. The average performance across all casework has increased from 78% to 79%. 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.

2. Recruitment

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

Position	Team	Start Date	Number	External/Internal
KR5 Pension Assistant	Pension Administration	07/10/24	3	All external to KCC
KR5 Pension Assistant	Communication & Support	01/10/24	2	Commencement of internal secondment
KR6 Pension Administrator	Pension Administration	01/09/24	2	Commencement of internal secondment
KR6 Pension Administration	Pension Administration	TBC – 2025	3	Commencement of internal secondment
KR9 Training Officer	Technical & Training Team	01/01/2025	1	Commencement of internal secondment
KR9 Deputy Team Manager	Pension Administration	01/10/2024	1	Commencement of internal secondment
KR9 Deputy Team Manager	Communication & Support	01/10/2024	1	Commencement of internal secondment

- 2.2 The Summer recruitment campaign was highly successful in that all vacancies advertised were filled. The calibre of candidates at each level was high. Except for three of the entry-level vacancies, all posts were filled by internal promotions via secondment. The Fund is delighted to be able to offer these career opportunities to existing members of the team.
- 2.3 Also during this period, one colleague from Pensions Administration commenced a six-month secondment within Treasury & Investments Team to cover long-term sickness. Another colleague from Pension Administration is due to retire at the end of November 2024.
- 2.4 A follow-up recruitment campaign in 2025 for backfilling is likely to be required, subject to the above secondments being successful and offered as permanent positions. In addition to these potential backfills, all three departments continue to carry vacancies (Pension Administration, Technical & Training and Communication & Support). A decision was made not to advertise all vacancies in the Summer 2024 campaign due to business continuity and having limited training resource available to support promotions. The vacancies that were advertised in Summer 2024 were considered to be a priority to fill. No further recruitment has been scheduled in 2024 to allow a period of consolidation.

3. ***Pension Overpayment Write Offs***

- 3.1 The number of pension overpayment write offs for the period 1 August to 31 October 2024 are set out below:

	Aug 2024		Sep 2024		Oct 2024	
	Number	Total	Number	Total	Number	Total
£200- £5,000	-	-	11	£2,326.87	4	£3,923.18
£5,000- £50,000	-	-	-	-	-	-
£50,000+	-	-	-	-	-	-

- 3.2 The Pension Overpayment and Write Off Policy (**Appendix 2**) has been updated to set out the process which is followed when an overseas pensioner fails to complete the existence check, and delegation for approving overpayment write offs has been expanded to include the Operations and Performance Lead Manager, Technical and Compliance Lead Manager, and Communications and Support Lead Manager, in the absence of the Pensions Administration Manager. **The Committee is asked to review and approve the updated policy.**

4. Communications and Support (C&S) Update

- 4.1 The team has organised an extensive promotion of the **Annual Benefit Statement** being published on MyPension Online (MPO) including information on the website, emails to scheme employers (with the MPO promotional poster to include in their internal communication), information in the employers newsletter, information on Viva engage, KNet and KMail, MPO promotional posters displayed in Invicta House and information about MPO on October and November KCC payslips.
- 4.2 Six **webinars** have been delivered on 'Annual Benefit Statements', 'Understanding your LGPS Pension' and 'MyPension Online' in September and October. The first webinar for employers was delivered on 25 October and more are planned later in the year.
- 4.3 As part of the **Pension Awareness Week** the team has delivered additional webinars for employees of Kent Police and visited in person the Marlow Trust to present to the members of the LGPS. The first 'Lunch Time with Pensions' has been hosted for KCC employees – an in-person event in Invicta House, where members of the scheme could ask about pensions. Following this event, the team has been invited to join two of KCC teams' meetings to help share the knowledge about the LGPS and MyPension Online. Three further visits to employers are planned for November.
- 4.4 Preparations are underway for the next **Employer Forum** on 4 December.
- 4.5 In preparation for next year's **triennial valuation**, a 'test' valuation is being run for this year. This will allow the team to investigate and clear any discrepancies based on member data up to 31 March 2024. The purpose of this is to reduce the time to complete the actual valuation next year. The team are also running a project to clear outstanding status 2 (leaver no liability) cases for employers. Dealing with the employers who have the highest percentage of status 2 cases when compared to their total member numbers first. This will assist the valuation process for next year. The longevity report has also been run for the Actuary and the team are working through the discrepancies that have been highlighted.
- 4.6 Onboarding employers to **iConnect** has continued. Since the last Pension Board meeting, the team have onboarded the following employers:
- Sandling Primary School – KCC
 - Kemsing School – KCC
 - Thurnham Infant School – KCC
 - Riverhead Infants School – KCC
 - Simon Langton Girls School – KCC
 - Mitie PFI Limited

- Ton & Mall Leisure Trust (LIMBC)
- Kyndi Limited
- Sodexo Catering

The next large onboarding exercise will be at the start of the next scheme year - 1 April 2025.

- 4.7 The digital publication of the Annual Benefit Statements caused an expected rise in **MyPension Online** queries, which the team dealt with quickly. For September alone, the team dealt with over 2,200 contacts made by members regarding registration. The number of queries have since reduced to normal levels by mid-October. There are currently over 21,500 members registered to MyPension Online since its launch in May 2024, with registration numbers continuing to be around 500 per week. The team are actively promoting MyPension Online in all webinars, newsletters etc. to continue this member engagement. Heywood's release updates for MyPension Online on a fortnightly basis, which requires a regular testing process by the team. These releases contain fixes to any problems highlighted by Funds and new or improved features for the portal.

5. **Technical and Training Updates**

- 5.1 **McCloud Remedy** - The Local Government Association (LGA) released updated guidance on the implementation of the McCloud remedy in the LGPS in October. The Technical Team have been working through the updates to this guidance to ensure processes align with the latest interpretation of the legislation.

The team is also working on the aspects of the final implementation including software testing and additional staff training.

- 5.2 **Abolition of the Lifetime Allowance (LTA)** - Further legislation regarding the abolition of the LTA is due to come into effect on 18 November 2024. This update has been written in advance of this however, based on the draft version of the legislation, this legislation is unlikely to require significant work to implement and has been issued to tidy up issues with the earlier legislation.

In addition, a representative of the technical team attended an HMRC workshop on the subject of reporting taxable lump sums through the payroll. This has highlighted future changes needed to how such payments are processed. The team will need to liaise with the pension payroll team regarding this.

In the first six months since April, the team have had to deal with 6 cases where a scheme member exceeded the new Lump Sum Allowance (or had to be given options for a taxable lump sum). While a small number, this still represents an increase in workload as in the same period during 2023 there was only 1 member who exceeded the Lifetime Allowance.

In addition, there have been a number of requests for transitional protection certificates from scheme members. This has required the set-up of a new process to supply these.

- 5.4 **Annual Allowance exercise** - The bulk annual allowance exercise was completed by the 6 October deadline. This required the assessment of pensions growth for all scheme members during the preceding tax year.

In total, 44 members required information to be sent to them as they had either exceeded the Annual Allowance or made a request for the information. While this number is much lower than the 108 cases in 2022/23, and the 208 from 2021/22, the exercise still took a significant amount of time as the bulk calculation had to be run across all of the active scheme members, and there were a number of data issues that had to be rectified to enable correct information to be written back to member records.

- 5.5 **Business As Usual** - The Technical team have experienced a high level of technical referrals this year.

In reviewing the total email referrals and queries made to the Technical Team for the period 1 January to 21 October 2024, these total 2,117. For the previous calendar year, the total referrals made totalled 1,481. This shows a 43% increase on last year's total, with still over two months of 2024 to go.

This increase is likely due to the changes that have occurred around pensions tax and the McCloud remedy. There has also been an increase level of support required for staff, in particular new staff who require further advice and assistance with casework.

- 5.6 **Training and Development** – Training figures for the period 01/07/2024 – 31/10/2024:

In house training sessions	23
Sessions led by Training Officers	17
External LGA training courses attended	12

- 5.7 **Training material updates** - The Training Officers have made good progress on creating content for the new SharePoint website, which provides resources for staff training and on-going reference material.

In addition to written material, there has been a number of online videos recorded, which staff can watch to refresh their knowledge, for example around how to run certain calculations on the software.

- 5.8 **Training Officer secondment** - Following a recruitment exercise that concluded in September, an appointment has been made for a 6-month secondment to run from 1 January 2025. This role will focus on training our newly recruited staff during the first half of 2025.

5.9 **Qualifications** - Two members of staff continue to work through the PMI Award in Pensions Essentials (level 2), as part of a pilot run by the LGA. To date, both colleagues have passed the first three modules (out of six).

The LGA have set up a second intake of students following the success of this trial, and the team have one colleague who is joining that intake which is due to begin shortly.

Three colleagues have signed up to begin studying for the Certificate in Pensions Administration, run by the Chartered Institute of Payroll Professionals

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December 2024

Appendix 1 – August to October 2024 Performance Report

Appendix 2 – Pension Overpayment and Write Off Policy – 2024 – v5 DRAFT

	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	332	264	80	68
	Survivors Pensions	162	125	77	37
	Death Grant Payment	82	64	78	18
	Balance of Payments/Overpayment Recovery	193	178	92	15
Retirements	Payment of Retirement Benefits	1021	1004	98	17
	Provision of Retirement Estimates	1523	1446	94	77
Early Leavers	Payment of Refunds	380	368	97	12
	Provision of Deferred Benefit Statements	717	286	40	431
Transfers	LGPS Transfer In Estimates	156	127	81	29
	Aggregation In Estimates	43	20	47	23
	LGPS Transfer Out Estimates	88	14	16	74
	LGPS Transfer In Actuals	70	7	10	63
	Aggregation In Actual	799	232	29	567
	LGPS Transfer Out Actuals	80	6	8	74
	Non LGPS Transfer In Estimates	47	8	17	39
	Non LGPS Transfer Out Estimates	103	29	28	74
	Non LGPS Transfer In Actuals	63	2	3	61
Non LGPS Transfer Out Actuals	20	2	10	18	
Divorces	Pension Sharing on Divorce Estimates	115	109	95	6
	Pension Sharing on Divorce Implementations	2	2	100	0
General	New Starters	1964	1656	84	308
	General Correspondence	1952	1671	86	281
	Change of Details (i.e. address, name, nomination)	1305	1275	98	30
	Opt Outs	105	65	62	40
	Lost Pension	56	54	96	2
Total		11378	9014	79	2364

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KENT COUNTY COUNCIL
ADMINISTERING AUTHORITY FOR KENT PENSION FUND
PENSION OVERPAYMENT AND WRITE OFF POLICY 2024

DRAFT



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1 INTRODUCTION

- 1.1 This is the Pension Overpayment and Write Off Policy for the Kent Pension Fund, which is managed by Kent County Council (the Administering Authority).
- 1.2 Pension overpayments can occur for a variety of reasons. It is important that the Fund has a clear policy on how pension overpayments are managed once they are identified.
- 1.3 Kent Pension Fund recognises the need to take a pro-active approach to identifying potentially fraudulent activity and overpayments.

2 POLICY OBJECTIVES

- 2.1 The policy objectives aim to ensure the Fund:
 - has robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
 - manages the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund's stakeholders, particularly the scheme members and employers.
 - ensures benefits are paid to, and income collected from, the right people at the right time with the right amount.
 - identifies errors as soon as possible.
 - rectifies overpayments with the co-operation of the individual.
 - encourages individuals to take an active role in checking payslips/payments for obvious errors.
 - avoids the Internal Dispute Resolution Procedure (IDRP), where possible, by managing the process effectively.

3 PURPOSE OF THE POLICY

- 3.1 The policy is designed to provide assurance to the Fund's stakeholders that:
 - all overpayments are treated in a fair and equitable manner.
 - the Fund seeks to recover overpayments that have occurred but acknowledges that there may be legal reasons and/or other circumstances which mean that an overpayment may not, in practice, be able to be recovered (in whole or in part).
 - has steps in place to prevent and also investigate potentially fraudulent activity.

4 EFFECTIVE DATE AND REVIEWS

- 4.1

Version	Policy effective date
1 – draft	
- 4.2 This policy will be reviewed every three years, and if necessary, more frequently to ensure it remains accurate and relevant.



5 SCOPE

5.1 The policy applies to:

- all members and former members, which in this policy includes survivor and pension credit members of the Kent Pension Fund who have received one or more payments from that Fund.
- executors of the estates of deceased Kent Pension Fund members.
- beneficiaries of Kent Pension Fund members where those beneficiaries have received one or more payments from that Fund.
- administrators of the scheme.
- the Pension Fund Committee.

6 MANAGING OVERPAYMENTS OF PENSION ON THE DEATH OF A SCHEME MEMBER

6.1 Understandably, notification of a death of a pensioner member of the scheme does not always happen immediately and as such it is not always possible to stop payment of the pension after a point in the payroll month and so an overpayment can occur.

6.2 Should an overpayment of pension occur following the death of a scheme member, the Fund will generally seek to recover overpayments that are greater than £200.00 (gross) in value unless there are legal reasons and/or other circumstances which mean that the overpayment may not, in practice, be able to be recovered (in whole or in part). A value of £200.00 or less in the instance of the death of a scheme member has been deemed by the Fund as uneconomical to pursue.

6.3 All correspondence regarding an overpayment will be handled sensitively in the initial stages due to the circumstances surrounding how the overpayment has occurred.

7 MANAGING OVERPAYMENTS OF CHILDREN'S PENSIONS FAILING TO CEASE AT THE APPROPRIATE TIME

7.1 An eligible child as defined by the LGPS Regulations 2013, is entitled to receive a pension until such a time as their circumstances change and they are no longer eligible to receive a pension from the Fund.

7.2 In these cases the individual in receipt of the pension is responsible for informing the Pensions Section of a change in circumstances to ensure the pension is ceased at the appropriate time, failure to do so would result in an overpayment. The relevant change in circumstances would be when the individual reaches age 18 or age 23 or ceases full time education.

7.3 Should an overpayment of pension occur as a result of a late notification of change of circumstances, the Fund will generally seek to recover overpayments that are greater than £200.00 (gross) in value unless there are legal reasons and/or other circumstances which mean that the overpayment may not, in practice, be able to be recovered (in whole or in part). A value of £200.00 or less has been deemed by the Fund as uneconomical to pursue.

8 MANAGING OVERPAYMENTS OF PENSION ENTITLEMENT FOLLOWING INCORRECT INFORMATION SUPPLIED BY THE EMPLOYER IN RESPECT OF THE SCHEME MEMBER

8.1 Should an overpayment of pension occur as a result of inaccurate information provided by the scheme member's employer on retirement, the Fund will generally seek to recover monies that are greater than £200.00 in value unless there are legal reasons and/or other circumstances which mean that the overpayment may not, in practice, be able to be recovered (in whole or in part). A



value of £200.00 (gross) or less has been deemed by the Fund uneconomical to pursue due to the administrative time involved.

- 8.2 Overpayments that are greater than £200.00 in value will generally be recovered through the scheme member's ongoing pension as this allows for the appropriate adjustment for tax. The pension will be reduced to the correct level for the next available monthly pension payment after a 6 week notice period. The scheme member will be notified in writing of the error and the course of action to be taken.
- 8.3 Where there is no ongoing pension from which to deduct the overpaid amount, repayment will be requested by the Fund to recover any overpayment which is greater than £200.00 in value.
- 8.4 Where an overpayment of the lump sum has occurred following inaccurate information provided by the employer, a letter requesting repayment will be sent by the Fund to recover any overpayment which is over £200.00 in value.

9 MANAGING OVERPAYMENTS OF PENSION AS A RESULT OF THE INCORRECT RATE OF PENSION PAID BY THE FUND AND THE MEMBER CAN BE SAID TO BE REASONABLY AWARE OF THE OVERPAYMENT.

- 9.1 There are a number of reasons why a pension could be paid at an incorrect higher rate. The most common reasons are detailed in the table below, but it should be noted that this is not an exhaustive list.

Type of overpayment	How overpayment has occurred
Administration error upon creation of payroll record	Incorrect (overstated) rate of pension inputted onto payroll record but member informed in writing of the correct rate of pension to be paid.
Administration error upon calculation/payment of pension scheme lump sum	Incorrect (miscalculated/overstated) lump sum paid to member but member informed in writing of the correct value of the lump sum to be paid.
Entitlement to current rate of pension ceasing	A Pension Sharing Order or Earmarking Order being received after the implementation date meaning that the pension has been overpaid since that implementation date.
Failure to action an alteration to the payroll record/reduction in pension	Failing to implement the change from the higher short term dependents pension to the lower long-term rate.

- 9.2 If the scheme member has been notified of the correct rate of pension and/or lump sum in writing and is receiving/ has received a higher amount, it can be said that the member can reasonably be aware that they are being/ have been overpaid as the scheme member has been notified of the correct rate in writing.
- 9.3 The Fund will therefore generally seek to recover monies that are greater than £200.00 gross in value unless there are legal reasons and/or other circumstances which mean that the overpayment may not, in practice, be able to be recovered (in whole or in part). A value of £200.00 or less has been deemed by the Fund as uneconomical to pursue due to the administrative time involved.
- 9.4 The amount of overpaid pension will generally be recovered from the scheme member's ongoing pension as this allows for the appropriate adjustment for tax. The pension will also be reduced to



the correct level for the next available monthly pension payment after a 6 week notice period and will be notified in writing of the error and the course of action to be taken.

- 9.5 Where there is no ongoing pension from which to deduct the overpaid amount, OR the pension scheme lump sum has been overpaid, a letter requesting repayment will be sent by the Fund to recover the overpayment which is greater than £200.00 in value.

10 MANAGING OVERPAYMENTS OF PENSION FOLLOWING AN INCORRECT RATE OF PENSION ENTITLEMENT BEING PAID BY THE FUND AND IT CAN BE SAID THAT THE MEMBER CANNOT HAVE KNOWN OF THE OVERPAYMENT

- 10.1 The table below illustrates how an overpayment of a member's pension can occur without the member being aware. It should be noted that the table below is not an exhaustive list:

Type of overpayment	How overpayment has occurred
Administration error upon calculation and notification of benefit entitlement (includes dependants' pensions and Pension Credit members)	Incorrect (overstated) rate of pension inputted onto payroll record and member informed in writing of the, incorrect, rate of pension to be paid.
Administration error upon calculation and notification of pension scheme lump sum entitlement	Incorrect (overstated) pension scheme lump sum paid to the member and member informed in writing of the incorrect lump sum to be paid
Pensions Increase	Pensions Increase inaccurately applied to the elements of a pension in payment.

- 10.2 In these circumstances the Fund will generally seek to recover monies that are greater than £200.00 gross in value unless there are legal reasons and/or other circumstances which mean that the overpayment may not, in practice, be able to be recovered (in whole or in part). A value of £200.00 or less has been deemed by the Fund as uneconomical to pursue due to the administrative time involved.
- 10.3 The amount will be recovered from the scheme member's ongoing pension as this allows for the appropriate adjustment for tax. The pension will also be reduced to the correct level for the next available monthly pension payment after a 6 week notice period. The scheme member will be notified in writing of the error and the course of action to be taken.
- 10.4 Where there is no ongoing pension from which to deduct the overpaid amount, or an overstated pension scheme lump sum has been paid, a letter requesting repayment will be sent by the Fund to recover any overpayment which is greater than £200.00 in value.

11 OVERPAYMENTS RESULTING FROM AN ERROR WITH GUARANTEED MINIMUM PENSION (GMP)

- 11.1 Overpayments can also occur as a result of an incorrect or non-application of the GMP element of a member's pension as detailed in the table below.

1 GMP not included in the pension being paid	New information from HMRC or a review of the member's record shows that a GMP should have been included within the pension but has not. Due to the different way cost of living increases are applied to GMP and the excess over GMP, means that, overall, a lower level of pensions increase should have been paid.
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2 Incorrect level of GMP being paid

New information from HMRC or a review of the member's record leads to a revised rate of GMP to be used which, due to the different way cost of living increases are applied to GMP and the excess over GMP, means that, overall, a lower level of pensions increase should have been paid.

3 GMP not accurately split between pre 88 and post 88

New information from HMRC or a review of the member's record shows that a GMP has not been apportioned correctly. Due to the different way cost of living increases are applied to pre 88 GMP and post 88 GMP, means that, overall, a lower level of pensions increase should have been paid.

11.2 The application of GMP to a member's pension requires a high degree of technical understanding that can only reasonably be expected of a pensions practitioner. As such, and where there has been no explicit communication to the member that would mean that they could have known that their pension was being paid incorrectly as a result of the non or misapplication of GMP, the overpayment of any value should be written off without the requirement for authorisation as detailed in 17.1.

11.3 The pension will be reduced to the correct level for the next available monthly pension payment after a 6 week notice period. The scheme member will be notified in writing of the error and the course of action to be taken.

12 DISCRETION TO WRITE OFF OVERPAYMENTS

12.1 For all scenarios mentioned above, Officers have the ability to exercise discretion in the event of legal reasons and/or exceptional circumstances and to ensure no individual is unfairly treated. If the pursuing recovery of an overpayment was to cause significant distress and/or if there are legal reasons as to why the overpayment may not be recovered (in whole or in part) this would be considered as would the cost effectiveness of recovery. All applications made to write off of an overpayment will be investigated on a case-by-case basis and final decision will be made by the appropriate officer listed in paragraph 17 dependent upon the amount potentially being written off.

12.2 The Kent Pension Fund has authority to automatically write off any amount up to £200.00 in line with HM Revenue and Customs authorised payments limits and analysis of the cost effectiveness of pursuing amounts up to this value.

13 RECOVERY

13.1 The Limitation Act 1980 states that *"An action founded on simple contract shall not be brought after the expiration of six years from the date on which the cause of action accrued"*. However, section 32(1) of the Act effectively 'postpones' the date by which an administering authority may make a claim to recover monies in certain circumstances. It states, *"the period of limitation shall not begin to run until the plaintiff has discovered the fraud, concealment or mistake (as the case may be) or could with reasonable diligence have discovered it"*. The potential effect of section 32(1) in relation to any overpayment and its recovery will be considered on a case-by-case basis.



- 13.2 Therefore the Fund will generally seek to recover overpayments that have been discovered within the last 6 years with the relevant postponement applied if applicable in line with the Limitation Act unless there are legal reasons and/or other circumstances which mean that the overpayment may not, in practice, be able to be recovered (in whole or in part).
- 13.3 Examples of limitation periods and how they operate in relation to overpayments are included in appendix 1 of this policy.
- 13.4 It should be borne in mind that where the Fund seeks to recover overpayments, there may be arguments raised as to why the overpayment should not be recovered (in whole or in part). These will need to be considered on a case-by-case basis and, if successful, may affect the ability of the Fund to recover the overpayment (in whole or in part).

14 LENGTH OF TIME TO RECOVER OVERPAYMENT

- 14.1 The Fund will allow a pension overpayment to be recovered over the same amount of time as the overpayment occurred. For example, if overpayments were made over a 3-month period, the recovery period to repay the overpayment will be over 3 months. In the event that reasonable arguments are advanced that the recovery period should be extended, the Fund can at its discretion allow an extension based on the individual's circumstances.

15 CLAIMS OF INABILITY TO REPAY OVERPAYMENTS

- 15.1 In cases where it is claimed that an overpayment cannot be repaid, officers of the Fund will enter into negotiations with the scheme member/next of kin and an analysis of the cost effectiveness of pursuing the overpayment will be undertaken on a case-by-case basis. For large overpayments, where appropriate the Fund will seek legal advice. This approach will reduce the number of Internal Dispute Resolution Procedures applications and referrals to the Pensions Ombudsman. For any cases that do reach the Pensions Ombudsman, Kent Pension Fund would have demonstrated engagement and negotiation with the complainant.

16 MONITORING REPAYMENTS

- 16.1 In cases where recovery is not being made through the payroll and a recovery letter has been issued, the responsibility for chasing the payment rests with Kent Pension Fund. If a final reminder is issued, officers are notified and the Head of Pensions will decide whether to take legal action if no payment is forthcoming, taking into consideration the amount owed, the amount outstanding, the circumstances of the debtor, the cost of legal action and the likelihood of legal action being successful.

17 AUTHORITY TO WRITE OFF OVERPAYMENTS

- 17.1 In line with Kent County Council's Scheme of Delegation, the Fund will apply the following levels of authority when writing off overpayments:

Total value of overpayment*	Authority to write off overpayment
No more than £200.00 (gross) on death of a pensioner and any other overpayment type	Pensioner Payroll
Up to no more than £4,999 (gross)	Pensions Administration Manager (in the absence of the Pensions Administration Manager authority will move to the Operations and Performance Lead Manager,



Technical & Compliance Lead Manager or
Communications & Support Lead Manager)

Up to no more than £49,999 (gross)

Head of Pensions & Treasury

£50,000+ (gross)

Director of Corporate Finance/S151 Officer

***Subject to a full evidence-based report produced by Officers of the Fund**

18 REPORTING TO THE HM REVENUE AND CUSTOMS AND EFFECTS ON THE FUND AND INDIVIDUAL

Part 4, Chapter 3 of the Finance Act 2004 also sets out a list of the payments which a registered pension scheme is authorised to make to members. Payments which do not fall within the list will become unauthorised payments and could result in up to three tax charges applying: 1) an authorised payments charge on the recipient of the payment; 2) an unauthorised payments surcharge on that recipient; and 3) a scheme sanction charge on the scheme.

- 18.1 Administering authorities are obliged to correct any error they discover within a reasonable period of time. To do otherwise could render payments unauthorised under Part 2 of the Registered Pension Scheme (Authorised Payments) Regulations 2009. The HM Revenue and Customs have a clear steer with regards to timing, in so much that *“When a scheme discovers an overpayment it immediately becomes unauthorised and is subject to an unauthorised tax charge”*.
- 18.2 Appendix 2 sets out when an error may be regarded as a genuine error under Part 2 of the 2009 Regulations.
- 18.3 In addition to the above, there is a further exemption where the overpayment is not a ‘genuine error’, and the aggregate overpayment (paid after 5th April 2006) is less than £200. In such circumstances, if the overpayment is not recovered it remains an unauthorised payment, but it does not have to be reported to HM Revenue and Customs and HM Revenue and Customs will not seek to collect tax charges on it.
- 18.4 In Appendix 2 of this policy we set out some examples of HM Revenue and Customs ‘genuine errors.
- 18.5 Payments made in the period between notifying the member of an overpayment and the point at which the correction to the right level of pension is made will be regarded under the above legislation as an unauthorised payment. If the total amount of pension paid at the incorrect rate from point of notification to date of reduction to the correct rate is greater than £200 (gross) it would be subject to tax charges 1) and 3) and possibly 2 as set out in paragraph 18.1.

19 PREVENTION

- 19.1 The Fund has in place processes in order to minimise the risk of overpayments occurring.
- 19.2 The National Fraud Initiative is conducted every two years; it compares files of pensioners with the Department for Work and Pensions database of the deceased and highlights matches for investigation. Kent Pension Fund actively participates in this initiative.
- 19.3 Kent Pension Fund participates in overseas life existence checks to ensure only legitimate pensions are being paid and to reduce the likelihood of fraudulent activity. If Pensioners do not complete the existence checks by the deadline given, then their pensions are suspended pending further investigation.



- 19.4 A report is run periodically on the pension administration system to identify individuals in receipt of a child's pension, further investigations are then carried out for children that are identified as over the age of 18 to ensure they are still entitled to receive a pension.
- 19.5 Kent Pension Fund includes reminders in its correspondence that the Fund must be advised of changes in circumstances or the death of a scheme member. The Fund also investigates any pension payments returned by banks and building societies to ensure the welfare of the scheme member and to protect payment of the Fund's money.
- 19.6 Fund officers have a robust system in place for identifying changes to the payroll that need to be processed for a particular payroll month. The process incorporates payroll deadlines and ensures changes are made in a correct and timely manner. This would be in circumstances such as a change from a short-term dependant's pension to a long-term pension.



Scenario	Limitation Period	Overpayment Period which can be claimed*
<ul style="list-style-type: none"> • Overpayments began in April 2013 (the first Mistake Date) • Overpayments discovered, or could have been discovered with reasonable due diligence, in August 2015 (the Discovery Date under Section 32 of the Limitation Act 1980) • Overpayments made for period between April 2013 and August 2015 • Formal claim** for recovery made in January 2020 (the Cut Off Date as referred to in <i>Webber v Department for Education</i>) 	<ul style="list-style-type: none"> • No issues in principle with the Limitation Period as formal claim for recovery commenced within 6-year period after the Discovery Date • Claims are therefore valid and should proceed 	<ul style="list-style-type: none"> • Overpayments back to when they began in April 2013 until August 2015 may be claimed (based on the assumption that the overpayment was discovered in August 2015, if not discovered at this time the overpayment period would be longer).
<ul style="list-style-type: none"> • Overpayments began in April 2008 (the first Mistake Date) • Overpayments discovered, or could have been discovered with reasonable due diligence, in November 2014 (the Discovery Date under Section 32 of the Limitation Act 1980) • Overpayments made from April 2008 to November 2014 • Formal claim for recovery made in December 2016 (the Cut Off Date as referred to in <i>Webber</i>) 	<ul style="list-style-type: none"> • No issues in principle with the Limitation Period as formal claim for recovery commenced within 6-year period after the Discovery Date • Claims are therefore valid and should proceed 	<ul style="list-style-type: none"> • Overpayments back to when they began in April 2008 until November 2014 may be claimed (based on the assumption that the overpayment was discovered in November 2014, if not discovered at this time the overpayment period would be longer).

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Scenario	Limitation Period	Overpayment Period which can be claimed*
<ul style="list-style-type: none"> • Overpayments began in January 2004 (the first Mistake Date) • Overpayments discovered or could have been discovered with reasonable due diligence in September 2021 (when the date was received from HM Treasury in relation to the GMP equalisation exercise) (the Discovery Date under Section 32 of the Limitation Act 1980) • Overpayments made for the period from January 1999 to September 2021 • Formal claim for recovery made in February 2022 (the Cut Off Date as referred to in <i>Webber</i>) 	<ul style="list-style-type: none"> • No issues in principle with the Limitation Period as formal claim for recovery commenced within 6-year period after the Discovery Date • Claims are therefore valid and should proceed 	<ul style="list-style-type: none"> • Overpayments back to when they began in January 2004 until September 2021 may be claimed • (based on the assumption that the overpayment was discovered in September 2021, if not discovered at this time the overpayment period would be longer).
<p>Page 36</p> <ul style="list-style-type: none"> • Overpayments began in April 2011 (the first Mistake Date) • Overpayments discovered, or could have been discovered with reasonable due diligence, in August 2014 (the Discovery Date under Section 32 of the Limitation Act 1980) • Overpayments made for period between April 2011 and August 2014 • Formal claim for recovery made in January 2022 (the Cut Off Date as referred to in <i>Webber</i>) 	<ul style="list-style-type: none"> • Issue with the Limitation Period as formal claim for recovery commenced more than 6 years after the Discovery Date • Claims are therefore out of time and should not proceed 	<ul style="list-style-type: none"> • Overpayments cannot be claimed back as the formal claim for recovery was made more than 6 years after the Discovery Date (based on the assumption that the overpayment was discovered in August 2014, if discovered after this time a period of reclaim maybe applicable).



Scenario	Limitation Period	Overpayment Period which can be claimed*
<ul style="list-style-type: none"> Overpayments began in April 2011 (the first Mistake Date) Overpayments discovered, or could have been discovered with reasonable due diligence, in August 2014 (the Discovery Date under Section 32 of the Limitation Act 1980) Overpayments made for period between April 2011 and August 2021 Formal claim** for recovery made in January 2022 (the Cut Off Date as referred to in <i>Webber</i>) 	<ul style="list-style-type: none"> Issue with the Limitation Period as formal claim for recovery commenced more than 6 years after the Discovery Date Claims for overpayments between April 2011 and January 2016 are therefore out of time and should not proceed However, as each monthly overpayment is a separate overpayment, the effect of the <i>Webber</i> case is that overpayments made in the 6 years prior to the Cut Off Date (i.e. the overpayments made in February 2016 to August 2021) can be recovered 	<ul style="list-style-type: none"> Overpayments for the period April 2011 to January 2016 cannot be claimed back as the formal claim for recovery was made more than 6 years after the Discovery Date. Overpayments for the period February 2016 to August 2021 may be reclaimed. (based on the assumption that the overpayment was discovered in August 2014, or discovered after this time the overpayment period would be longer).

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* whilst this refers to the period which can be claimed, this is not the same as the period which will definitely be recovered in light of the other defences which are available to scheme members who face such claims for repayments of overpayment.

** reference to formal claim in this appendix means the commencement of formal proceedings to recover the overpayment.



LEGISLATIVE BACKGROUND

Section 164 of the Finance Act 2004 restricts the type of payments that a pension scheme may lawfully make.

The Registered Pension Schemes (Authorised Payments) Regulations 2009/1171 (as amended) allow certain payments that would otherwise be unlawful under section 164 to be treated as lawful payments.

Regulation 4 allows certain payments that may be paid by a pension scheme to be treated as authorised payments and provides that payments that may be made are taxable.

Regulation 13 – allows for certain pension payments paid in error to living recipients to be treated as lawful payments. A pension paid to a living person will be deemed to be paid (lawfully) in error if the scheme administrator making the payment believed that—

- (a) the recipient was entitled to the payment, and
- (b) the recipient was entitled to it in that amount.

Regulation 14 – allows for certain pension payments paid in error, after discovery of the error, to be treated as lawful payments if:

(a) it is made after there is a payment within regulation 13 to the same person and (apart from the discovery of the error) is of a similar nature to that payment; or

(b) if the error had not been discovered until after the payment, it would have been a payment within regulation 13; and

the payer took reasonable steps to prevent it being made or it being made in that amount.

Regulation 15 - allows for certain pension payments paid in error to deceased recipients to be treated as lawful payments, if:

the payment is one which is intended to represent the payment of a pension permitted by the pension rules or the pension death benefit rules to or in respect of a member and if—

(a) the payment is made no later than six months after the date of the person's death;

(b) the payment would not have been an unauthorised payment if it had been made on the day before the person died; and either



- (a) the scheme administrator (“the payer”) did not know, and could not reasonably have been expected to know, that the person had died before the payment was made; or the payer knew of the person's death before the payment was made, the payer took reasonable steps to prevent the payment's being made or its being made in that amount; or
- (b) where the payer knew of the person's death before the payment was made, the payer took reasonable steps to prevent the payment's being made or its being made in that amount.

Regulation 16 - allows for payment of arrears of pension to be paid to a pensioner after death to be treated as a lawful payment, if:

- (a) the payment is in respect of a defined benefits arrangement; and
- (b) the payment represents accrued arrears of scheme pension the member's entitlement to which the scheme administrator had not established until after the member's death; and
- (c) the payment would not have been an unauthorised payment if the payment had been made immediately before the member's death and the member had been entitled to it; and
- (d) the scheme administrator could not reasonably have been expected to make the payment before the member's death.

But only to the extent that to so much of the payment as does not exceed the amount accrued during the period—

- (a) beginning with the earliest date from which the member could have required the scheme administrator to make the payment if the member had been entitled to it; and
- (b) ending with the member's death.

Regulation 17 - allows for the overpayment of a lump sum to a living recipient to be treated as a lawful payment, if:

the lump sum exceeds the permitted maximum only because it has been calculated by reference to the amount of a relevant pension; and either—

- (i) the payment of the pension is a payment within regulation 13 or 14 (1)(b), or
- (ii) the lump sum is paid before the pension by reference to which its amount was calculated; or
- (iii) the pension is not in the event paid, or paid in the amount originally intended, because an error is discovered; and



had the error had not been discovered and the pension had been paid as intended, its payment would have been a payment within regulation 13.

The discovery that the lump sum exceeds the permitted maximum before the payment is made does not prevent the payment's being a lawful payment if the payer took reasonable steps to prevent its being made or its being made in that amount.

Regulation 19 - allows for the overpayment of a lump sum to a deceased recipient to be treated as a lawful payment if:

- (a) the payment is in respect of a defined benefits arrangement;
- (b) the scheme administrator had not established the member's entitlement to the payment until after the member's death;
- (c) the scheme administrator could not reasonably have been expected to make the payment before the member died;
- (d) the payment would have been a pension commencement lump sum if it had been made immediately before the member's death and the member had been entitled to it; and
- (e) it is made no later than the end of the period of one year beginning with the earlier of—
 - (i) the day on which the scheme administrator first knew of the member's death, and
 - (ii) the day on which the scheme administrator could first reasonably be expected to have known of it

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GENUINE ERROR - EXAMPLE 1

Pensioner X receives a monthly pension payment 7 days after her death. The pension administrators were informed of the death 3 days after it occurred, took immediate steps to prevent the payment, but it was too late to stop it. Here Regulation 15 is satisfied and so the overpayment is lawful as a genuine error.

GENUINE ERROR - EXAMPLE 2

Pensioner Y, who is living, receives a monthly pension payment which is £500 too high. The pension administrators had the correct monthly amount on their system, but because of human error paid the pensioner too much. Here Regulation 13 is not satisfied, because the pension administrator did not believe that the pensioner was entitled to that amount.



GENUINE ERROR - EXAMPLE 3

Pensioner Z, who is living, receives a lump sum which is wrongly calculated because it is based on data, which has been wrongly recorded on the Pension Administrator's system because of erroneous data provided by the pensioner's former employer. The payment is made before the error is discovered. Here Regulation 17 is satisfied and so the overpayment is lawful as a genuine error.



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From: Chairman Kent Pension Board
Interim Corporate Director of Finance

To: Pension Fund Committee – 3 December 2024

Subject: Pension Board update

Classification: Unrestricted

Summary:

This report summarises the Board meeting that took place on 21 November 2024.

Recommendation:

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

FOR INFORMATION

1. Background

1.1 This briefing note has been prepared as a summary of the discussions at the meeting of the Pension Board on 21 November 2024.

2. Pension Board – 21 November 2024

2.1 At its meeting on 21 November 2024 the Kent Pension Board considered a varied agenda, and a number of the key items are considered below.

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

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

3.2. The Pensions Administration manager highlighted the work that the team were doing across all aspects of administration, including communications, working with employers, embedding the “digital by default” approach. She commented on 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.

3.3. Mrs Chambers also updated the Board on the ongoing review of the Job Descriptions of the Administration team and confirmed that this was being undertaken to revise and refresh as some were many years old. The process was likely to result in some posts being assessed at a higher grade. Mr Buckland

confirmed that it was important to ensure the greater complexity in the roles was recognised.

4. Update on the work of the Pension Fund Committee

- 4.1. The Head of Pensions and Treasury (in the absence of the Chairman of the 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 upcoming Joint Committee meeting.
- 4.2. He continued to discuss the Government's Pensions review and its potential impact on ACCESS. It was also noted that the Committee had considered an updated allocation to Equity and Bonds with a focus on improving diversification of returns and increase pooling.

5. Investment and RI update

- 5.1. 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 and fixed income would be presented to the Committee at the December meeting.

6. Risk Register

- 6.1 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.
- 6.2 The Chairman asked whether to Council's proposed restructure would impact the management of the Fund. Mr Buckland noted that there were initial proposals that could impact the Fund although he was comfortable that it was likely these could be revised as part of the ongoing consultation. The Board expressed their concern and asked that formally record this.

7. Employer Governance Matters

- 7.1 Senior Accountant presented the report which covered 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. He also noted the performance in terms of contributions being received in a timely way from the Fund's employers. Mr Tagg also noted the number of admission agreements that the Committee has previously agreed, along with an update on the work ongoing in preparing for the 2025 Actuarial Valuation.

8. Projects

- 8.1 The Senior Pensions Programme Manager updated the Board on a number of ongoing projects across all aspect of the Fund. She highlighted the My Pensions Online launch and the number of registrations the Fund had seen since the Annual benefit Statements had been issued. She also noted the improvements in the telephony systems and the Board welcomed the positive performance.
- 8.2 Mrs Green also noted that the initial results of eth CEM benchmarking exercise has been received and officers were meeting with CEM ahead of finalising the results. CEM would present the update to the Board in February 2025.

9. Government Pensions Review

- 9.1 The Head of Pensions and Treasury presented the latest on the Government review, and some of the detail contained within the consultation. The Board considered the proposals and voiced some concern around a number of the potential challenges. Mr Buckland confirmed that he would continue to update the Board as to progress in this fast-moving area.

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November 2024

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From: Chairman Pension Fund Committee
Interim Corporate Director - Finance

To: Pension Fund Committee – 3 December 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.

In October the RIWG received an update on the Fund's net zero target of 2050. The review conducted by officers highlighted the good progress made in reducing the carbon footprint of the Fund's listed investments, and details are provided in section 1 of this report.

Sections 2 and 3 contain statistics for the September quarter on the votes exercised by investment managers on behalf of the Fund and an example of engagement undertaken by an investment manager in discharging the fund's stewardship responsibility as the asset owner.

Information on the Fund's securities lending activity for the quarter is contained in para 4 of this report.

Recommendations:

The Committee is recommended to note this report.

1. Responsible Investment Working Group

- 1.1. The Responsible Investment Working Group (RIWG) has met once since the last meeting of the Committee, on 16 October.
- 1.2. At this meeting officers provided the working group with an update on Net Zero targets.
- 1.3. In December 2023, the Kent Pension Fund Committee made a net zero commitment for 2050 for listed equity investments of the Fund.
- 1.4. In October 2024, officers conducted a review of the progress made by the Fund towards decarbonisation in the year since June 2023 which was the last point of assessment included in the underlying analysis supporting the Fund's net zero strategy.

- 1.5. The review was undertaken based on information obtained from the Fund's investment managers with respect to the following metrics and information:
- Carbon Footprint of the portfolio.
 - Science Based Targets initiative (SBTi) alignment of underlying portfolio companies.
 - Rationale for holding high emitters in the portfolio and engagement activity undertaken to support decarbonisation.
- 1.6. The managers source carbon footprint data from different mainstream third party ESG data providers, which means aggregated figures across the pool need to be treated with caution. However, most managers used MSCI (the same source of data used to underpin the Fund's original net zero assessment in 2023). Officers further validated the data to ensure consistency of basis.
- 1.7. Overall, the review found:
- a. Good progress in decarbonisation of listed equity portfolios being on track to meet the IPCC curve net zero targets. The reduction achieved as of June '24 brought the carbon footprint down to 76% of the 2020 baseline compared to 92% as at June 2023. Coverage of companies reporting carbon metrics ranged from 97%-99% and therefore provided a high level of confidence.
 - b. The decarbonisation achieved in the fixed income portfolios was even more significant even though the Fund has not made a formal net zero commitment in relation to these portfolios. These portfolios showed a reduction to 39% of the 2020 baseline in June 2024 compared to 60% at June 2023. We recognise that the coverage of companies reporting carbon metrics is still quite low although improving consistently. There is a possibility that the metrics might reflect an increase in carbon footprint in the short run as more companies' data gets included.
 - c. The number of underlying companies in the listed equity portfolios with SBTi targets also showed an improvement from 37% to 39%. Companies in fixed income portfolios with SBTi targets improved from 23% to 24%.
 - d. Most managers provided comprehensive details of engagement undertaken with the high emitting companies in their portfolio, although decarbonisation was not the only focus of their engagement.
- 1.8. The Fund will need to continue to engage with managers to monitor the effectiveness of their stewardship activities with high emitting holdings. Officers anticipate that this activity will increasingly take place via the ACCESS pool in the future.
- 1.9. Key findings of the review are attached in Appendix 1

2. Voting Activity for the 3 Months to 30 September 2024

- 2.1. 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.
- 2.2. Asset managers are required to conduct all voting decisions at company meetings on behalf of the Fund. For pooled assets, voting should be conducted 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.
- 2.3. 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 September 2024 is shown in the table below:

Manager	Fund Name	Number of Meetings	No. of votes for	No. of votes Against, Abstained or Withheld
ACCESS POOL				
Baillie Gifford	WS ACCESS Global Equity Core Fund	36	439	21
Schroders	WS ACCESS UK Equity Fund	11	225	3
Schroders GAV	WS ACCESS Global Active Value Fund	23	251	17
M&G	WS ACCESS Global Dividend Fund	3	38	6
Robeco	WS ACCESS EM Equity Fund	6	79	11
Columbia Threadneedle	WS ACCESS Emerging Markets Equity Fund	17	120	18
Ruffer	WS ACCESS Absolute Return Fund	5	52	5
NON-POOLED				
Impax	Impax Environmental Markets (Ireland) Fund	9	84	6
Pyrford	Global Total Return	3	52	3
Sarasin	Segregated mandate	0	0	0

- 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. Managers regularly report on engagements carried out with companies in the Fund's portfolio. An example of the engagements reported by Sarasin is included in Appendix 2 of this report
- 3.3. At its meeting in September, the Committee received an example of engagement provided by Ruffer with Newmont (a global mining company), which they hold in their portfolio. Ruffer had concerns about Newmont's executive compensation package as well as concerns about their health and safety practices following recent incidents at a number of mining sites. The report prompted queries from members who were keen to get further assurance on the robustness of challenge provided by Ruffer in its engagement with the company.
- 3.4. Officers have further engaged with Ruffer for assurance on their evaluation of the credibility of Newmont's plans to address these concerns. Ruffer have provided an explanation of their approach to engagement with Newmont and have confirmed that they are satisfied with the progress made so far. Ruffer take a long-term approach to engagement supported by consistent reporting and monitoring.
- 3.5. The update from Ruffer, alongside the original engagement example from the September Committee meeting, is included in full at Appendix 3.

4. Securities Lending

- 4.1. The ACCESS pool has a common policy for securities lending. All the sub-funds participate in the programme, which is operated by Northern Trust, the Pool's custodian.
- 4.2. The Kent Pension Fund also has a securities lending programme with Northern Trust for the directly held segregated assets not yet in the pool.
- 4.3. 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.
- 4.4. 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
- 4.5. 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.

4.6. The Securities Lending performance for the quarter ending 30 September 2024 is set out in the table below:

Fund	Manager	Average Stock on Loan	% On Loan	Net Earnings
		£m		£m
WS ACCESS Global Equity Core	Baillie Gifford	114.906	11	0.052
WS ACCESS Global Dividend	M&G	82.046	6.5	0.030
WS ACCESS Absolute Return	Ruffer	91.916	22.7	0.010
WS ACCESS UK Equity	Schroders	17.640	2.1	0.007
WS ACCESS Global Active Value Fund	Schroders	16.054	4	0.006
WS ACCESS EM Equity Fund	Robeco	23.827	10	0.009
WS ACCESS Emerging Markets Equity Fund	Columbia Threadneedle	0.595	0.2	0.000
Direct assets mandate	Goldman Sachs	20.074	5.6	0.016
Direct assets mandate	Sarasin	10.546	2.9	0.013
Total		346.984		0.680

6.4 Baillie Gifford Global Equity Core, M&G Global Dividend Fund and Ruffer Absolute Return lent a total of six of the top ten revenue earning stocks, which included: Tempus AI Inc, UK (Gov of), ISHARES IV PLC MSCI CHINA, Rivian Automotive Inc, ADR Exscientia PLC & Keyera Corp.

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19 November 2024

Appendices

Appendix 1 – Net Zero Update

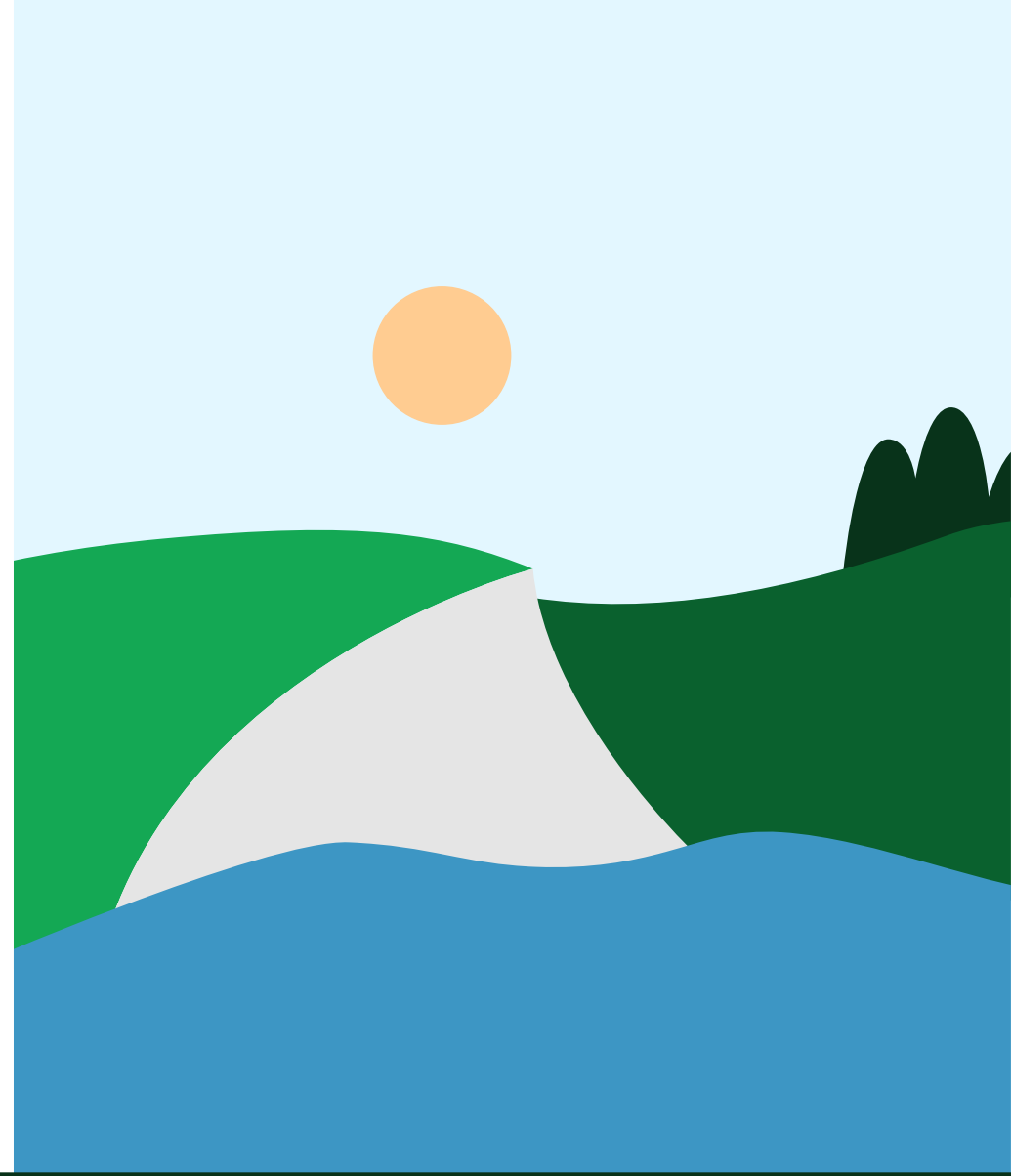
Appendix 2 – Engagement Example: Sarasin

Appendix 3 – Ruffer Update on Newmont Engagement

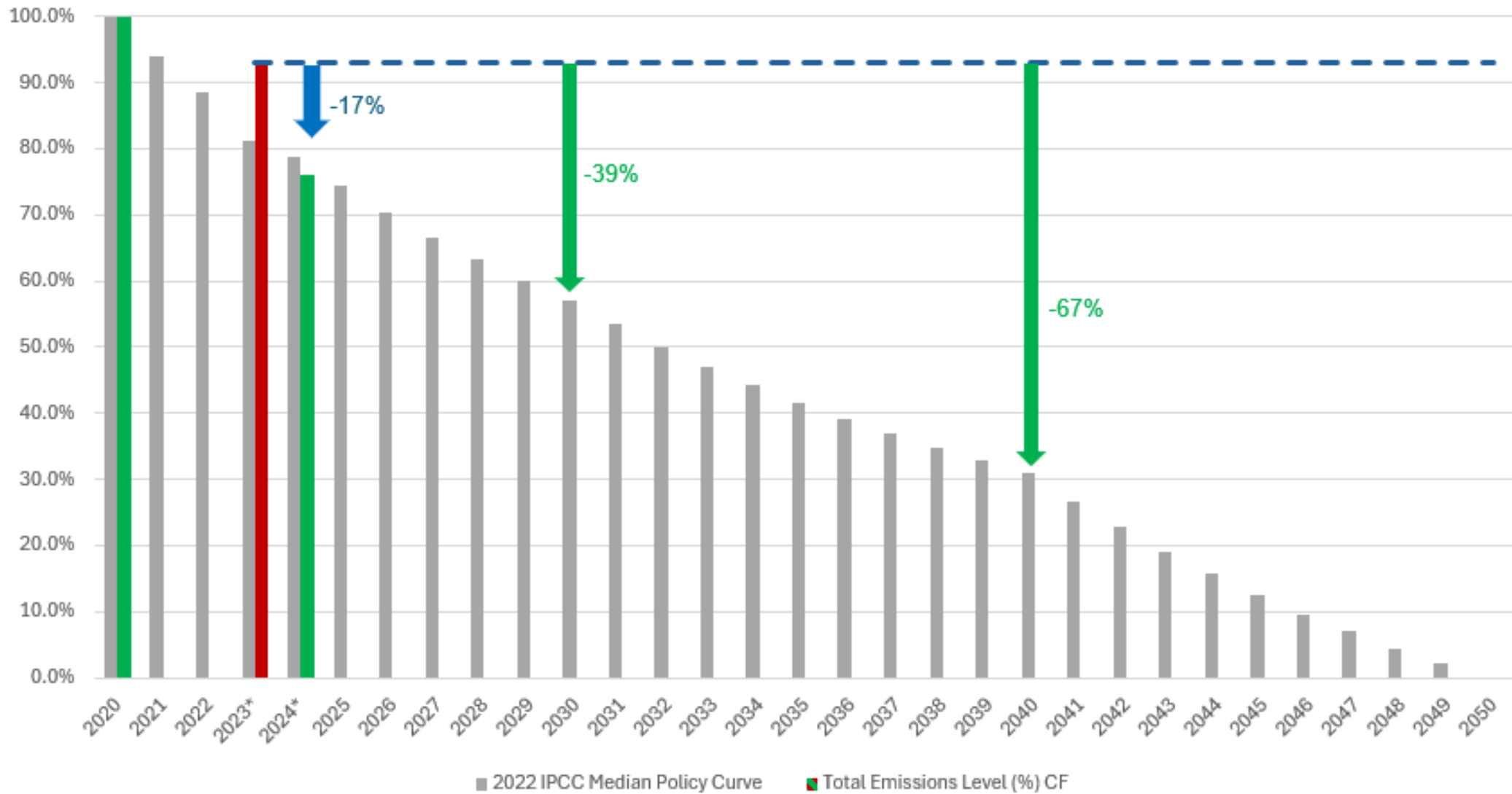
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Net Zero 2050

Update



IPCC - Listed Equites (excl. Synthetic Equities) - Carbon Footprint Progress Update



Summary

- Listed Equities

WACI has reduced to 44.42 in 2024 from 58.30 in 2020

This brings us ahead of the IPCC curve reduction target for 2024 (76% vs 79%)

Main drivers:

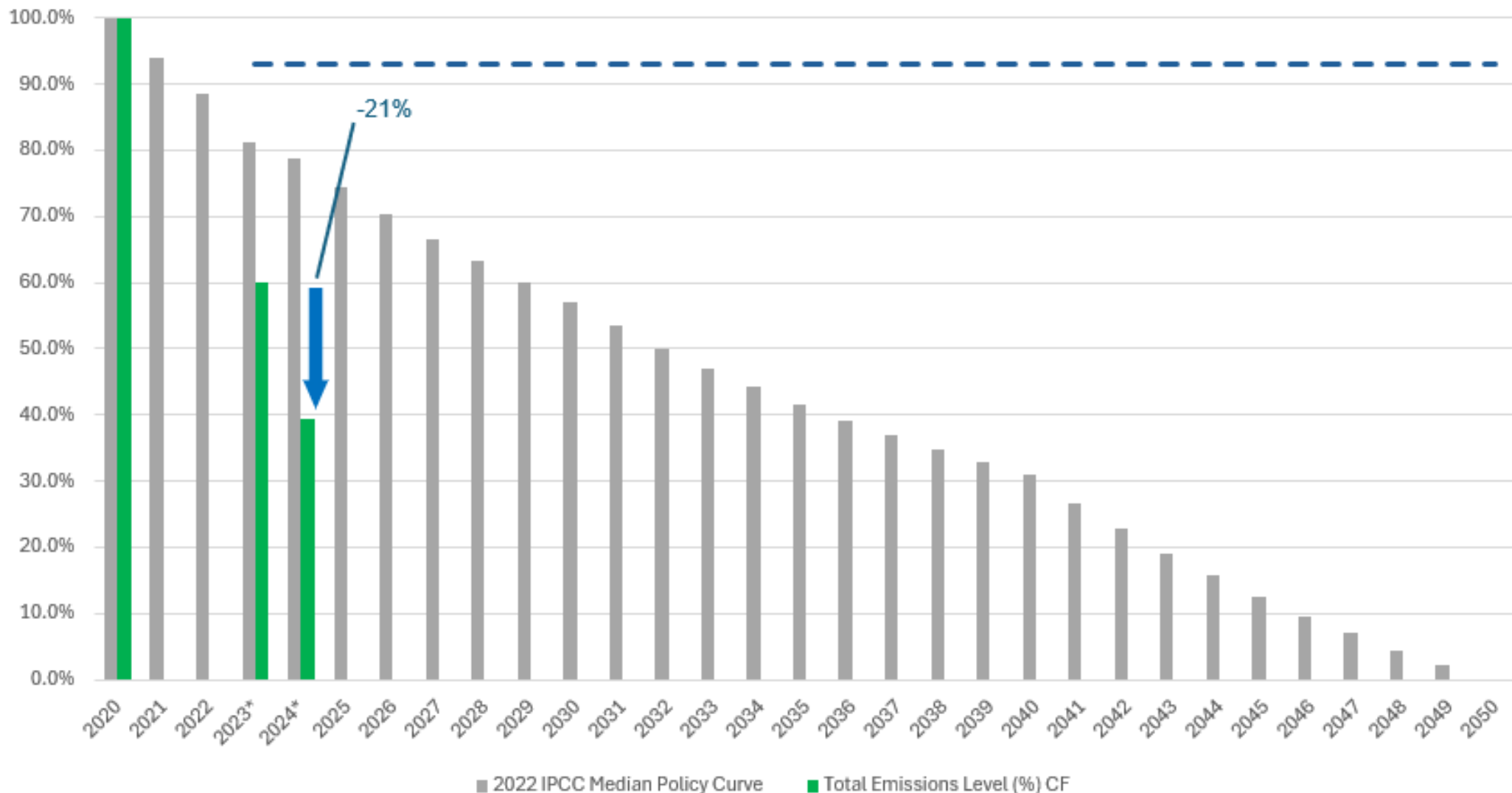
Active managers have made good progress in reducing Carbon Footprint

Reduction in allocation to Schroders UK Equity which has a relatively high emission score

The introduction of 2 emerging market mandates has the impact of slightly increasing score



IPCC - Corporate Bonds - Carbon Footprint Progress Update



Summary

- Fixed Income

Fixed Income WACI reduced to 66 in 2024 from 169 in 2020

The reduction is well ahead of the target, however as the coverage of data in Fixed income mandates is low, the WACI does not necessarily represent the complete picture

The WACI could increase due to better data coverage in future

Highest reduction attributed to CQS followed by GSAM , with GSAM still with emissions double the WACI of other Fixed income mandates



SBTi Target alignment

- At June 2024



39.38% of the Equities portfolios were invested in companies with SBTi targets compared to 37% in June 2023



Good progress has been made by active managers but introduction of EM managers and reduction in M&G GDF score has detracted



24.15% of the companies in fixed income portfolios had SBTi targets compared to 23.5% in June 2023



GSAM has the highest alignment score in the fixed income mandates although it also has the highest WACI score- this highlights the scope for engagement with the manager



Example Engagements – Q3 2024

COMPANY ENGAGEMENT: JPMORGAN

As part of their 2024 Climate Progress Report, ING has announced that it will strengthen its approach to avoiding financing nonaligned activities. ING's steps forward offer a model for others to follow. It is clearly possible for banks to take steps to tie financing to climate.

In Q3, we continued discussions with JPMorgan, though progress remains slow and access to the board is restricted. Investor Relations invited a new executive, who was formerly a lawyer at the SEC, to help address our questions on climate-related financial disclosures. JPMorgan maintains that "Sarasin is unique" in asking for greater disclosure on how climate risks are being factored into expected credit loss assumptions.

We have requested a call with the new Audit Committee Chair and, in the meantime, we have started reaching out to other investors to determine whether we might gain support for a collective letter to the Audit Committee.

COMPANY ENGAGEMENT: EQUINOR – We exited this position on 11.07.24 but continue to engage with the company.

Equinor is an important target for our engagement work due to the ripple effect it offers. In the end, if we are to achieve a 1.5°C outcome, we will need to see fossil fuel companies wind down their operations. It is not enough to only scale up green solutions.

We see Equinor as one of the oil and gas majors best positioned to align with a 1.5°C pathway, primarily given its 67% ownership by the Norwegian Government, a Paris Agreement signatory. Norway has committed to setting clear expectations for its carbon-intensive businesses to pursue credible 1.5°C strategies.

Despite this apparently strong foundation, and positive steps by Equinor to manage its scope 1 and 2 emissions, it has so far failed to address the elephant in the room: the emissions associated with the consumption of its oil and gas.

Over the last four years, we have steadily escalated our efforts. We have helped to coordinate letters to the Prime Minister of Norway, the Minister responsible for Equinor's oversight, the Chair and Audit Committee Chair of Equinor. In May 2024, we led a shareholder resolution at Equinor's AGM, urging the board to align its strategy and capex plans with the Paris goals. Though rejected by the Board and State shareholder, over 30% of non-state shareholders supported it. Despite this, the Board continues to claim Equinor's strategy aligns with the Paris Agreement, which we believe may mislead investors. We are now considering how best to respond.



SCIENTISTS WARN OF RISING FOOD INSECURITY

While there's no shortage of scientific research on the worsening state of our climate, an article in Nature magazine in June uses sophisticated modelling to explore the human consequences of rising water and heat stress associated with the current 2.4°C and warmer 4.3°C pathways.

Critically, the modelling embeds a wider range of damage functions, e.g. how heat stress will impact labour productivity, as well as feedback loops. They consider two 'shared socioeconomic pathways' ranging from something akin to business as usual to one of regional rivalry associated with less cooperation to contain climate change. The authors conclude that global food production will likely decline between 6 and 14% to 2050, resulting in 556mn to 1.36bn more people exposed to severe food insecurity, compared to the 2020 model baseline. At the upper end, this equates to the populations of the EU, UK, US, Indonesia and Brazil being impacted by food stress in addition to what would otherwise occur. And this only considers water and heat stress.

Rather than asking whether we can afford to act, the science is clear that the more relevant question we need to answer is can we afford not to?

MARKET OUTREACH: PRESSING FOR HIGH-QUALITY ACCOUNTING AND AUDIT

Audit quality remained a priority for us in Q3. In August, the US audit regulator (the PCAOB) released its latest audit firm inspection reports. Enhanced disclosures offer an important window into the quality of their auditors.

According to the PCAOB, many audit deficiencies are often recurring and involve serious failures like insufficient testing of estimates and data. These audit weaknesses have significant consequences for both investors and the public. Auditors play a crucial role in ensuring reliable financial reporting, yet the 99% reappointment rate signals a lack of accountability. We continue to advocate for stronger regulations and are committed to holding auditors accountable. This quarter, we would flag the following activities and one important impact from our outreach:

Outreach to SEC

Following constructive meetings held in the Spring with the SEC's Head of Corporation Finance and Chief Accountant, we continued discussions on inadequate company disclosures of critical forward-looking accounting assumptions.

Our analysis of seven US-listed energy companies revealed almost no disclosure of key assumptions underpinning assets and liabilities, contrasting sharply with UK and European practices. This lack of disclosure appears to conflict with SEC Regulation SK, Item 303, which explicitly requires transparency around critical accounting estimates.

During Q3, we shared our findings with other investors and are hoping to raise this matter formally with the SEC and PCAOB this autumn.



[Presentation to PCAOB on the need for enhanced audit committee disclosures](#)

Following discussions with the PCAOB on audit quality in the Spring, Sarasin was invited to present at an Investor Advisory Group meeting in September. The focus of the discussion was on Audit Committee effectiveness.

In light of the weak audit inspection results noted above, we underlined four areas where we would like to see action:

- 1) improved audit committee disclosure to shareholders;
- 2) more meaningful auditor disclosure to shareholders in Critical Audit Matters;
- 3) steps to tackle shareholder absenteeism; and
- 4) greater efforts by proxy agencies to ensure robust analysis of audit quality.

[International Accounting Standards Board \(IASB\) publishes illustrative examples on climate](#)

We are pleased to report a major step forward by the IASB, which published an Exposure Draft in July with examples showing how climate and other uncertainties should be reflected under key accounting standards. The examples clarify how decarbonisation and climate impacts will have real economic consequences for businesses without the need for new standards. Following our engagement with the IASB, we are particularly encouraged to see the examples that go beyond the oil and gas industry, including how climate risks could affect banks' expected credit loss assumptions.

We will be making a formal submission to the IASB consultation.

[MARKET OUTREACH: FCA PROSPECTUS CONSULTATION](#)

When UK companies issue securities for the first time, they are required to publish a detailed Prospectus. In July, the FCA published a consultation on its proposed update to the Prospectus Rules. We were pleased to see them make two important proposals: 1) the inclusion of climate-related disclosures where the issuer has indicated this to be material to the business prospects; and 2) incorporate a proposal from CarbonTracker and ClientEarth to add an 'atmospheric viability test' (AVT) to the competent persons report (CPR), as well as ensuring climate is considered in the existing financial viability test.

We support these proposals and helped coordinate two webinars in Q3 to encourage responses to the consultation.

[CLIMATE ACTIVE PANEL NEWS](#)

Following the departure of Claire Perry O'Neill earlier this year, we are thrilled to report that Rt Hon Sir Chris Skidmore has joined our Climate Active Panel. Having led the UK Government's net zero review in 2020-21, Sir Chris brings with him a deep understanding of the challenges and opportunities associated with a net zero pivot, as well as a keen awareness of the context in which policy is decided.



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Appendix 3 – Ruffer Update on Newmont Engagement

Engagement Reported to September Committee

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.

Update Provided by Ruffer

“Our recent engagements with Newmont have had several key objectives but primarily focused on gathering information related to the recent fatalities and understanding its approach to the transition to Net Zero.

During our discussions with the company, Newmont provided a thorough explanation of its reflections and learnings from the fatalities at its mines. Newmont said the incidents have unrelated causes, and external investigations are ongoing (the Cerro Negro mine investigation has been concluded). The fatalities are likely to impact executive pay, and Newmont assured us that employee health and safety – and particularly avoiding fatalities – remains a top priority for the company. The incidents have also catalysed discussions on the quality measures used to assess Newmont’s performance on safety. The company wants to increase employee understanding of and accountability for safety measures across the business and has set a deadline to develop a plan addressing this. We are satisfied with the initial discussions around this topic, and we expect to see details regarding pay implications and updated safety procedures in Newmont’s 2024 remuneration report and its sustainability report (to be published in 2025).

Regarding questions about the transition to Net Zero, we plan to monitor progress on integrating Newcrest assets into Newmont’s management systems and advocate for updated reporting on metrics and targets. Following Newmont’s acquisition of Newcrest and related concerns about applying high standards to emission data collection, we are satisfied with Newmont’s commitments at this stage. The company is revising its targets and intends to incorporate Newcrest’s assets into its baseline reporting framework by 2025, with the updated data to be published in 2026.

In summary, we are satisfied with our recent engagements with Newmont. We will continue to engage with the company to monitor its progress towards these reports and the implementation of new safety processes into 2025 and will strive to continue to build a productive relationship with the company.”

From:	Chairman Pension Fund Committee Interim Corporate Director of Finance
To:	Pension Fund Committee – 3 December 2024
Subject:	Investment Performance and Asset Allocation Update
Classification:	Unrestricted

Summary:

This report provides a summary of the Fund's, asset allocation, performance, and cash flow position.

Section 1 of the report provides an overview of the Fund's current asset allocation compared to the target range. Asset allocation (rebalancing) decisions are based on the latest month-end valuations available and notes that no rebalancing is required at this stage.

The Fund has outperformed its quarterly benchmark and a detailed commentary on the performance by asset class and manager for the quarter as well as longer term is included in sections 2 and 3 of the report. Detailed performance information is provided in the *Quarterly Fund Performance Report* found at Appendix 1.

Finally, the report also includes an overview of the update on the cashflow forecast and cash position to March 27. The cashflow forecast is based on expectations for operational (non-investment) cash flows, current investment commitments of the Fund and does not consider additional commitments to alternative assets which will be required in the future to achieve and maintain the target allocations to these asset classes.

Recommendation:

The Committee is asked to:

- a) note the report; and
- b) to agree that no rebalancing is undertaken (para. 1.4)

FOR DECISION

1. FUND VALUE AND ASSET ALLOCATION

- 1.1 As of 30 September 2024 (the latest available data), the Fund's value was £8.4bn compared to £8.3bn as at 31 July 2024, the position previously reported to the Committee. The table below sets out the current asset allocation versus the Fund's strategic asset allocation and its rebalancing policy.

Asset Class / Fund Manager	Strategic Asset Allocation	Tolerance Band	Current Asset Allocation		Variance	Status
	(%)	(%)	£m	(%)	(%)	
Equities	53.0%	+/- 10%	4,663.1	55.6%	2.6%	In Range
UK Equities	10.0%	+/- 2.5%	919.2	11.0%	1.0%	In Range
Schroders UK Equity			917.0	10.9%		
Link Fund Solutions			2.3	0.0%		
Global Equities	38.0%	+/- 5%	3,334.6	39.8%	1.8%	In Range
Schroders GAV			480.6	5.7%		
IMPAX Funds			74.5	0.9%		
Baillie Gifford			1,229.9	14.7%		
M&G Global Diversified			643.3	7.7%		
Sarasin			433.9	5.2%		
Insight- Global Synthetic Equity			472.2	5.6%		
Emerging Market Equities	5.0%	+/- 2.5%	409.3	4.9%	-0.1%	In Range
Columbia Threadneedle			206.8	2.5%		
Robeco			202.5	2.4 %		
Fixed Income	22.0%	+/- 5%	1,844.6	20.8%	-1.2%	In Range
Credit	15.0%	+/- 5%	1,266.2	15.1%	0.1%	In Range
Goldman Sachs			434.6	5.2%		
CQS			271.2	3.2%		
M&G Alpha Opportunities			287.6	3.4%		
Schroders Fixed Income			272.7	3.3%		
Risk Management Framework	7.0%	N/A	477.6	5.8%	-1.2%	N/A
Insight			477.6	5.8%		
Alternatives	25.0%	+/- 10%	2,096.2	23.3%	-1.7%	In Range
Absolute Return	5.0%	N/A	425.3	5.1%	0.1%	N/A
Ruffer			185.8	2.2%		
Pyrford			239.5	2.9%		
Infrastructure	5.0%	N/A	384.3	4.6%	-0.4%	N/A
Partners Group			384.3	4.6%		
Private Equity	5.0%	N/A	364.2	4.3%	-0.7%	N/A
YFM			73.7	0.9%		
Harbourvest Intl			290.5	3.5%		
Property	10.0%	N/A	776.7	9.3%	-0.7%	N/A
DTZ Direct Property			466.8	5.6%		
DTZ Pooled Property			106.0	1.3%		
Fidelity International			142.6	1.7%		
Kames Capital			26.6	0.3%		
M&G Property			34.6	0.4%		
Cash	0.0%	5%	27.2	0.3%	0.3%	In Range
Total	100.0%		8,384.6	100.0%		

1.2 The current asset allocation is broadly aligned with the new strategic asset allocation, allowing for approved tolerance bands. Global and UK equities are marginally overweight and conversely private equity, property and the risk

management framework are slightly underweight. The Risk Management Framework (RMF) contains £154m of cash that is held to meet liquidity requirements: either for private equity and infrastructure drawdowns or to support any additional collateral requirements for the RMF.

- 1.3 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 September 2024 is summarised below. Further detail is provided in the *Quarterly Fund Performance Report* found at Appendix 1.

Investment performance: quarter to 30 September 2024

- 2.2 The Fund's investments returned 1.4% in the three months to 30 September 2024, compared to the benchmark return of 1.1%.
- 2.3 **UK equities** continued to generate higher returns compared to the global index with the FTSE All Share index gaining 2.3% over the quarter. Domestically focused mid cap and small cap equities performed better than large cap stocks. The Fund's UK equity manager, Schroders, outperformed the benchmark during the quarter with a return of 3.7%.
- 2.4 **Global equities:** geopolitical tensions, economic backdrop was positive, and returns were positive. Global equity markets returned 5.1% in local currency but due to strengthening of the Pound, the MSCI ACWI returns in sterling were a modest 0.5% over the quarter.
- 2.5 Amongst the Fund's global equity managers, Baillie Gifford's return of 2.1% was above its fixed weight regional benchmark return of 1.0%. Impax, M&G and the Schroders Active Value Fund all outperformed the MSCI benchmark of 0.5% this quarter with returns of 4.5%, 4.1% and 0.9%, respectively. Sarasin underperformed with -1.2% returns over the quarter. Collectively, the Fund's global equity mandates delivered a return of 1.9% during the quarter.
- 2.6 After considering the impact of the risk management framework, this gain was reduced to 0.7%. The increase in global equity valuations meant that the value of the Fund's equity protection assets decreased.
- 2.7 **Emerging market equities:** This is the first quarter where the Fund has a full quarter's performance for the emerging market equities. Despite some volatility, emerging market equities ended the quarter with strong returns. The MSCI EM index returned 2.5% in sterling. Both Robeco and Columbia Threadneedle (CT) underperformed the benchmark with 2.1% and -1.1% returns, respectively. CT's performance was particularly affected by its underweight position in Chinese stocks which were boosted by the Chinese government's policy initiatives in September as well as its overweight position in technology stocks which detracted in this quarter.
- 2.8 **Fixed income.** Rate cutting cycles implemented in major economies, caused government bond yields to decline and boosted valuations. However, the

expectations of faster monetary easing by the Fed also led to a weaker dollar against major currencies, including sterling. The Fund's bond mandates collectively achieved 3.1% returns compared to a cash benchmark of 1.3% for the quarter. All credit managers in the Fund outperformed the benchmark with Schroders and GSAM posting returns of 4.1% and 3.3% respectively as their strategies include a view on interest rates which benefitted in a declining rate environment. CQS and M&G Alpha Opportunities also outperformed the benchmark with returns of 2.9 and 2.1%, respectively.

2.9 The Index Linked Gilts portfolio, which is part of the Risk Management Framework (RMF) managed by Insight, returned 1.5%.

2.10 **Property** total returns were 1.8% in this quarter against the UK all property benchmarks return of 1.6%. In the market, all sectors delivered positive total returns in Q3, including the office sector which has experienced negative total returns since mid-2022. The best performing sectors this quarter were the industrial, retail and residential sectors. DTZ's legacy portfolio returned 1.5%. Fidelity posted 2.8% but M&G returned 1.1%. Kames which is in winding down stage returned -0.8% against a Balanced Property benchmark of 1.2%.

2.11 Amongst the two **absolute return** mandates, Pyrford and Ruffer achieved absolute returns of 3.2% and 3.1%, respectively - outperforming the RPI benchmark of 0.3%.

2.12 Both the large **private equity** and **infrastructure** managers underperformed the cash benchmark 1.3% over the quarter with Harbourvest returning -4.6% whilst Partners Group returned 0.4%. YFM produced above benchmark returns of 1.5%.

3. LONGER TERM PERFORMANCE

3.1 For the year ended 30 September 2024, the Fund achieved a return of 6.5% against a benchmark return of 10.7%, an underperformance of 4.2%.

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 13.6% against a cash +4% benchmark of 8.6%, followed by the M&G Alpha Opportunities fund, which returned 11.1%. Both Schroders and GSAM also performed equally well with 13.0% and 11.1% respectively.

3.3 Equities have also rallied with several major indices reaching record highs and the MSCI ACWI posting an annual return of 19.9%. However, the Fund's active managers have had mixed performance: M&G have delivered the best performance with 23.0%. Baillie Gifford have gained 18.1% and therefore both managers have beaten their respective benchmarks. Sarasin, Schroders GAV and Impax have underperformed with Impax detracting the most with a return of 11%. Given the rally in global equities over the past 12 months, the equity protection programme has detracted from overall Fund returns. With returns of 12.3% Schroders' UK equity portfolio underperformed its UK MSCI benchmark of 13.4%.

- 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 4.8% whilst Pyrford has outperformed the benchmark with 9.1% against the benchmark of 5.2%. Overall, the property portfolio returned 1.8% against a benchmark of 2.4%. Although the DTZ direct property portfolio returned 2.6%, performance detracted due to underperformances by Fidelity, Kames and M&G.
- 3.5 For the three-year period, the Fund achieved a return of 2.1% compared to its strategic benchmark of 5.6%, an underperformance of 3.5%.
- 3.6 Benchmark equity returns have been strong during the three-year period with UK and Global equity indices returning 7.4%, and 8.3% respectively. Of the equity managers, M&G and Schroders GAV have outperformed the benchmark over the period with an annualised return of 10.2% and 8.5% respectively whilst the Fund's growth-style manager, Baillie Gifford, significantly detracted with a return of -7.1% against a regional benchmark return of 6.9%.
- 3.7 The equity protection programme has detracted from performance over this period too, as equities have rallied. As noted above, the programme 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 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

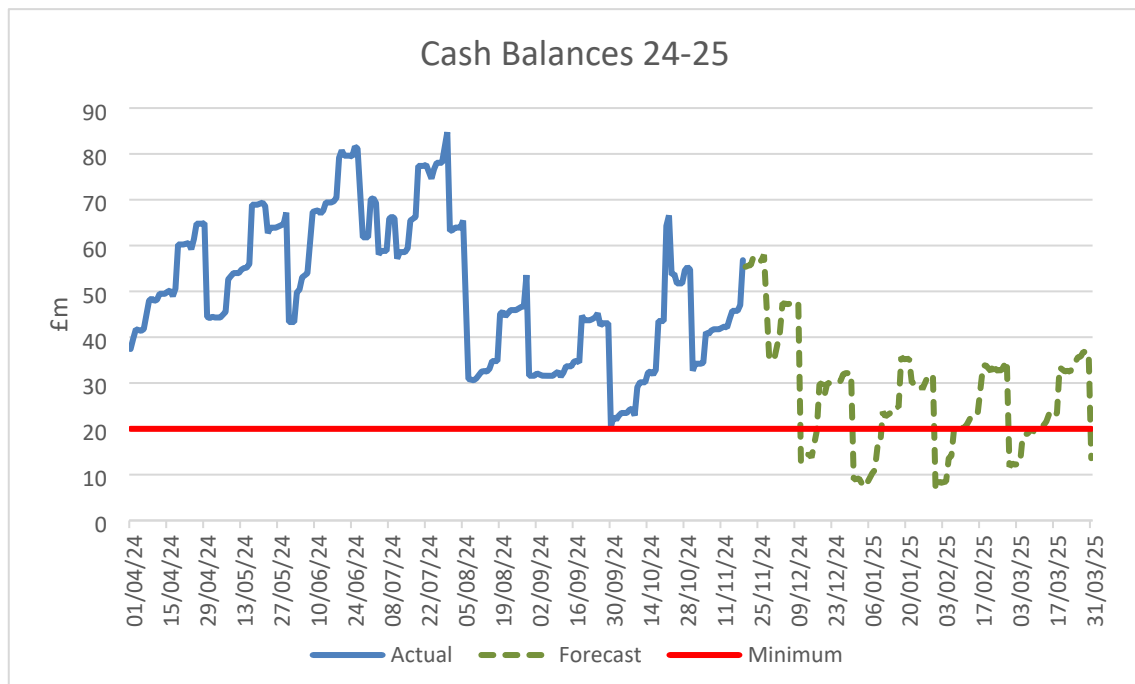
- 4.1 The cash balance as of 30 September 2024 was £26.1m, up from £61.8m at the end of the previous quarter. This figure excludes £153.8m of cash currently held with Insight arising from the sale of assets from the Pyrford Total Return Fund under the Committee's strategic asset allocation implementation plan. This additional liquidity source is discussed further in paragraph 4.10 below.

Actual Cash Flow Experience and In-Year Forecast (2024-25)

- 4.2 The chart below shows the Fund's actual cash flow experience from 1 April of to 18 November 2024 (the date of writing this report) as well as forecast cash flows 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 the timing of transaction activity within the alternatives allocation, and in particular the property allocation. Overall, as additional investments within these asset

classes have exceeded sales and distributions, operational cash balances available to the Fund have declined over the year to date. In October, a redemption of £20m was made from the Insight Liquidity Fund to replenish the balances to a minimum level of £20m. In the previous meeting the Committee delegated the decision to redeem units of the Insight Liquidity Fund to maintain operational cash balances at £20m.

- 4.4 The balances are expected to trend down over the remainder of the year as further capital is deployed to the alternatives allocation per existing commitments.



- 4.5 As the graph shows, cash is expected to decline in December 2024 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 as well as property investments, which are subject to uncertainty. In practice, the Fund has a readily available source of cash via the Insight Liquidity Fund, currently valued at £153.8m, 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.

Cash Flow Forecast (2024-2027)

- 4.6 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.

	2024-25	2025-26	2026-27
	Q3 & 4	Full Year	Full Year
	£m	£m	£m
Opening cash balance	26.1	11.2	88.8
Revenue			
Pensions contributions	155.5	324.0	326.0
Property income	8.7	18.0	18.6
Total inflows	164.2	342.0	344.6
Pensions payments	-155.0	-319.0	-328.0
Admin, governance and oversight	-6.9	-7.4	-7.6
Investment management fees	-2.3	-4.8	-5.0
Total outflows	-164.2	-331.2	-340.6
Net revenue cashflow	0.0	10.7	4.0
Investments			
YFM	10.0	13.0	26.0
Partners Group	15.6	35.0	60.0
Harbourvest	-5.5	18.9	62.2
Property investments net of redemptions	-35.0		
Net investment cashflow	-14.9	66.9	148.2
Closing internal cash balance	11.2	88.8	241.0
Cash held with Insight	153.8	153.8	153.8
Total cash balances (internal+Insight)	165.0	242.6	394.8

- 4.7 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.
- 4.8 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 £14.9m in the remaining period of financial year 2024-25. However, for 2025-26 and 2026-27, net investment cash flows are expected to result in total inflows of circa £99.5m and £245m, 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).
- 4.9 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.
- 4.10 In addition to current and forecast cash levels, the Fund also has £153.8m held in the Insight Liquidity Fund (ILF), 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.

4.11 Given the buffer cash available in the ILF, officers have no concerns over liquidity.

Appendices

Appendix 1 – Quarterly Fund Performance Report – Q3 2024

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

Sangeeta Surana (Investments, Accounting and Pooling Manager)

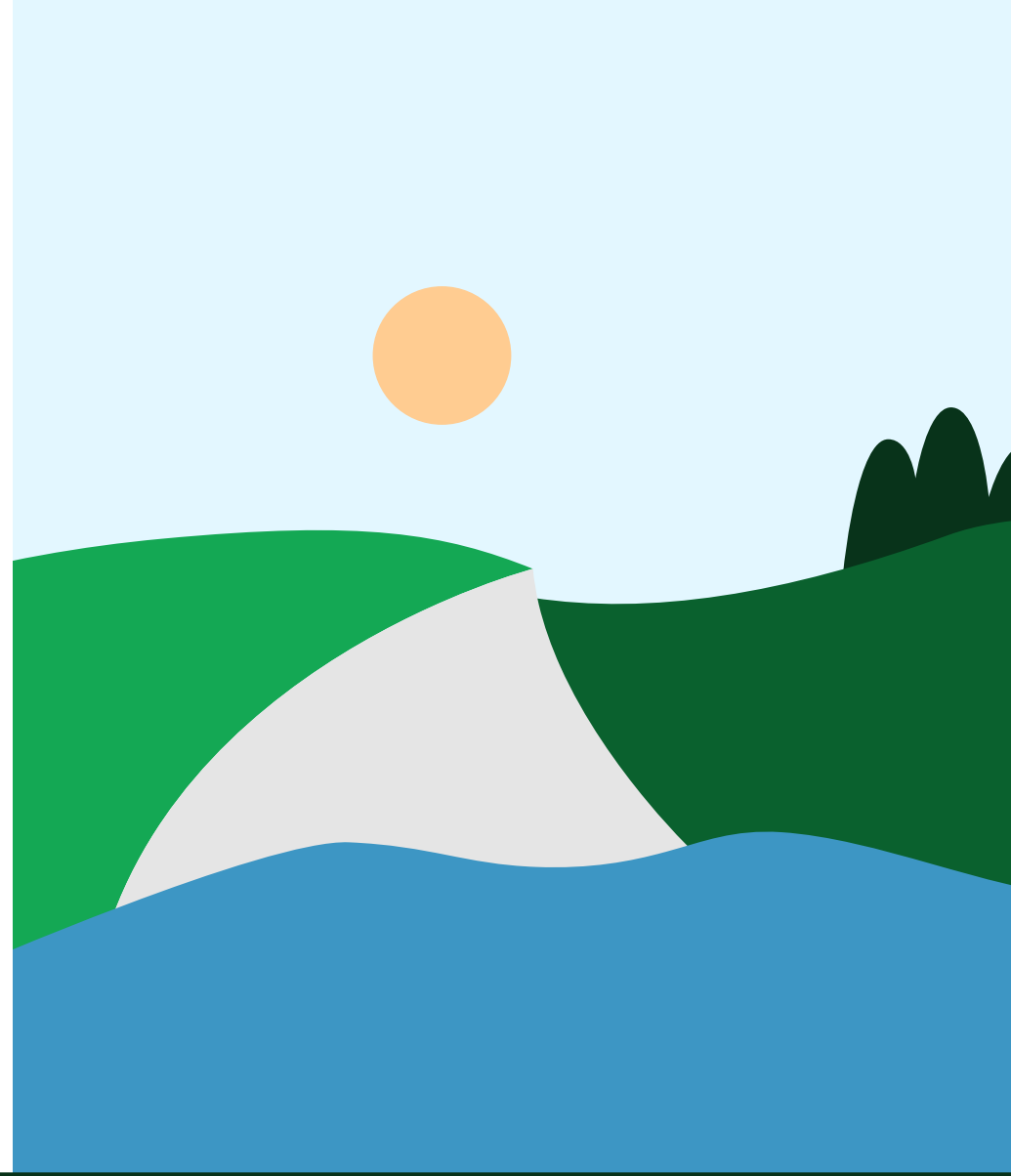
T: 03000 416290 / 03000 416738

E: james.graham@kent.gov.uk / sangeeta.surana@kent.gov.uk

19 November 2024

Kent Pension Fund

Q3 2024 Fund Performance



Market Commentary

- In the third quarter of 2024, developed market (“DM”) central banks including the US Federal Reserve (“Fed”) cut interest rates. DM central banks were prompted to loosen monetary policy amidst the macroeconomic backdrop of cooling inflation, labour markets and slowing wage growth. Notably, the Bank of Japan (“BoJ”) diverged from other DM central banks and hiked rates by 0.15% in July given the impact of robust wage negotiations on inflation. Market sentiment over the quarter tilted back towards a soft-landing as fears of a US recession – which gripped markets in early August – quickly subsided. Overall, bond yields declined across DM economies, while equities outperformed in response to rate cuts. That said, uncertainty around the US election and tensions in the Middle East sparked temporary volatility in financial markets.
- US real GDP increased at an annual rate of 3% in Q2 2024 against an increase of 1.6% in Q1 2024. The increase reflects upward revisions to private inventory investment and federal government spending that were offset by downward revisions to non-residential fixed investment and exports. Headline US inflation fell over Q3 2024, decreasing to 2.5% in August from 3% at the end of June. Core US inflation has been declining in recent months. The Federal Reserve, at its September meeting, decided to cut interest rates, lowering the target range of the fed funds to 4.75%-5.0% from 5.25%-5.5%. The median dot in the Summary of Economic Projections (SEP) showed 50bp more cuts in 2024.
- Chinese GDP grew 4.7% (year-on-year) in Q2 2024, lower than 5.3% in Q1 2024, and the weakest yearly advance since Q1 2023, amid a persistent weak property market, subdued domestic demand and falling yuan. China's central bank announced a major package of measures aimed at supporting economy's recovery. The People's Bank of China (PBoC) lowered its one-year policy loan rate, known as the medium-term lending facility (MLF), by 30bps to 2.0% from 2.3%.

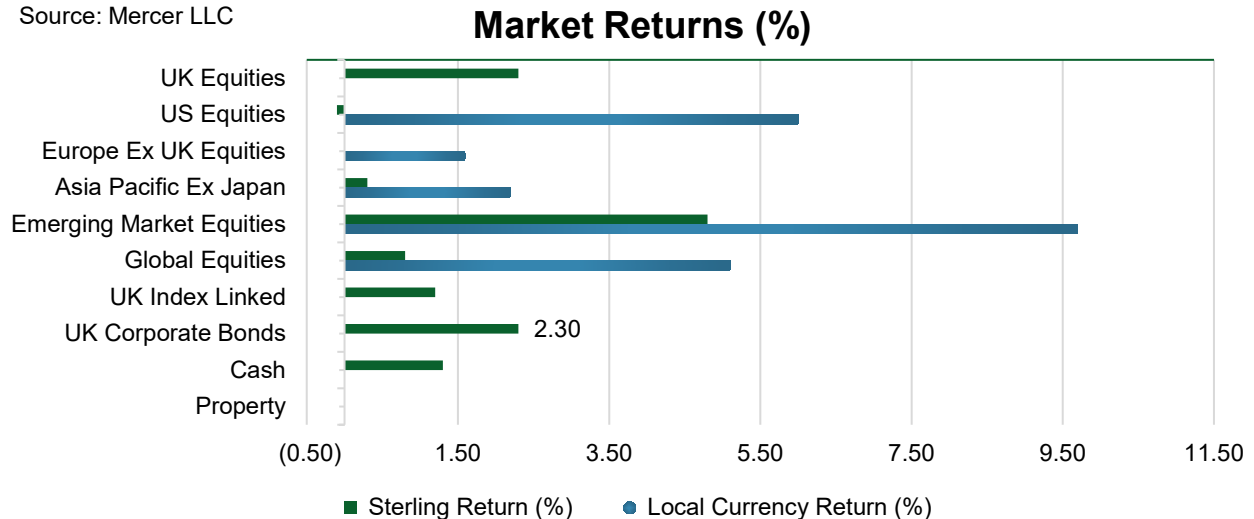
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Q2 Japan's GDP expanded by an annualized 2.9% in the second quarter from the previous three months. largely due to downward revisions in corporate and personal spending. The Bank of Japan in July raised its key interest rate to 0.25% from 0-0.1%,

In Q2 2024, seasonally adjusted GDP increased by 0.6% in the euro area. Spain (+2.9%) recorded the highest increase, followed by Portugal (+1.5%) and Lithuania (+1.4%). The ECB reduced interest rates following their September meeting to 3.50% for the deposit facility. Headline inflation in the eurozone fell to 1.8% in September from 2.5% in June.

UK GDP grew by 0.5% in Q2 (quarter-on-quarter), slightly lower than 0.7% in Q1. Headline inflation in the UK rose to 2.2% in August from 2.0% in June. This was led by a jump in air fares. However, the rise in air flights was offset by lower fuel prices and prices in restaurants increasing more slowly.

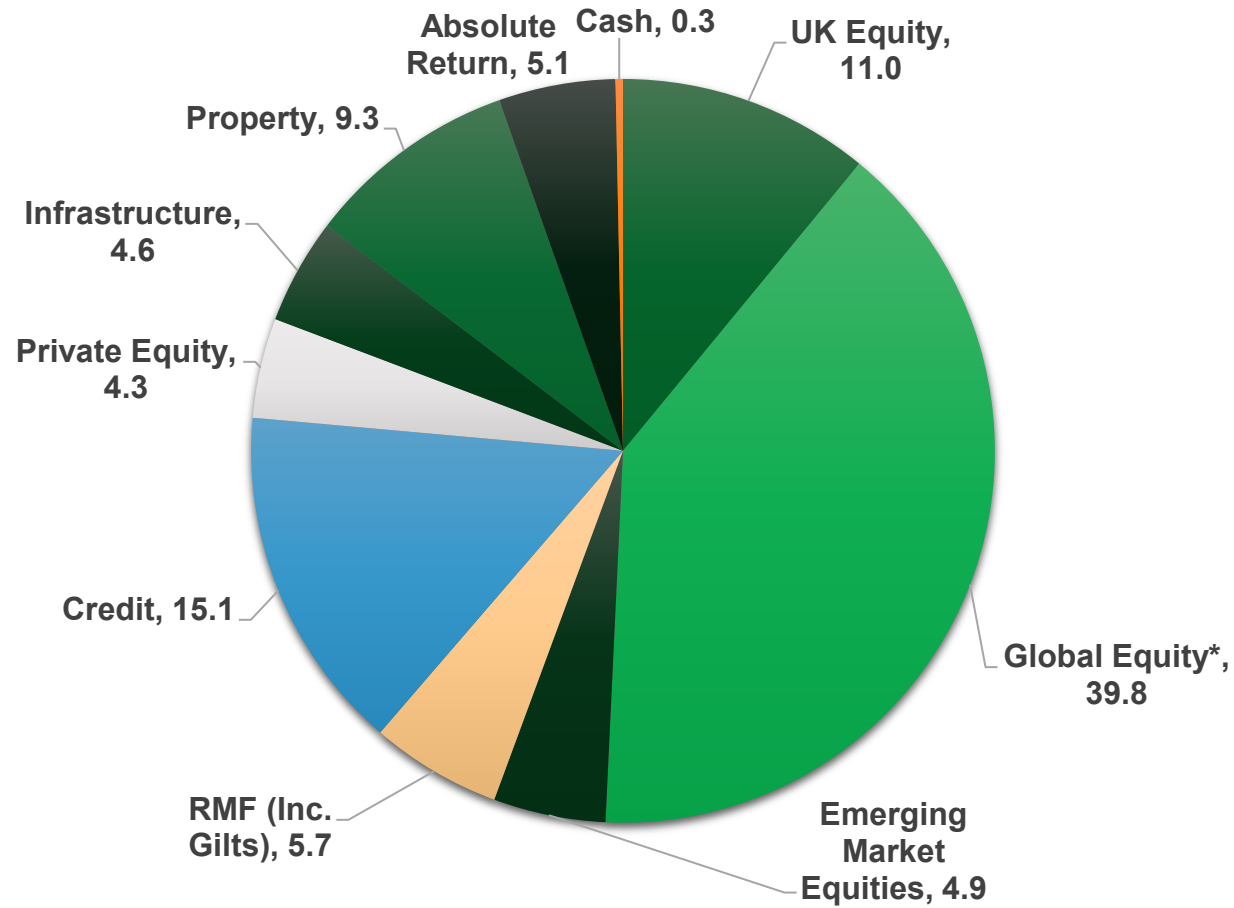
Source: Mercer LLC



Source: Mercer LLC, Refinitiv and Schroders



Asset Allocation – 30 September 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



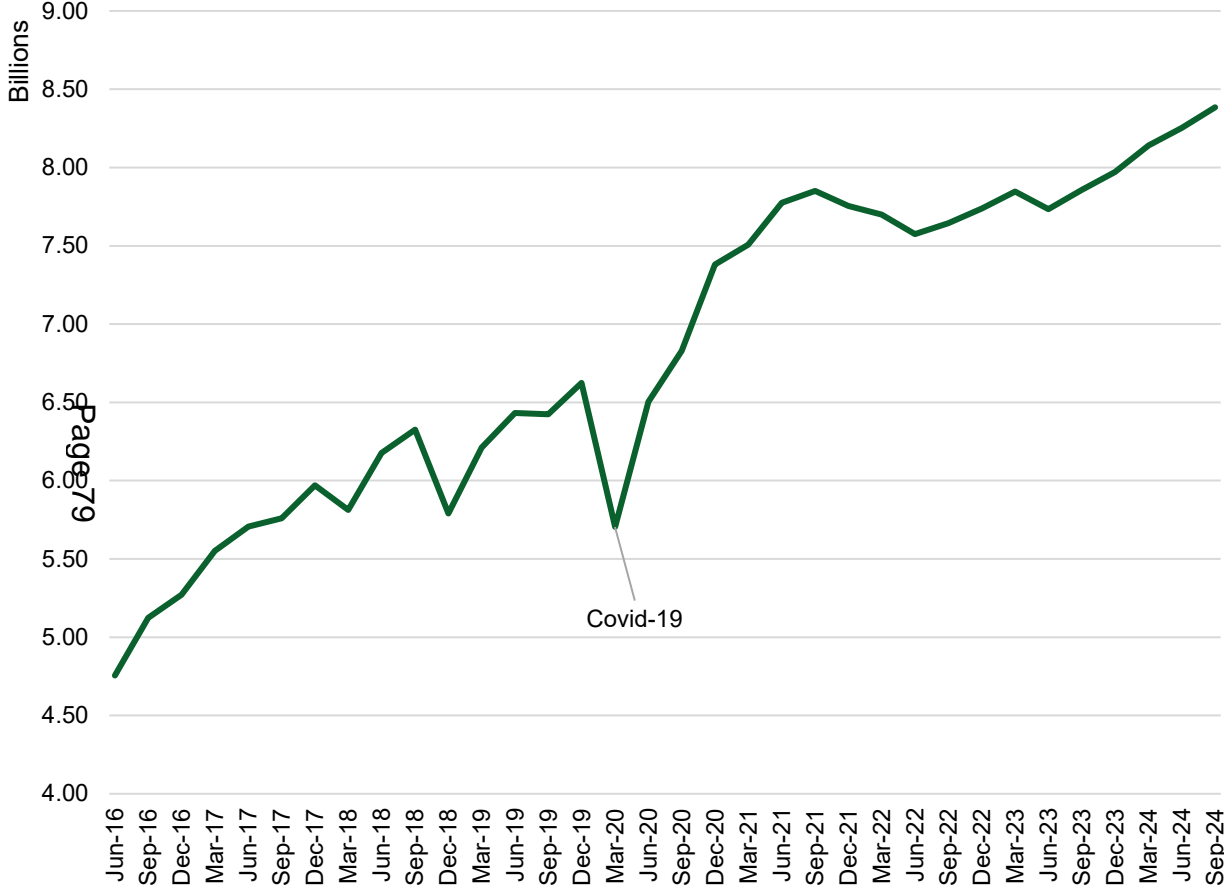
Fund Manager Summary

Asset Class	Fund Manager	Market Value as at 30 September 2024 (£m)	Market Value as at 30 June 2024 (£m)	Change in MV (£m)	% of Total
UK Equity	Schroders UK Equity	917	884	33	10.9
	Woodford Equity	2	2	0	0.0
Global Equity	Impax	75	71	3	0.9
	Sarasin	434	439	-5	5.2
	Baillie Gifford	1,230	1,205	25	14.7
	Schroders Global Active Value	481	476	4	5.7
	M&G Global Dividend Fund	643	618	25	7.7
	Insight (Synthetic Equity Exposure)	472	478	-5	5.6
	Emerging Markets Equity	Columbia Threadneedle	207	209	-2
	Robeco	203	198	4	2.4
Risk Management Framework (inc. Gilts)	Insight	478	494	-16	5.7
Credit	CQS	271	264	8	3.2
	Goldman Sachs	435	421	14	5.2
	Schroders Strategic Bond Fund	273	262	11	3.3
	M&G Alpha Opportunities	288	282	6	3.4
Absolute Return	Ruffer	186	180	6	2.2
	Pyrford	240	232	7	2.9
Property	DTZ	467	466	1	5.6
	DTZ Pooled Property	106	53	53	1.3
	DTZ (previously Aegon)	27	27	-1	0.3
	M&G Residential Property	35	43	-8	0.4
	Fidelity	143	138	5	1.7
Infrastructure	Partners Group	384	373	11	4.6
Private Equity	HarbourVest	290	305	-15	3.5
	YFM	74	65	9	0.9
Cash	Internal Cash	27	68	-41	0.3
Total		8,385	8,253	132	100.0

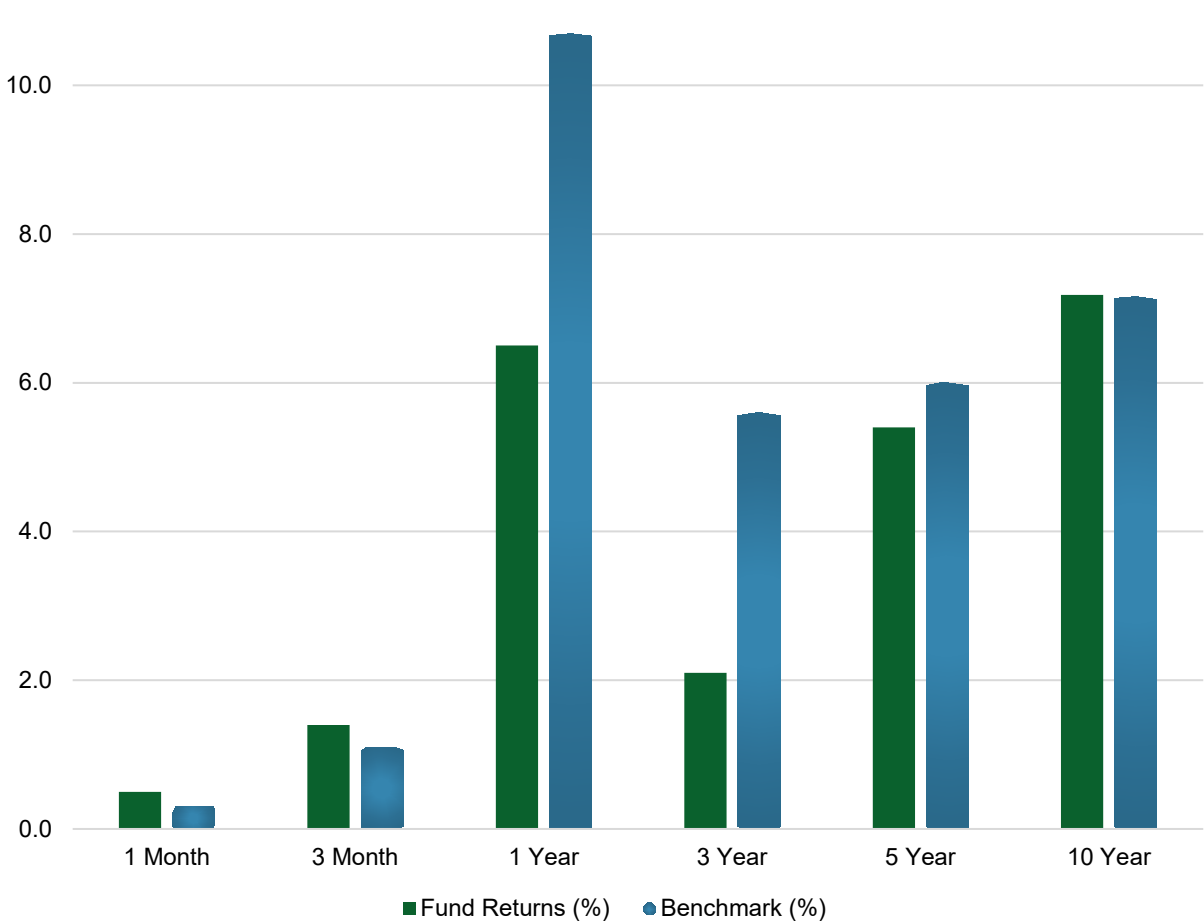


Historical Performance

Total Fund Value (£Bn)



Total Fund Performance vs Benchmark

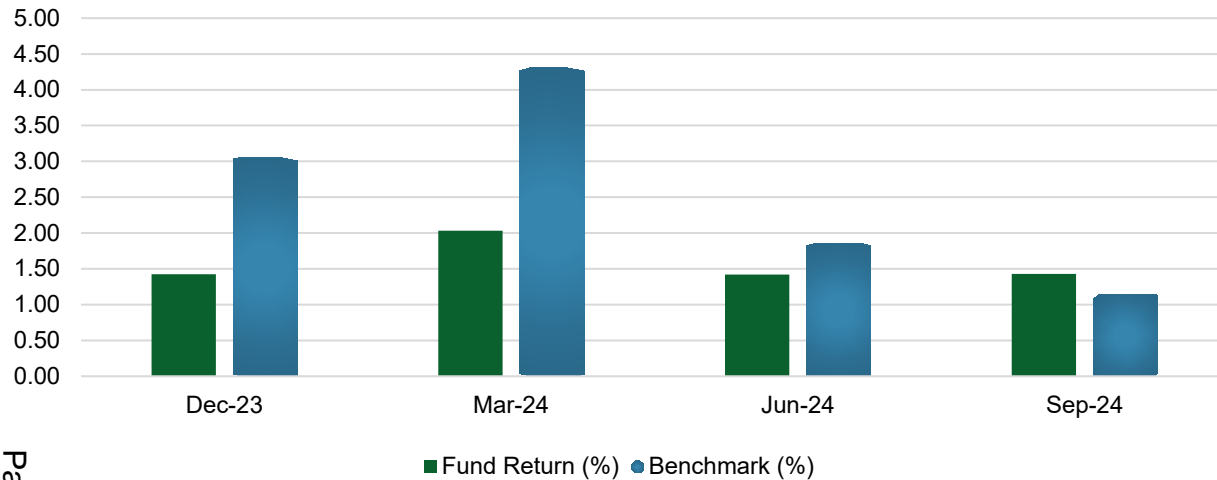


Source: Northern Trust, RADAR Reporting



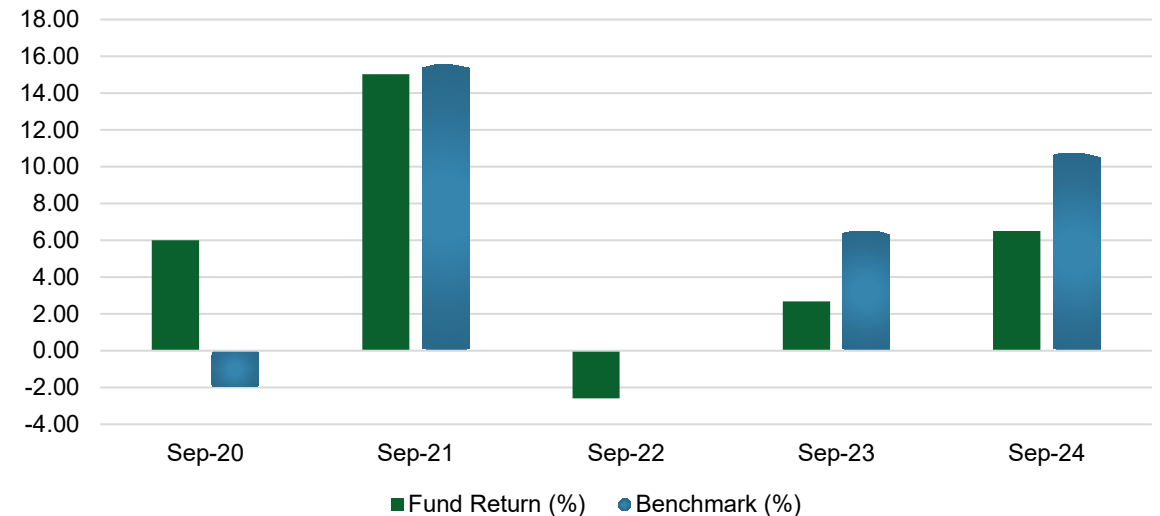
Discrete Performance

Quarterly Returns



- The Fund underperformed the benchmark in Q4 2023 and the first two quarters of 2024, largely due to challenges in global equity markets. Persistent inflationary pressure and rising interest rates led to continued volatility, leading to decreased returns.
- Most recently, however, in Q3 2024, the Fund achieved a positive return outperforming the benchmark with strong returns from the Fund’s global and UK equities and also strong performance from credit managers as rates start to decrease and inflation eases.

Annual Returns (last 5 years)



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The Fund has experienced mixed performance relative to the benchmark over the past five years. Outperformance was achieved in 2020 as the Fund’s allocation to high-growth equities generated strong returns. However, the last four years have been marked by underperformance as a result of elevated inflation, interest rate hikes, and the Ukraine invasion.

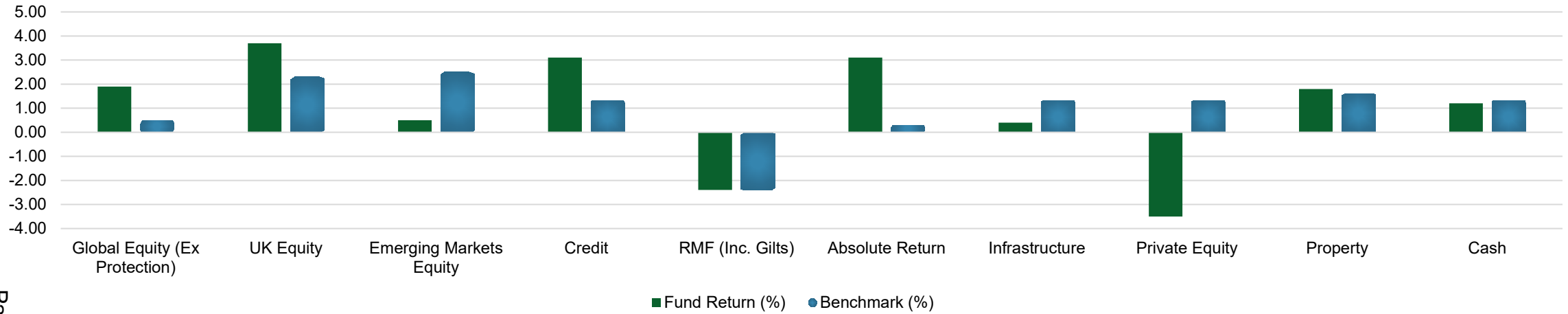
- The most recent annual performance as at September 2024 reflects challenges seen by the Fund’s UK and global equities mandates with volatility persisting. Private equity was also a large detractor to annual performance with valuations being impacted by the changing interest rates.

Source: Northern Trust, RADAR Reporting



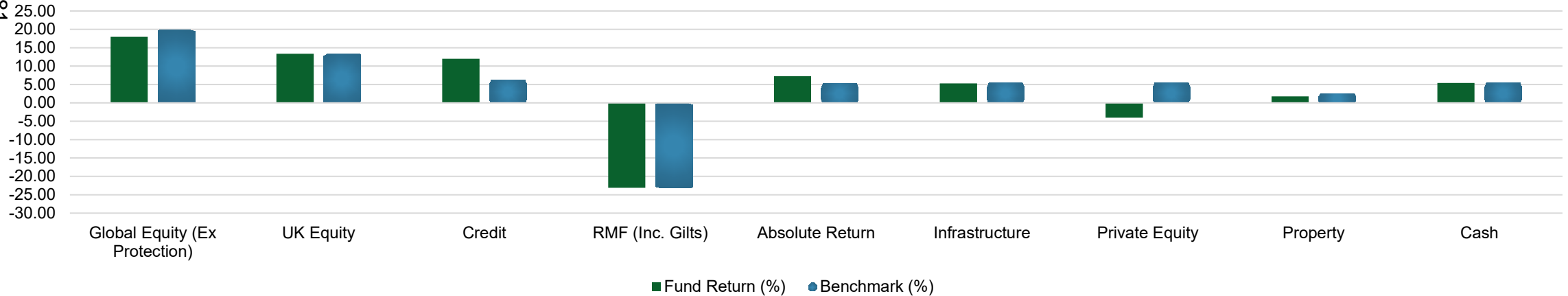
Asset Class Performance

Quarterly Performance



Annual Performance

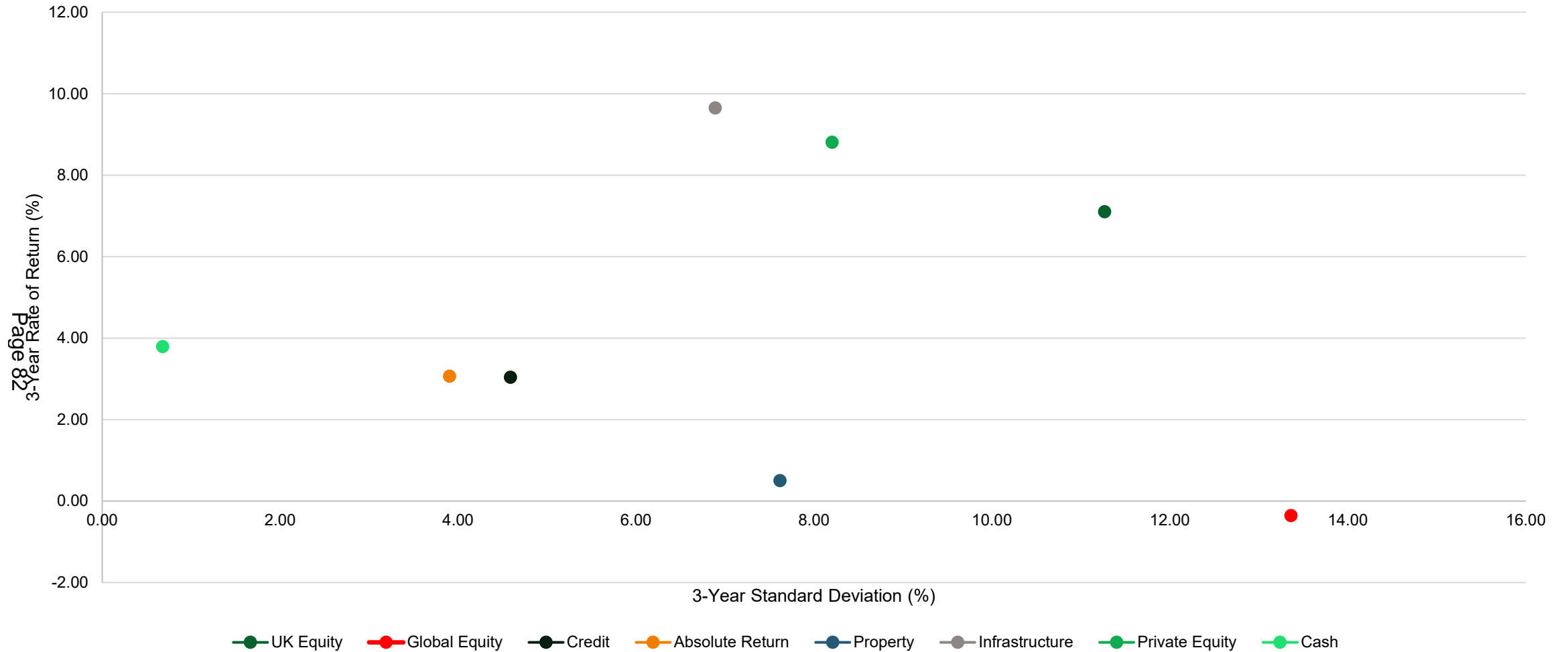
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Source: Northern Trust, RADAR Reporting



Risk vs Return – Asset Class Level



Source: Northern Trust, RADAR Reporting



Detailed Performance by Manager

	Quarter		1 Year		3 Year (p.a.)	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
Total Fund	1.4	1.1	6.5	10.7	2.1	5.6
UK Equity						
Schroders - WS ACCESS UK Equity Fund	3.7	2.3	12.3	13.4	6.9	7.4
Global Equity						
Baillie Gifford - WS ACCESS Global Equity Core Fund	2.1	1.0	18.1	16.8	-7.1	6.9
Sarasin	-1.2	0.5	16.7	19.9	4.6	8.3
Schroders - WS ACCESS Global Active Value Fund	0.9	0.5	13.8	19.9	8.5	8.3
Impax	4.5	0.5	11.0	19.9	-2.1	8.3
M&G - WS ACCESS Global Dividend Fund	4.1	0.5	23.0	19.9	10.2	8.3
EM Equity						
Columbia Threadneedle – WS ACCESS EM Equity Fund	-1.1	2.5	--	--	--	--
Robeco – WS ACCESS EM Equity Fund	2.1	2.5	--	--	--	--
Credit						
Goldman Sachs	3.3	0.9	11.1	3.5	0.9	3.5
Schroders Fixed Income	4.1	1.3	13.0	5.3	2.6	3.3
CQS	2.9	1.6	13.6	8.6	4.1	7.1
M&G Alpha Opportunities	2.1	1.6	11.1	8.6	6.0	7.1
Property						
DTZ	1.5	1.6	2.6	2.4	0.8	-0.1
Fidelity	2.8	1.2	-0.1	1.7	-1.8	-0.4
DTZ (Kames)	-0.7	1.2	-1.4	1.7	0.8	-0.4
M&G Property	1.1	1.2	-1.8	1.7	1.2	-0.4
Private Equity						
HarbourVest	-4.6	1.3	-5.5	5.4	6.3	3.4
YFM	1.5	1.3	1.9	5.4	18.3	3.4
Infrastructure						
Partners Group	0.4	1.3	5.3	5.4	9.7	2.9
Absolute Return						
Pyrford	3.2	0.3	9.1	5.2	4.4	12.1
Ruffer - WS ACCESS Absolute Return Fund	3.1	0.3	4.8	5.2	0.7	12.1



Alternatives Performance

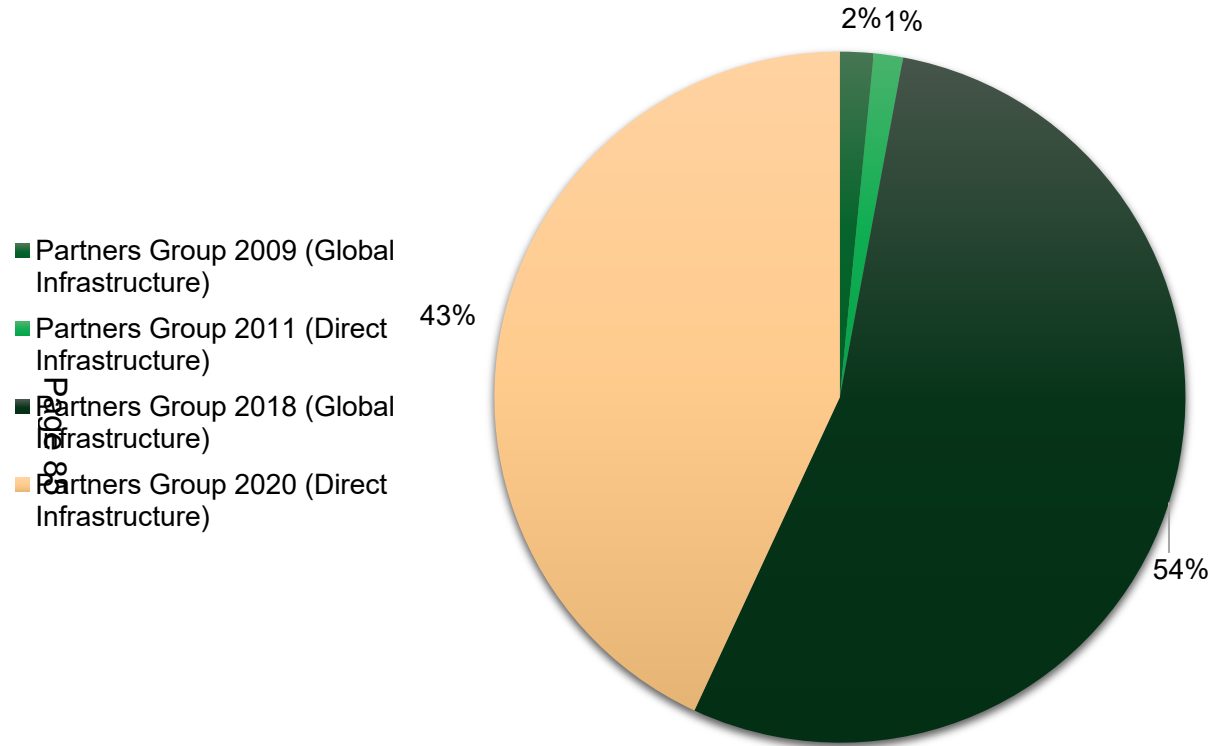
AS AT 30 SEPTEMBER 2024							
Name of Fund	Value of commitment (£m)	Date of original commitment	Cumulative contributions made (£m)	Distributions received (£m)	Net Asset Value at 30/09/2024 (£m)	IRR	TVPI
HIPEP VI-Cayman Partnership Fund L.P.	31	Oct-10	28.8	50.8	12.9	13.7%	2.21
HarbourVest Partners IX L.P.	53	Oct-10	40.9	77.9	32.0	17.7%	2.69
HarbourVest 2018 Global Feeder AIF L.P.	57	Oct-18	44.7	23.3	60.2	19.0%	1.87
HarbourVest 2019 Global Feeder AIF SCSp	57	Mar-19	43.0	10.6	56.4	19.8%	1.56
HarbourVest 2020 Global Feeder AIF SCSp	57	Mar-20	47.4	4.9	52.9	10.8%	1.22
HarbourVest 2021 Global Feeder AIF SCSp	57	Mar-21	37.2	1.8	37.9	9.7%	1.07
HarbourVest 2022 Global Feeder AIF SCSp	57	Dec-21	23.8	0.7	27.7	35.6%	1.19
HarbourVest 2023 Global Feeder AIF SCSp	57	Dec-23	9.5	-	10.5		1.10
Partners Group Direct Infrastructure 2011 S.C.A., SICAR	19	Oct-10	16.5	20.5	5.3	7.9%	1.56
Partners Group Global Infrastructure 2009 S.C.A., SICAR	50	Oct-10	43.3	57.2	6.0	7.3%	1.46
Partners Group Global Infrastructure 2018 L.P. INC	222	Oct-18	180.5	16.0	207.5	9.6%	1.24
Partners Group Direct Infrastructure 2020 LP SICAV RAIF	222	Nov-19	144.6	3.0	165.6	14.7%	1.17
Chandos	6	Oct-07	6.0	6.7	0.0		1.11
YFM Equity Partners Growth Fund 1	10	Oct-14	10.0	13.5	14.2		2.77
YFM Equity Partners Buyout Fund 1	20	Mar-16	18.3	32.6	17.7		2.75
YFM Equity Partners Growth Fund 2	10	Oct-18	10.4	0.4	13.0		1.29
YFM Equity Partners Buyout Fund 2	20	Oct-18	16.0	18.1	11.6		1.87
YFM Equity Partners Growth Fund 3	10	Jun-21	8.2	0.9	9.0		1.21
YFM Equity Partners Buyout Fund 3	20	Sep-23	8.1	-	8.2		1.00

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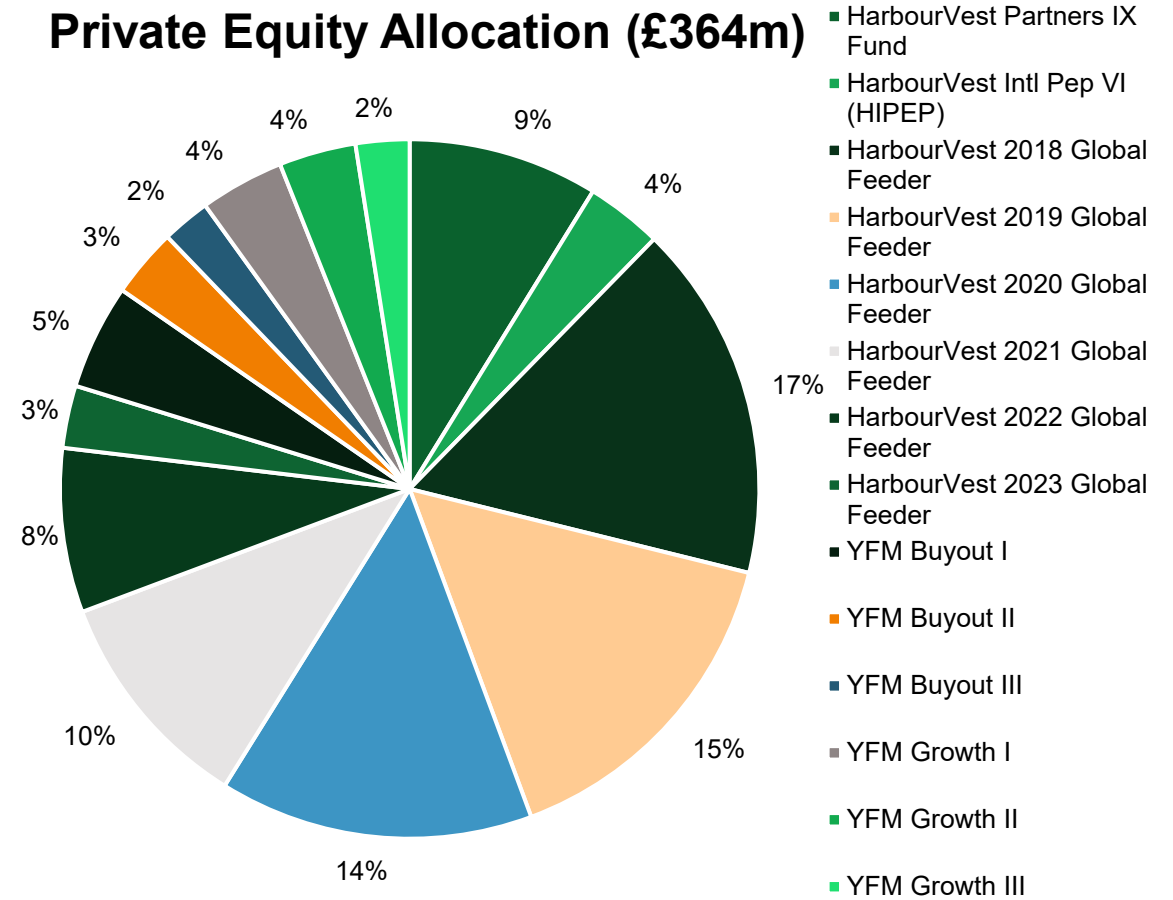


Alternatives Breakdown

Infrastructure Allocation (£384m)



Private Equity Allocation (£364m)

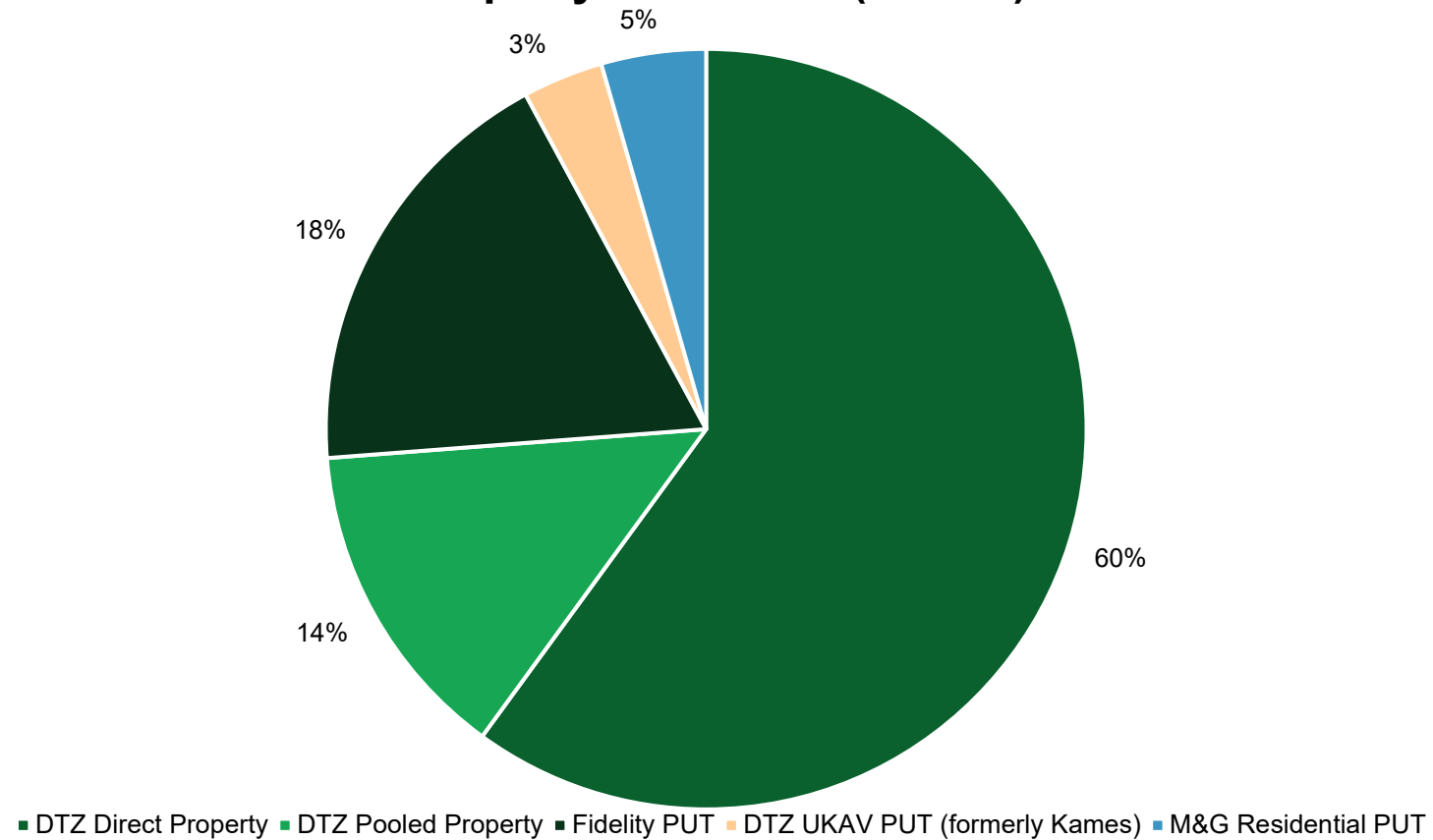


Note: The legend reads clockwise on the pie charts.



Property Breakdown

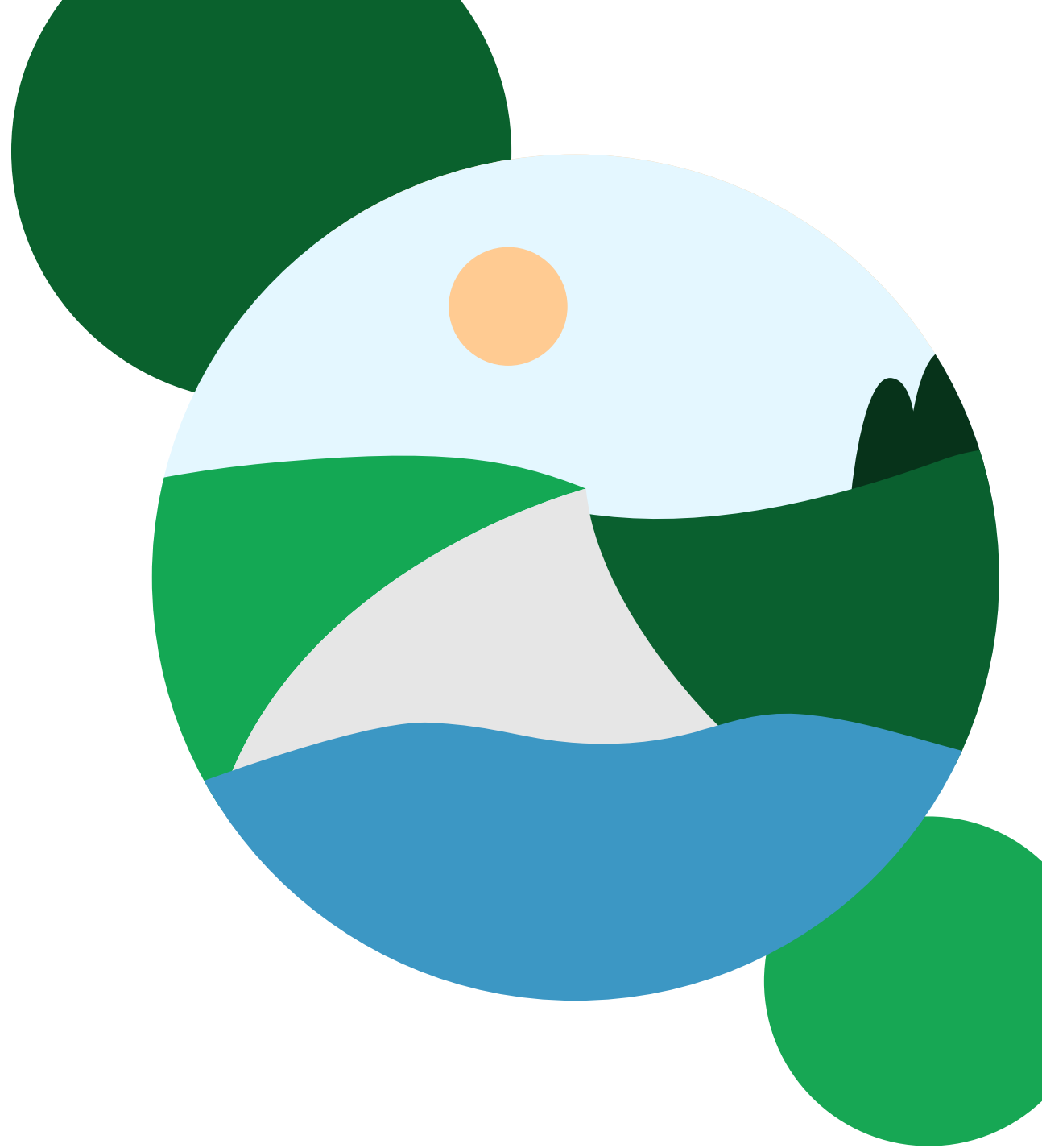
Property Allocation (£778m)



Note: The legend reads clockwise on the pie chart.



Appendix



Benchmarks and Targets

Appendix A

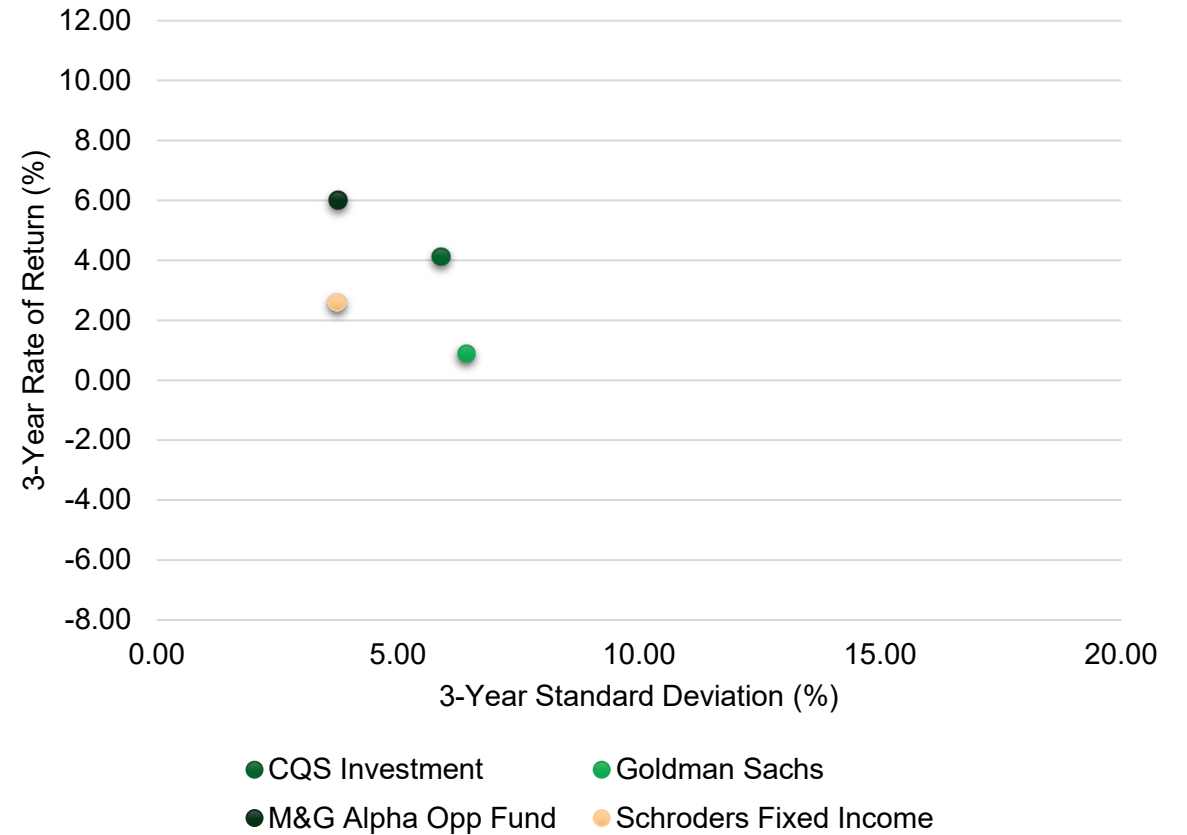
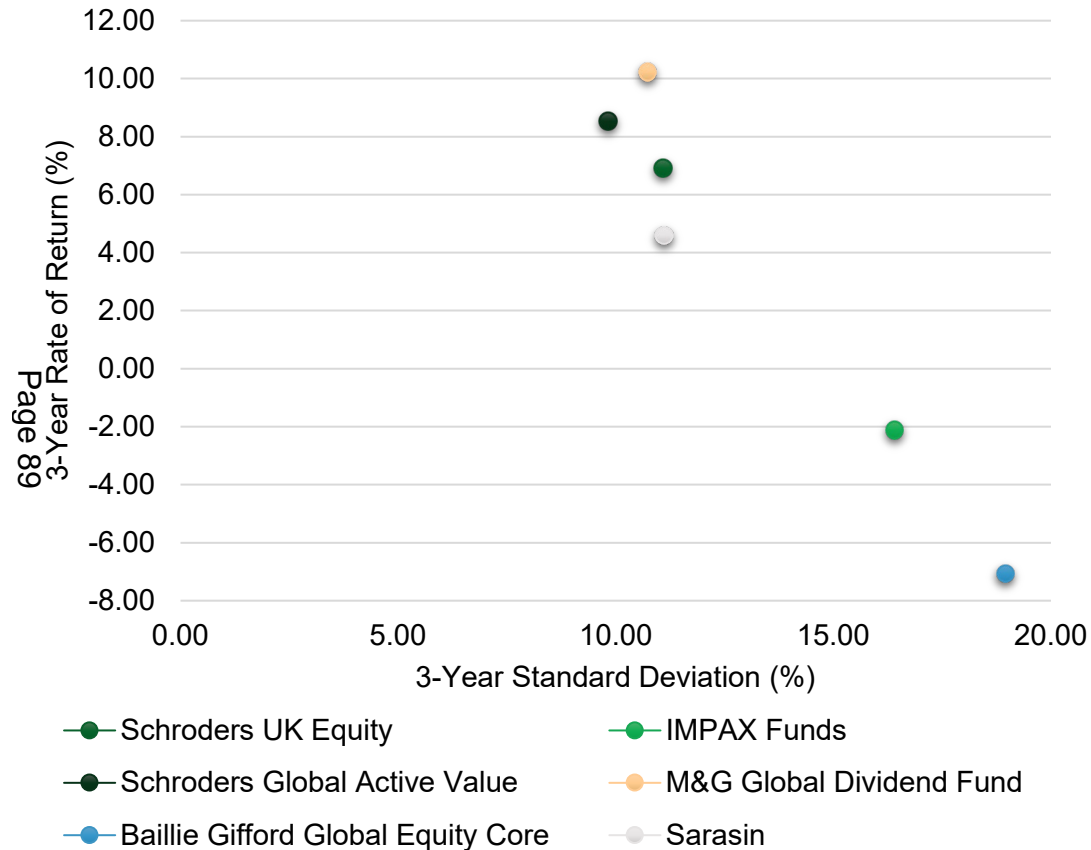
Asset Class / Manager	Performance Benchmark	Performance Target
UK Equities:		
Schroders - WS ACCESS UK Equity Fund	FTSE All Share	+1.5% pa over rolling 3 years
Woodford	FTSE All Share	Unconstrained
Global Equities:		
Baillie Gifford - WS ACCESS Global Equity Core Fund	Regional	+1.5% pa over rolling 3 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
Fixed Income:		
Schroders Fixed Income	ICE BofA Sterling 3-month Gov Bill Index	+4% pa over a full market cycle
Goldman Sachs	+3.5% Absolute	+6% Absolute
CQS	SONIA	SONIA
M&G Alpha Opprtunities	SONIA	SONIA
Property:		
DTZ	MSCI UK All Property Index	≥ 3 year rolling average of benchmark returns
Fidelity	MSCI UK All Balanced Property	
DTZ (Kames)	MSCI UK All Balanced Property	
M&G Property	MSCI UK All Balanced Property	
Alternatives: (Cash / Other Assets)		
Private Equity – YFM	SONIA	
Private Equity – HarbourVest	SONIA	
Infrastructure – Partners Group	SONIA	
Absolute Return – Pyrford	Retail Price Index (RPI)	RPI + 5%
Ruffer - 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

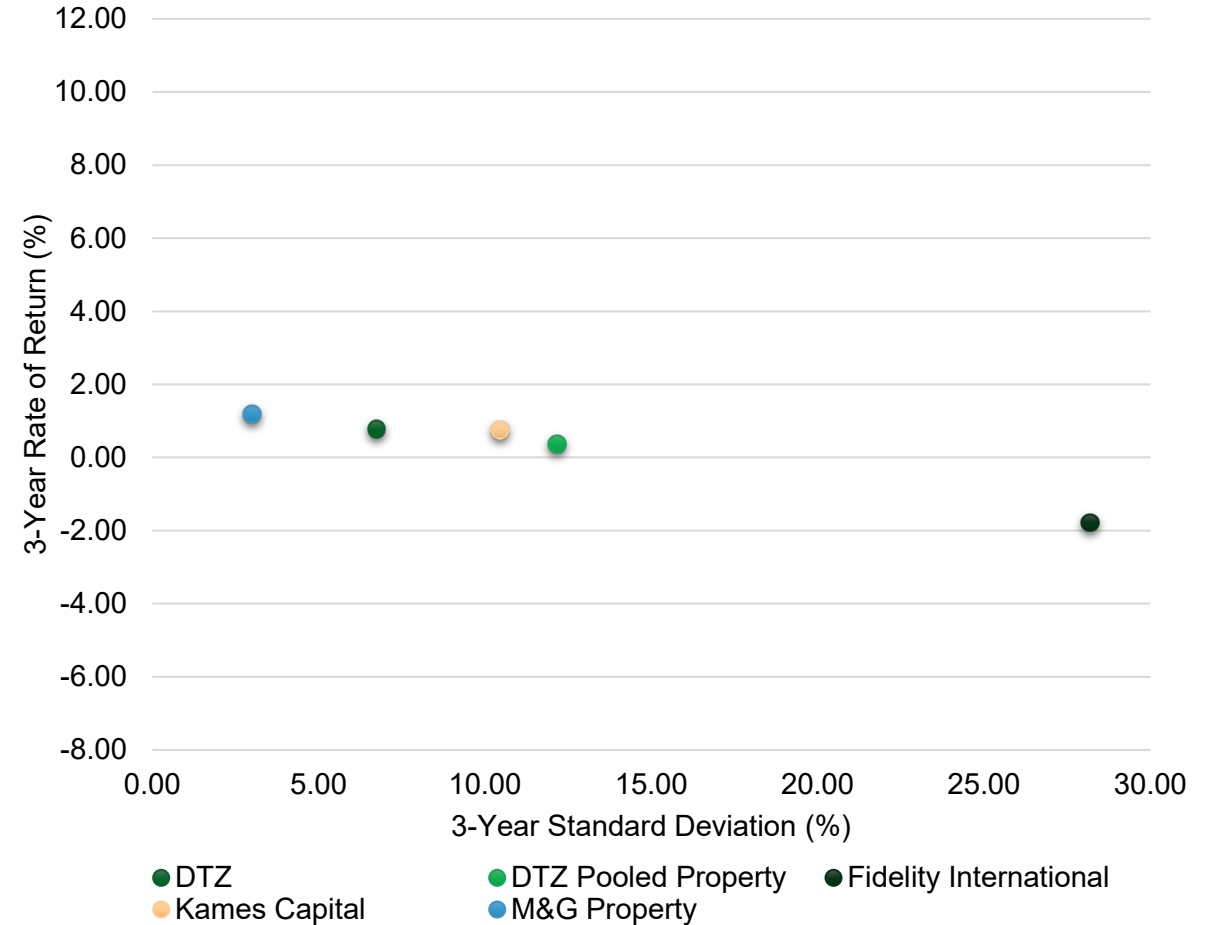
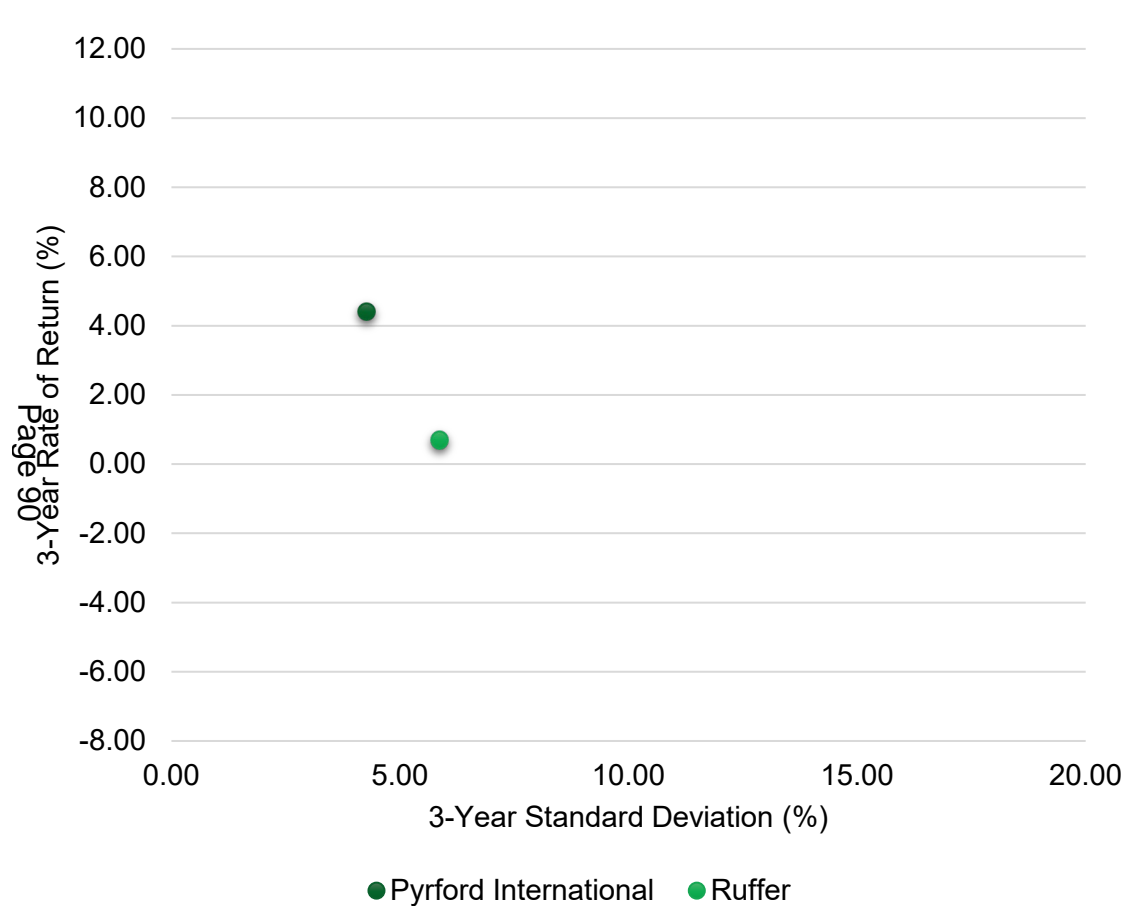


Source: Northern Trust, RADAR Reporting



Risk vs Return – Absolute Return and Property

Appendix C



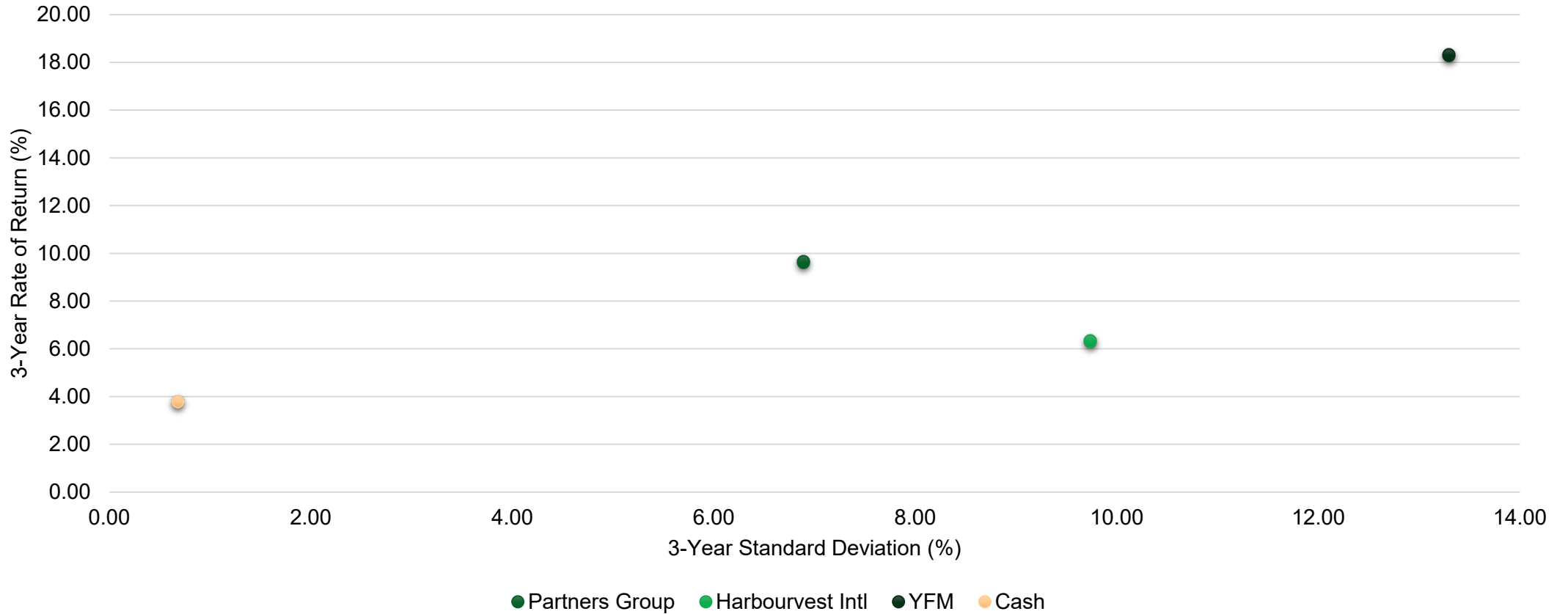
Source: Northern Trust, RADAR Reporting



Risk vs Return - *Alternatives*

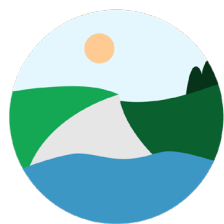
Appendix D

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Source: Northern Trust, RADAR Reporting





Kent Pension Fund

For more information, please visit

www.kentpensionfund.co.uk

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Agenda Item 11

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Agenda Item 13

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