

KENT COUNTY COUNCIL

PENSION FUND COMMITTEE

MINUTES of a meeting of the Pension Fund Committee held in the Council Chamber, Sessions House, County Hall, Maidstone on Tuesday, 3 December 2024.

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

ALSO PRESENT: Mr P J Oakford and Mr R J Thomas

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

UNRESTRICTED ITEMS

1. Apologies and Substitutes

(Item 1)

There were no apologies for absence.

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.

3. Minutes of the meeting held on 19 September 2024

(Item 3)

RESOLVED that the minutes be signed as a correct record of the meeting held on 19 September 2024.

4. Date of next meeting

(Item 4)

It was noted that the next meeting would be held on 6 February and would be used as a training event for the Committee. Further details would be circulated in due course.

5. Committee Work Plan/Action Log

(Item 5)

1. Mr Buckland introduced the report that provided updates on the work programme and actions identified from previous meetings. He advised that work had continued on the development of a secure portal that the Committee could use to access

confidential documents and other useful information. It was expected that the portal would soon be available to use.

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

6. Pensions Administration

(Item 6)

1. Mrs Green and Mr Wookey 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:
 - It was good to see staff progression and promotions within the service, although it was recognised that this generated a requirement to back fill positions vacated by those receiving promotion.
 - Staff conducted professional training, sometimes with the support of more senior colleagues, and were generally allocated one study day per module during working hours.
 - There were some vacancies that required filling to ensure performance standards were maintained. The next round of recruitment would commence towards the beginning of 2025.
 - It was accepted that write-offs were sometimes required, and it was important that learning was drawn from each occurrence.
 - Consideration would be given to adding consultation with the Committee Chair into the process authorising overpayment write-offs.
 - Each overpayment case was managed on a case-by-case basis, and officers worked to support individuals when there was an over payment to be returned.
 - It was noted that overpayments were a rare occurrence, but consideration would be given to the development of a more formalised review process to the circumstances when they occurred.
 - Future reports would include more detail about the service level agreement targets, and more detail about the complaints received.
3. RESOLVED to note the contents of the report and approve the new Pension Overpayment and Write Off policy.

7. Update from the Pension Board

(Item 7)

1. Mr Thomas, Chair of the Pension Board, gave his verbal update. He noted that the Board had a good discussion about the Government's Pension Review, and Members would be closely monitoring developments. The Board also considered matters relating to the KCC Top Tier Restructure proposals and expressed their support of the senior officers within the service. Mr Thomas closed his update by summarising the year as challenging, yet successful and wished everyone a good Christmas break.
2. RESOLVED to note the update from the Board.

8. Responsible Investment

(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 (RIWG).
2. During consideration of the item the following points were noted:
 - Thanks were offered to Mr Graham for his efforts in supporting the RIWG, and the Committee wished him well in his new role with the London Treasury.
 - The RIWG could review voting activity when assessing progress towards net zero carbon emission targets.
 - Interim monitoring helped to ensure progress remained on track and provided the opportunity to identify and investigate any investments that appeared to be underperforming environmentally.
 - A lot of large companies also had carbon reduction targets, so there was a collective appetite for improvement.
 - Examples of the engagement undertaken by investment managers would continue to be included in the report going forwards, as it allowed the Committee to see the kind of interactions that investment managers had when discharging the Fund's stewardship responsibilities.
3. RESOLVED to note the report.

9. Investment Performance (Item 9)

1. Mr Graham introduced the report and noted that the current asset allocation was aligned with the strategic asset allocation, therefore no rebalancing was required.
2. During consideration of the item the following points were noted:
 - Performance over the last quarter slightly exceeded benchmark levels and long term performance, when viewed over the last five and ten years, had been positive.
 - An intra-asset class review would soon be commencing.
 - The cash flow forecast was expected to stay relatively low over the next couple of years.
 - Over the last few years the strong strength of sterling against the dollar had not helped the performance of the Fund, however, more recently the strength of the dollar has increased.
3. RESOLVED to note the report and agree that no rebalancing is undertaken.

Motion to Exclude the Press and Public

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

Open Access Minutes

10. Investment Strategy (Item 10)

1. Mr Graham introduced the report that included recommendations arising from the equity review and the fixed income review, to enhance the composition of the Fund's investment portfolio.
2. Mr English, Mercer, presented the conclusions from the Equity Portfolio Review. The following points were noted in response to comments and questions:
 - The figures included in the presentation were indicative because the precise value of the investments changed on a daily basis. Subject to approval by the Committee, investment changes would be conducted as percentages of the Fund's allocation.
 - The Fund was restricted to select a sub-fund on the ACCESS platform, however both the quality-oriented global equity sub-funds that were identified were expected to perform well.
 - One of the two sub-funds was felt to have had some style drift, this was less favourable because it was important to the Fund that sub-funds had consistent repeatable investment processes with strong philosophical principles.
 - The proposals involved some significant change that would incur a cost. Consideration would be given to employing a transition management specialist to ensure the transition was managed in an organised way, they could help to minimise the cost and risk of the transition.
 - An update would be provided to the Committee at the next meeting.
3. Mr Page, Mercer, presented a summary of the Fixed Income Review. The following points were noted in response to comments and questions:
 - It was felt that four managers were too many, and that two or three would be preferable.
 - It was important to choose managers from different fields.
 - When the Committee meet in February 2025, there could be a session to look at how the Fund and ACCESS Pool had developed, and what they might look like in the future.
4. Mr Page, Mercer, presented the Kent Pension Fund Risk Monitoring report up to 30 September 2024. During consideration of the presentation the following points were noted:
 - The equity protection strategy was working well.
 - Index linked gilts showed a 3.6% return since inception of the strategy and was regarded as providing sufficient collateral.
 - Consideration should be given to what needed to happen if there was too much or too little collateral. A framework would be brought to the Committee in March 2025.
5. RESOLVED to note the report and agree:
 - a) to invest 20% of the Fund's global equity allocation (equivalent to £665m) in the WS ACCESS Quality Stars Equity Fund (managed by Robeco);
 - b) to disinvest entirely from the Sarasin Global Equity mandate (equivalent to £435m), using the proceeds to facilitate recommendation a);
 - c) to redeem a sufficient amount (equivalent to £230m) from the WS ACCESS Global Equity Core Fund (managed by Baillie Gifford) to fund the residual investment requirement arising from recommendation a) after taking account of recommendation b).

- d) to invest 50% of the Fund's UK Equity exposure (equivalent to £460m) in the UBS Life UK Equity Tracker Fund
- e) to redeem a sufficient amount from the WS ACCESS UK Equity Fund to facilitate recommendation d)
- f) to delegate implementation arrangements arising from recommendations a) to e), including the appointment of a transition manager where appropriate, to the Head of Pensions and Treasury
- g) to terminate the Fund's fixed income mandates with Goldman Sachs, CQS and Schroders.
- h) to increase the Fund's existing investment in the M&G Alpha Opportunities strategy to 5% of the total Fund value;
- i) to invest 5% of the Fund (equivalent to £420m) in the WS ACCESS Total Return Credit Fund (managed by BlueBay)
- j) to invest 5% of the Fund (equivalent to £420m) in the WS ACCESS Asset Backed Securities Fund (managed by 24 Asset Management)
- k) to delegate implementation arrangements arising from recommendations g) to j) to the Head of Pensions and Treasury.

11. Employer Governance Matters

(Item 11)

1. Mr Tagg introduced the report that proposed a number of admission matters, provided an update on backdated admissions, and an update on the 31 March 2025 triennial valuation.
2. The Committee's attention was drawn to the recommendations delegating the admission and termination of employers. These delegations would benefit employers by allowing officers to enact changes in a timelier manner, outside of the scheduled committee meeting cycle. Employer admissions and exits would continue to be reported to the Committee for information.
3. RESOLVED to note the report and to agree:
 - a) to the admission to the Kent Pension Fund of Cucina Restaurants Ltd (re Swale Academies Trust);
 - b) to the admission to the Kent Pension Fund of Cater link Ltd (re KCC Schools);
 - c) to the admission to the Kent Pension Fund of Sodexo Ltd (re Oasis Community Learning Trust);
 - d) to the admission to the Kent Pension Fund of Principal Catering Consultants Ltd (re Turner Schools);
 - e) to the principle of a Deferred Debt Agreement being entered into with West Kent Housing Association in the event of the employer ceasing to have any active

members, subject to appropriate legal and actuarial advice, and the Fund's DDA policy criteria being met including affordability;

- f) to delegate authority to agree to any new admission agreements to the Head of Pensions and Treasury subject to satisfactory legal and actuarial advice, including authority for the admission agreement and its associated security (a bond or guarantee) to be legally sealed on behalf of KCC as Administering Authority;
- g) to delegate authority to the Head of Pensions and Treasury to discharge associated security (a bond or guarantee) and issue a Termination Certificate to an exiting employer;
- h) that once legal agreements have been prepared for matters a) to d) the Kent County Council seal can be affixed to the legal documents.

12. Projects Update

(Item 12)

- 1. Mrs Green presented the report that provided a summary of the activities taking place across the Fund.
- 2. RESOLVED to note the report

13. Governance

(Item 13)

- 1. Mr Buckland introduced the report and noted that it included an update on the budget position. Mr Buckland also provided some context to the recommended delegation that would allow timely engagement with the Government's consultation process.
- 2. RESOLVED to:
 - a)note the report;
 - b)delegate authority to the Head of Pensions and Treasury in consultation with the Chairman and Vice Chairman to respond to the Government's consultation by 16 January 2025;
 - c)note the potential need to make decisions on the future direction of pooling outside of the currently scheduled Committee meetings

14. Risk Register

(Item 14)

- 1. Mr Buckland introduced the report noting that following the latest review, the number of risks had been reduced by one.
- 2. During consideration of the item the following points were noted:
 - The changes to Government regulations should be included on the register as it would formalise consideration of mitigations to manage any associated risks.
 - Cyber threat was regarded as a significant risk, although its score on the Fund's Risk Register maybe different from the score on Kent County Council's Risk Register because the two registers were not directly connected.

3. RESOLVED to note the Risk Register.

15. ACCESS Update

(Item 15)

1. Mr Graham introduced the report and noted that the most recent meeting of the Joint Committee, scheduled for 2 December, was repurposed as an informal strategy meeting. This was in response to the Government's launch of its consultation on the reform of the Local Government Pension Scheme.
2. RESOLVED to note the update.

16. Government Pensions Review (Presentation)

(Item 16)

1. Mr Buckland provided the Committee with a presentation and the slides have been attached to the minutes for reference.
2. During consideration of the item the following points were noted:
 - There appeared to be a general acceptance that the Government's proposals would happen in some form. It was intended that there would be primary legislation in place to make some elements mandatory.
 - ACCESS representatives met with the Government as part of the consultation, and pools would need to submit their business cases by 28 February 2025.
 - A lot of detailed work was underway to establish what the future options were for the Fund.
 - Government could be asked the reasoning behind their assertion that the changes would have no impact upon those with protected characteristics.
 - Members within the Fund would not be directly impacted by any changes.
 - The introduction of pooling in 2015/16 was the last major change to Local Government Pension Funds and was seen as controversial at the time.
 - The Committee would receive an update on the latest position when it met for training in February 2025.
3. RESOLVED to note the Government Pensions Review update.

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