

PENSION FUND COMMITTEE

Wednesday, 19th March, 2025

10.00 am

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





AGENDA

PENSION FUND COMMITTEE

**Wednesday, 19th March, 2025 at
10.00am
Council Chamber, Sessions House,
County Hall, Maidstone**

Ask for: **James Clapson**

Telephone: **03000 417387**

Membership

Conservative (8):	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 3 December 2024 (Pages 1 - 8)
- 4 Date of next meeting
The next meeting of the committee is scheduled to be held on 18 June 2025, commencing at 10.00 am at Sessions House, Maidstone.
- 5 Committee Work Plan/Action Log (Pages 9 - 14)
- 6 Pensions Administration (Pages 15 - 54)
- 7 Responsible Investment Update (Pages 55 - 148)
- 8 Investment Performance and Asset Allocation Update (Pages 149 - 174)

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)

- 9 Investment Strategy Implementation and Collateral Waterfall Framework (Pages 175 - 262)
- 10 Funding and Employer Governance (Pages 263 - 290)
- 11 Project Updates (Pages 291 - 296)
- 12 Governance
Report to follow.
- 13 ACCESS / Government Pensions Review
Report to follow.

Benjamin Watts
General Counsel
03000 416814

Tuesday, 11 March 2025

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KENT COUNTY COUNCIL

PENSION FUND COMMITTEE

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

15. ACCESS Update

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2. RESOLVED to note the update.

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 - 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.

From: Chairman Pension Fund Committee
Interim Corporate Director of Finance

To: Pension Fund Committee – 19 March 2025

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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March 2025

Committee workplan

	11 March 2025	18 June 2025	17 Sept 2025	11 Dec 2025	10 Feb 2026
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	-	
ACCESS update	Y	Y	Y	Y	
Government Pensions Review	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
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	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	Completed – September	Ongoing

		performance data that the Pension Board receives.	2024	
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	Update provided to March 2025 meeting	Y
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 March 2025 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	Update in Papers	Y
03/09/2024	12 – Employer Governance	Keep the Committee updated on Employer covenant risk	At each meeting	Ongoing
03/12/2024	6 – Pensions Administration	Process for ensuring that overpayments are reduced/managed	Update to March 2025 Committee	Ongoing
03/12/2024	6 – Pensions Administration	Request for statistics on uptake of online webinar training sessions	Update to March 2025 Committee	Y

03/12/2024	6 – Pensions Administration	Overpayments over £50,000 to be reported to each Committee	Update to March 2025 Committee	Y
03/12/2024	6 – Pensions Administration	Review SLA Targets	Update to March 2025 Committee	Ongoing
03/12/2024	6 – Pensions Administration	Number and type of complaints to be reported in each Committee paper	Update in March 2025 paper	Y
03/12/2024	14 – Risk Register	National political agenda, including the fit for the future consultation to be added to Risk Register	Updated in March 2025	Y

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

To: Kent Pension Fund Committee – 19 March 2025

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 November 2024 to 31 January 2025. The report covers the following areas:

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

Recommendations:

The Committee is recommended to:

- i. Note and comment on the report

Executive Summary:

	<i>Key Highlights</i>	<i>Matters to be closely monitored</i>
<i>Casework Performance</i>	<i>An increase in the number of cases processed and overall performance levels. Improved performance on priority casework.</i>	<i>Performance on transfers/interfunds/aggregations below tolerance – significant number of cases in backlog to be targeted with 3rd party support.</i>
<i>Recruitment</i>	<i>9 vacancies filled via internal secondment. Additional Training Officer role added to team.</i>	<i>High number of vacancies – recruitment campaign underway</i>
<i>Complaints, Compliments and Comments</i>	<i>Low number of official complaints received (2) during the period.</i>	<i>Comments regarding poor communication – not raised as complaints but to be investigated further to see where improvements can be made (if possible).</i>
<i>Overpayment Recovery and Write Off Limits</i>	<i>Total of £36.10 pension overpayment written off. Policy updated following Committee Member comments. Now at final version.</i>	<i>Process for recovery of pension overpayments to be reviewed by Internal Audit.</i>

<i>Communications and Support Update</i>	<i>E-mails and telephone calls decreased. MPO engagement increasing steadily. iConnect onboarding progressing well.</i>	<i>Triennial Valuation year, and data expected by the Fund Actuary 4 weeks earlier than usual.</i>
<i>Technical and Training Updates</i>	<i>Response to Inheritance Tax on Pensions sent. Significant number of training sessions provided, and additional training resource recruited.</i>	<i>Delays in loading accurate data having an impact on progress i.e. testing/training/implementation. Recruitment campaign will increase demand on training officers.</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 November 2024 to 31 January 2025 a total of 13,362 cases were completed. This is an increase of 1,984 cases completed from the previous period. The average performance across all casework has increased from 79% to 80%. Performance has been categorised into red (below 80% SLA), amber (80-90% SLA) and green (above 90% SLA) in order to help Members and Officers identify where performance improvements are required.
- 1.3 Performance has improved in the following priority areas:

Case Type	Previous Quarter SLA %	Current Quarter SLA %
Initial Death Notification	80	83
Survivors Pensions	77	91
Death Grant Payment	78	94
Provision of Retirement Estimates	94	95
Pension Sharing on Divorce Estimates	95	96

- 1.4 As requested by Members, the report also now includes the current Service Level Agreements (SLA's) for each case type. There is a lack of detail on tolerances, and this is something (along with SLA's) that needs to be addressed in conjunction with Members and considering industry best practice. However, this may be something to consider once the backlog has been ringfenced and data can be presented on new and historic cases separately.

2. **Recruitment**

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

Position	Team	Start Date	Number	External/Internal
KR7 Pensions Administrator	Pension Administration	01/12/2024	2	Internal – made permanent further to completion of secondment

KR6 – Pensions Assistant	Communication & Support	01/01/2025	2	Internal – made permanent further to completion of secondment
KR10 – Training Officer	Technical & Training	01/01/2025	1	Commencement of internal secondment
KR10 – Deputy Team Manager	Pension Administration	01/01/2025	1	Internal – made permanent further to completion of secondment
KR10 – Deputy Team Manager	Communication & Support	01/01/2025	2	Internal – made permanent further to completion of secondment

2.2 In addition to the above, there will be further activity in February and March 2025 which has already been planned, with a further 3 secondments to the role of Pensions Administrator.

2.3 The team are currently carrying 21 vacancies. There are 4 vacancies on the Communications and Support Team, 3 vacancies on the Technical and Training Team and 14 vacancies on the Administration Team. Recruitment campaigns to fill these vacancies will take place over the next few months, and plans are in place to consider using temporary agency staff whilst the permanent recruitment takes place.

3. **Complaints, Compliments and Comments**

3.1 For the period 1 November 2024 to 31 January 2025 a total of 2 complaints, 11 compliments and 22 comments were received into the corporate system called iCasework. These have been summarised below:

Month	Complaints	Compliments	Comments
Nov	1 – slow or ineffective communication	3 – good communication	11 – x1 good communication x10 poor communication
Dec	0	6 – x4 good communication x2 helpful staff	7 – x5 poor communication x1 disagreement with decisions x1 third party service delivery
Jan	1 – poor communication	2 – x1 good communication x1 helpful staff	4 – poor communication

4. Pension Overpayment Write Offs

- 4.1 The number of pension overpayment write offs for the period 1 November 2024 to 31 January 2025 are set out below:

	Nov 2024		Dec 2024		Jan 2025	
	Number	Total	Number	Total	Number	Total
£200- £5,000	-	-	1	£18.54	1	£17.56
£5,000- £50,000	-	-	-	-	-	-
£50,000+	-	-	-	-	-	-

- 4.2 The Pension Overpayment and Write Off Policy (**Appendix 2**) has been updated to include reporting of overpayments of £50,000 and over to the Pension Fund Committee.

5. Communications and Support (C&S) Update

- 5.1 **Appendix 3** shows the trend in **communications** from members (e-mails, MyPension Online visits, telephone calls and website visits) in a rolling year. It is positive to see that the number of contacts via e-mails and telephone calls is gradually decreasing, hopefully as a result of the rollout of MyPension Online as members now have an improved self-service platform. The data also shows that MyPension Online registration enquiries and website visits spiked around August/September 2024 when the Annual Benefit Statements were published.
- 5.2 As at the end of January, there were 24,733 members registered for **MyPension Online** (MPO). This includes 18,692 who transitioned their accounts from the old Member Self Service (MSS) platform and 6,041 who have registered new accounts since MPO went live. This accounts for approximately 15% of the total membership. The Pensioner newsletter is due to be published in April in which MPO is promoted, and Deferred Annual Benefit Statements are being published on MPO for the first time this year from which we should see an increase in online accounts.
- 5.3 The team held the **Employer Forum** on the 4 December 2024 at the Ashford International Hotel. The attendance was very good (94 representatives), the team have also received very positive feedback regarding the presentations.
- 5.4 The team has delivered 4 more **webinars to employers** and 6 more **webinars to members** since November 2024. These were on various topics.

Member Webinars:

Date	Presentation Title	In person / Webinar	Number of attendees
14/11/2024	Understanding your LGPS pension	Webinar	25
22/11/2024	pension query drop in	In person	20
28/11/2024	Understanding your LGPS pension	Webinar	97
11/12/2024	Understanding your LGPS pension	Webinar	53
15/01/2025	Ill Health Retirement and Death in Service	Webinar	36
29/01/2025	MyPension Online overview	Webinar	8

Employer Webinars:

Employer name	date	number of attendees	notes
University of Kent	22/11/2024	20	in person meeting with employer and members
various	26/11/2024	6	employer responsibilities including EMR
various	4/12/2024	94	employer forum (in person)
various	10/12/2024	6	calculation of pensionable pay figures (webinar)

- 5.5 There are now **webinars** for members and employers scheduled for the duration of 2025. These are for various subjects which were based on the feedback received. Details of the webinars and booking forms can be found on the Kent Pension Fund website.
- 5.6 The team has also been assisting employers with any **events** aiming to inform members about their pension choices. Some of the events were online but a few included in person attendance. These have been very popular, and the team has received very positive feedback from the employers and attendees.
- 5.7 Preparations are underway for the **Year End** exercise, with the website already up to date and a training webinar for employers and payroll providers planned for February. There are 50 registered attendees at the moment. Targeted engagement with poor performing employers/payroll providers has also taken place which was a new initiative for 2025.
- 5.8 Onboarding employers to **iConnect** has continued. Since the last Pension Fund Committee meeting, the team have onboarded the following employers:
- Kier Facilities Services Ltd
 - Exclusive Contract Serv Ltd
 - Vinci Construction UK Limited
 - APCOA Parking (UK) Ltd (2)
 - Dover Town Council
 - Roseacre Junior School - KCC
 - Herne Bay Junior School - KCC
 - Holy Trinity C of E Prim – KCC
 - St Bartholomew RCP School – KCC

- St George's CE High School – KCC
 - Project Salus C.I.C
 - Project Salus (2)
 - Orchard Theatre
 - Strode Park Foundation (Platters)
 - MCH (Balfour Drivers)
 - MCH (Balfour)
 - Deal Town Council
 - Edenbridge Town Council
 - Veolia Environment Services (UK) plc
- 5.9 Work is continuing with the employers who are going to be onboarded onto **iConnect** in April (approx. 160 employers are scheduled to onboard in April). This also involves data cleansing for all the employers in question. **Appendix 4** details the number of employers currently using iConnect versus those not using iConnect. The number of current employers using iConnect covers 18,692 members. When the April cohort of employers onboard to iConnect this will cover an additional 15,800 members.
- 5.10 Drafting of the spring issue of **Open Lines (Pensioner newsletter)** and the Pensions Increase information has commenced.
- 5.11 In preparation for this year's **Triennial Valuation**, the team have run a 'test' valuation to 31/3/2024 and have started to investigate and clear any discrepancies based on the member data up to this date. The purpose of this is to reduce the time to complete the actual valuation this year.
- 5.12 Heywood's continue to 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.

6. Technical and Training Updates

- 6.1 **McCloud Remedy** - The team continue to undertake work to enable the implementation of the McCloud Remedy. Meetings have taken place with Heywood to create a test system for the upload and testing of data once available. In addition, further staff training has been delivered around pension transfers.

The aspect of software testing for McCloud remains a key outstanding task and is reliant on the final member data being delivered by Lumera.

- 6.2 **Government Technical Consultation on Inheritance Tax on Pensions** - In early January, a response was sent to the Government providing feedback on the consultation for introducing Inheritance Tax on Pensions. A copy of the response can be found at **Appendix 5**.
- 6.3 **Training** – Throughout the period September to December 2024, 41 in house training sessions were delivered. For the period January to March 2025, 46 in house training sessions have been scheduled. From January, the team have seconded an additional Training Officer to the Training Team to assist with delivery of training. There are currently 3 colleagues working towards the CIPP (Chartered Institute of Payroll Professionals) Certificate in Pension Administration (Level 3). There is also 1 colleague enrolled onto the PMI (Pensions Management Institute) Award in Pensions Essentials (Level 2).
- 6.4 **Breach of Law** – In December 2024 it was identified that a member had not used their AVC fund before the age of 75. The member was a Deferred member in June 2000 and took payment of their main scheme LGPS benefits in 2009. The team repeatedly sent the member information concerning the options to use their in house AVC fund and did not receive a response. The team have now had contact from the member, but they are now over age 75. This has been added to the Breaches of Law Register as a breach of scheme rules but not considered materially significant enough to report to tPR.

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March 2025

Appendix 1 – November 2024 to January 2025 Performance Report

Appendix 2 – Pension Overpayment and Write Off Policy – 2025 – FINAL

Appendix 3 – Communications from Members – Rolling Year

Appendix 4 – iConnect Employer Onboarding

Appendix 5 – KPF – Technical Consultation – Inheritance Tax on Pensions – October 2024

	Case Type	SLA (days)	Number of cases received	Number of cases completed	Number of cases completed within SLA	% of cases completed within SLA
Deaths	Initial Death Notification	15	450	417	347	83
	Survivors Pensions	15	128	125	114	91
	Death Grant Payment	20	104	112	105	94
	Balance of Payments/Overpayment Recovery	15	276	250	222	89
Retirements	Payment of Retirement Benefits	20	792	855	845	98
	Provision of Retirement Estimates	20	1302	1365	1305	95
Early Leavers	Payment of Refunds	20	266	253	238	94
	Provision of Deferred Benefit Statements	60	1123	1007	315	31
Transfers	LGPS Transfer In Estimates	20	170	239	198	83
	Aggregation In Estimates	260	86	243	94	39
	LGPS Transfer Out Estimates	20	132	122	21	17
	LGPS Transfer In Actuals	20	222	46	3	7
	Aggregation In Actual	60	1176	872	320	37
	LGPS Transfer Out Actuals	20	107	86	5	6
	Non LGPS Transfer In Estimates	20	61	73	46	63
	Non LGPS Transfer Out Estimates	20	127	201	67	33
	Non LGPS Transfer In Actuals	20	46	48	10	21
Non LGPS Transfer Out Actuals	20	27	13	7	54	
Divorces	Pension Sharing on Divorce Estimates	6 weeks	93	114	110	96
	Pension Sharing on Divorce Implementations	4 months	2	2	2	100
General	New Starters	30	4276	3818	3407	89
	General Correspondence	15	1491	1585	1445	91
	Change of Details (i.e. address, name, nomination)	10	1246	1282	1265	99
	Opt Outs		43	80	37	46
	Lost Pension		148	154	132	86
Total			13894	13362	10660	80

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KENT COUNTY COUNCIL

ADMINISTERING AUTHORITY FOR KENT PENSION FUND

PENSION OVERPAYMENT AND WRITE OFF POLICY 2025



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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
Draft	May 2024
Final	February 2025

- 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 (these cases
will also be reported to the Pension Fund Committee)

***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.



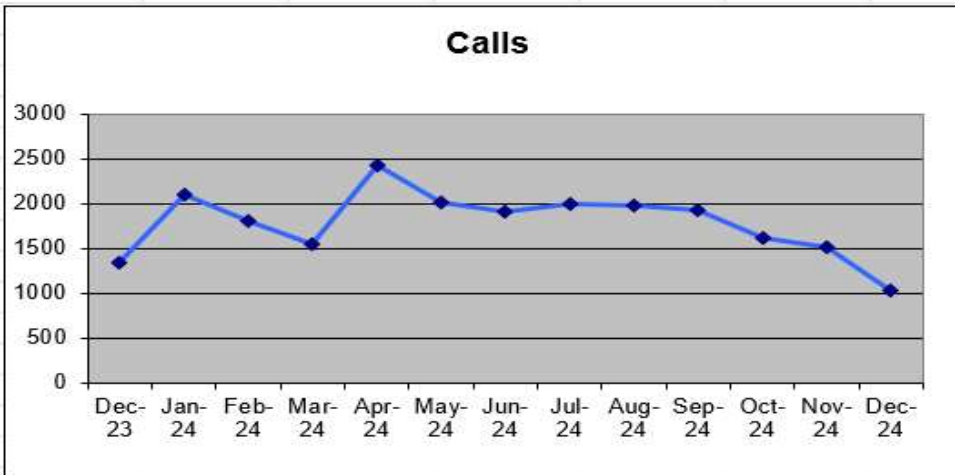
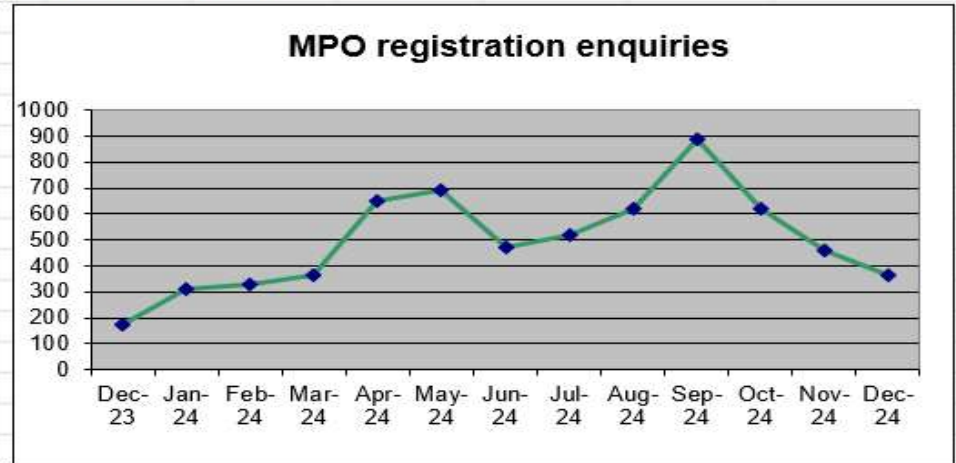
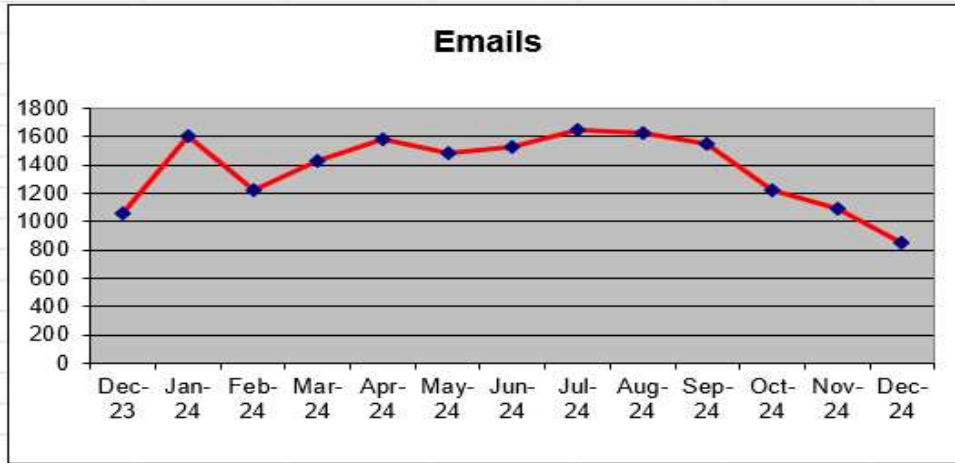
GENUINE ERROR - EXAMPLE 3

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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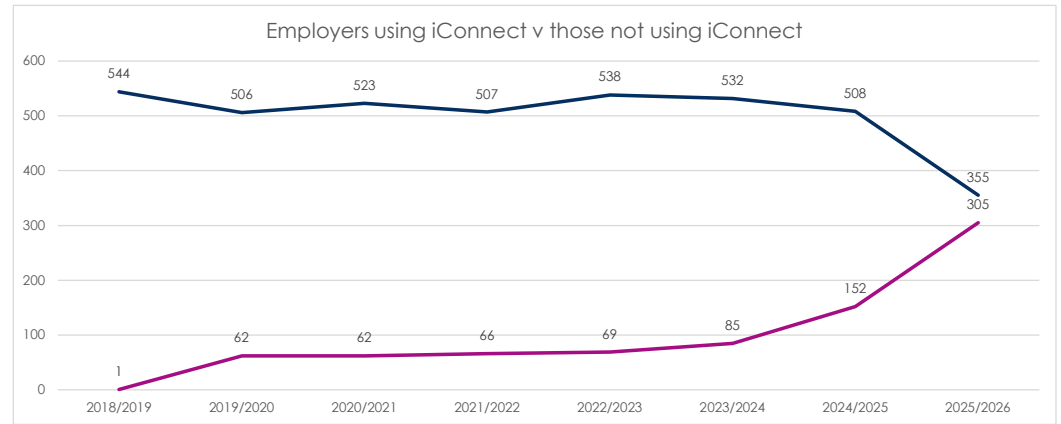
Communications from Members - Rolling Year



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Appendix 3 - iConnect Employer Onboarding

Year	Employers in the fund (non iConnect)	Employer in fund (on iConnect)	Total
2010/2011	303	0	303
2011/2012	309	0	309
2012/2013	348	0	348
2013/2014	383	0	383
2014/2015	433	0	433
2015/2016	452	0	452
2016/2017	502	0	502
2017/2018	523	0	523
2018/2019	544	1	545
2019/2020	506	62	568
2020/2021	523	62	585
2021/2022	507	66	573
2022/2023	538	69	607
2023/2024	532	85	617
2024/2025	508	152	660
2025/2026	355	305	660



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14 January 2024

Invicta House,
County Hall,
Maidstone,
Kent,
ME14 1XX

Technical Consultation - Inheritance Tax on Pensions

Response on behalf of Kent Pension Fund

Background

The Kent Pension Fund is administered by Kent County Council and has over 450 scheme employers (active and ceased), and just over 155,000 scheme members split between active, deferred and pensioner status, split by approximately 50,000 members in each category.

The LGPS operates as a public sector, statutory defined benefit pension scheme. Within the scheme regulations, death grants are payable at the discretion of the administering authority (Kent Pension Fund) and are therefore not subject to tax under the current regime.

We are grateful for the opportunity to offer our thoughts, and have looked to address the specific questions that are relevant to the LGPS:

Response - general points

Part 1

- a. We feel that in the Public Sector pension schemes, death grant payments cannot be considered a form of tax planning. This is because payments are made at the discretion of the administering authority. The scheme member also has, in theory, no definite expectation of when they may die. Therefore there may never be a death grant payment due, so such a facility cannot be relied upon to provide an inheritance.
- b. If individuals are accumulating wealth in pension schemes with the intent of transferring this, should this not be dealt with through the annual allowance. Your point at 1.4 reads that unlimited tax-free savings can be built up in pensions; this isn't true though, as the annual allowance restricts pension growth on an annual basis.
- c. In addition to (a) and (b), we understand that some defined contribution schemes could be seen as being used to accumulate transferrable wealth, however this argument appears fundamentally flawed for anyone who dies as an active scheme member or before their pension due date as they have not been able to access their pension rights before death, yet are still becoming liable to a tax charge.



Kent Pension Fund

- d. Given the assisted dying bills and associated arguments for and against would this not 'encourage' anyone with a serious illness to consider terminating their life early to avoid the pension being included in IHT?
- e. Given our experience as a PSA with annual allowance tax reporting, there is a huge time and resource cost for pension schemes which ends with very few cases being liable for tax. Why should pension schemes have to fund such activity? Perhaps pension funds should be allowed to recharge HMRC for the amount of additional work generated even if we don't end up deducting tax?

Part 2

- f. With regard to the 6 month deadline referenced at 2.8, the LGPS has two years to pay a death grant before the tax free status of the payment is lost. This would be incompatible with the deadlines to pay Inheritance Tax, so would require a change to the LGPS regulations, as also referenced in 2.11 and our answer to question 3 below.
- g. In some cases, we as a PSA are not notified of death until one to two months after the event - even a delay as short as this would shorten the timescale to pay IHT significantly and create issues further into the process.
- h. In addition, not all death grant payments derive from pensioner members. Where a member dies as an active member of the scheme, additional information may be required from a third party, for instance pay information from a scheme employer. Any calculation of a death grant cannot be performed until this information is received. This could delay a PSA's ability to provide information to a PR.
- i. In addition, scheme member's relationship backgrounds are becoming ever more complicated, for instance through different marriages, partners, children with different partners etc. This can make the process of identifying and/or locating a beneficiary for a death grant extremely challenging for a PSA. This needs to be recognised within the timescales that HMRC are implying will be imposed by these changes.
- j. It is not clear from the technical information provided who will pay any interest charge. Will interest have to be paid by admin authority and reclaimed from the death grant payable, or will the cost be fully borne by the pension fund?
- k. In addition to the points made at 2.16, consideration should also be made that a PR may not properly engage with the PSA in a timely manner. As a PR can be a layperson, with no experience of any tax matters, there could be significant challenges in communication between the PR and PSA. It should not fall on a PSA to explain tax processes to a PR, but this will undoubtedly become an issue if information is not forthcoming.



Kent Pension Fund

- l. In 2.21, where the PR notifies the PSA of the tax liability, is it also for the PR to determine how to split that tax liability should there be multiple beneficiaries for the death grant? This is not clear.
- m. As a PSA, we are often notified of the death of a member by a party other than the PR. This makes your point at 2.24 less valid as if, for instance, notification was made by a third party, a PSA would then have to try and make contact with the PR. If this took maybe 2-3 weeks, how would that affect the two month timescale you are quoting in 2.24. The majority of our death reporting is now done through Tell Us Once, therefore we have minimal contact with any next of kin or PR at the point of notification.
- n. In the LGPS, a PSA will be required to pay interest on a death grant payment if it is made more than one month after the date of death. It is not clear how interest should be treated for tax purposes, as a final amount of interest cannot be determined until payment is made. If the interest is to be included within the IHT calculation, the actual amount payable cannot be determined until the point of payment thus the proper liability can never be determined in advance.
- o. In 2.28, it seems unfair that a PSA will be liable for interest on late payment of tax where there may have been delays incurred to any payment that are outside of their control. We would expect this to be mentioned in the summary of impacts, as it could be a substantial cost, however there is no mention in that section.
- p. We do not understand why beneficiaries only become jointly and severally liable for tax after 12 months, as addressed in 2.34. We have addressed further thoughts on this point under question 5 below.
- q. Beneficiaries of a death grant are likely to not have a long term benefit in the scheme. How can a PSA be expected to maintain contact with these individuals in the long term? This would involve a huge amount of work, for potentially very little benefit if there are few estates that require a revision to the IHT payable. PSAs will not hold database records for these individuals, so that data will not form part of the PSAs data quality scoring. Finally, would there not be a GDPR issue if inaccurate data is being held?

Questions

Question	Response
1	<p>We believe scheme reporting requirements should be minimised, so on this basis it makes sense to only report death benefits where there is an IHT liability. This ties in with other reporting requirements, e.g. Annual Allowance.</p> <p>We think it should be clear though that PSAs act on instruction from the PR, so think it should be clear that the PR retains ultimate liability for any IHT.</p>



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	<p>With that said, HMRC will only be able to police the IHT system based information that is reported, so if no report is made then there could be potential for tax evasion. This may be more relevant if a case is just below the threshold, isn't reported, but then at a later date requires adjustment which increases the amount payable to a taxable level but this isn't reported.</p>
2	<p>This is a difficult question to answer as presumably we cannot proceed with anything if we don't know if there is any IHT due. Even the value of any death grant cannot give a guide on this, as even if the death grant is only £100, there could still be IHT due if the rest of the estate is above the threshold.</p> <p>Logically, a deadline could be given by the PSA to say that, if nothing is received by X date, then payment will be made, but where does the ultimate liability fall if it later transpired that IHT should have been paid?</p> <p>This just leaves PSAs in an impossible position, as they are waiting for information that may never come. It assumes that every PR is a competent individual or organisation that can deal with the estate in a timely manner. In addition, there may be pressure from the recipient of the death grant to expedite payment, however the PSA will not be in a position to give timescales if they are waiting on the PR. There could also be other delays winding up the estate that impacts on the PSA receiving the required information, and every delay will compound, which could push a case over the 6 month payment deadline.</p> <p>We feel it is unfair to hold the PSA accountable for paying interest when circumstances outside of their control has created such a situation.</p>
3	<p>In the LGPS the discretionary aspect of death grants would have to be removed as there would be insufficient time to undertake proper checks on all cases in less than a six month window.</p> <p>Sometimes it can take a month to be notified of a death, so this just compresses the timeline even further. In some cases, notification comes via a government department, so as a PSA we never establish contact with a PR or any NOK until some months after the death.</p> <p>It should be made clear to any PR that they have to fully investigate all of an individual's pension saving arrangements before winding up the estate and making any tax assessments.</p> <p>What happens if an individual dies intestate? What delay will applying for probate have?</p>



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	<p>In addition, any rules introduced should be as simple as possible. The Government could also consider mandating the drawdown of pensions at a specific age to avoid pension pots being retained at a high level until death.</p>
4	<p>We believe that the reporting and paying of Inheritance Tax at the end stage, through the AFT return, would not present a problem providing the reportable data requirements are set out clearly with guidance on how to submit and pay.</p>
5	<p>We believe that the beneficiary should immediately become jointly and severally liable as soon as payment is made. We do not understand why that should be delayed for 12 months.</p> <p>In addition, the joint liability should be held between the PR and the beneficiary. We do not understand why the PSA should be held jointly liable.</p>
6	<p>This is an impossible question to answer fully. How can a PSA be expected to maintain address or contact information for someone for whom they have no on-going records or liability. Even if records were kept, it is impossible to force a beneficiary to engage as a PSA has no statutory authority to enforce compliance. The beneficiary could just ignore any correspondence.</p> <p>Should it not be up to HMRC to keep contact with the beneficiary in some way? It would therefore seem to make more sense for the beneficiary to declare and pay the tax.</p> <p>Within the three way party (of PR, PSA and HMRC) the beneficiaries seem to sit outside of this exercise, when they should share liability as soon as payment is made and be formally held to that obligation.</p>
7	<p>PSAs are completely at the mercy of the PR and their ability to co-ordinate and provide information.</p> <p>Timescales do not fit in with current processes to pay death grants in the LGPS as explained above.</p> <p>The process outlined appears cumbersome and stressful, at what should be recognised is a difficult time when a next of kin could do without complex rules and delays in making payments.</p> <p>Making a situation more complex increases the need for a next of kin or the PR to get specialist advice which can be costly, particularly if it is then established that no tax is due.</p> <p>Our experience with the online systems in place are that often tax payments cannot be matched with information reported, and HMRC</p>



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	<p>then tries to charge interest quarterly; more of these types of cases will only cause additional work.</p> <p>For example, we currently pay over tax for annual allowance charges but the members are then ‘chased’ for tax years after the event, thus demonstrating that the system is not fit for purpose.</p> <p>Given HMRC send tax chasers and late payment assessments via post rather than email will increase the risk of enquiries not being received in a timely fashion.</p>
8	<p>Additional scenarios would be:</p> <ul style="list-style-type: none">• Where an individual dies intestate.• Where an individual die overseas.• Where a beneficiary resides overseas.• Where a beneficiary dies and there is then an adjustment to the IHT due.• Where we, as a PSA, are not notified of a death in a timely manner, or as we experience in a small number of cases, never making contact with a next of kin or PR.
9	<p>Payment of tax by the beneficiary. This could be done through a payroll system / RTI, in a similar way to how PCELS payments are made. This could then create a link between HMRC and the beneficiary in case of any future query.</p> <p>Exclude any payments made prior to pensionable age from IHT.</p> <p>At the date a pension must be paid (for example the scheme Normal Pension Age), anyone not claiming the pension should be reported to HMRC and then HMRC can assess tax liability on that pension on an annual basis or create a liability against the estate of that individual when they do die.</p> <p>As an alternative measure, the PSA could determine who a beneficiary is, taxes the total death grant at 40% using PAYE, provides a ‘certificate of payment’ to the beneficiary(ies) to explain gross and net amounts and the beneficiary(ies) apply to HMRC for any tax refund/HMRC automatically repays tax refund once IHT liability established.</p>



Kent Pension Fund

Yours sincerely

A handwritten signature in black ink, appearing to read 'Gareth Wookey'.

Mr Gareth Wookey
Technical & Compliance Lead Manager
Kent Pension Fund

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From:	Chairman Pension Fund Committee Interim Corporate Director - Finance
To:	Pension Fund Committee – 19 March 2025
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 November the RIWG received an update from officers regarding the government consultation with a focus on pooling and local investment, and details are provided in section 1 of this report.

Section 2 provides an update on the results of the 2024 Principles for Responsible Investment (PRI) submission.

Section 3 is a brief update for the ACCESS pools responsible investment activity.

Sections 4 and 5 contain statistics for the December 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 6 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) have not met since the last committee meeting.

1.2 At the last meeting on 28 November the RIWG focused on local investment and the Fit for Future government consultation on pensions pooling which will affect the future of the LGPS.

1.3 The government believes that as an institutional investor the LGPS can make a distinctive contribution to UK and local growth, building on its local role and networks, through increasing its long-term investment in local communities.

- 1.4 Administering authorities (AAs) are already committed investors in projects which support growth in their local area, however, identifying and assessing the suitability of local investments requires resource intensive due diligence which they may not have the capacity to undertake. There is also a concern for reputation and concentration risks and conflicts of interest if there is a link between the employer authorities and investments selected, which may limit local investment.
- 1.5 As a result, the government view is that pools can provide a central source of investment expertise to assess, commit to and manage local investments and to not face the same potential conflict of interest as their role is serving the admin authorities. Therefore, creating a degree of separation between Admin Authorities and their investments which reduces reputational risk.
- 1.6 In addition, pools invest over a wider geographical area reducing risks from under-performing assets.
- 1.7 Government proposals relating to Local Investment include:
 - a. Proposal 5: Requirement on AAs to set out their approach to local investment, including a target range for investment, in their Investment Strategy Statement, and to have regard to local growth plans and local economic priorities in setting their investment strategy.
 - b. Proposal 6: Requirement on AAs to work with Combined Authorities, Mayoral Combines Authorities, Combined Country Authorities, and local authorities in other areas to identify suitable local investment opportunities,
 - c. Proposal 7: Requirement for the pools to develop the capability to carry out due diligence on local investment opportunities.
 - d. Proposal 8: Requirement on AAs to include in their annual report a report on the extent and impact of their local investments.
- 1.8 The meeting was also attended by Head of the Clywd Pension Fund who shared their experience of implementing local investments as well as representative from Schrodgers, a Fund Manager to provide an insight on how the asset manager provides solutions for local investment implementation.

2. Principles for Responsible Investment (PRI) Update

- 2.1 The Fund has received results of the PRI Assessment for 2024.
- 2.2 The PRI is the world's leading proponent of responsible investment of which Kent Pension Fund has been a signatory for several years.

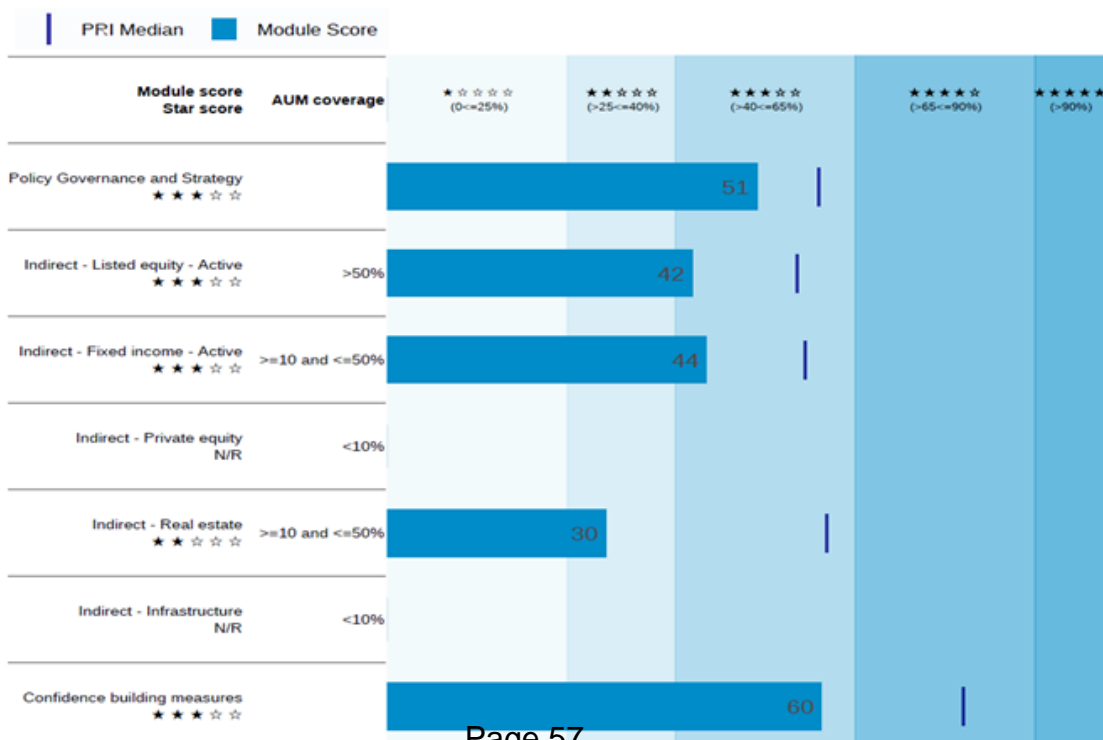
What are the six Principles for Responsible Investment?

- 2.3 The six Principles for Responsible Investment offer a menu of actions for incorporating ESG issues into investment practice.
- 2.4 The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system. They have attracted a global signatory base representing a majority of the world’s professionally managed investments.
- 2.4.1 Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
- 2.4.2 Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
- 2.4.3 Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- 2.4.4 Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.
- 2.4.5 Principle 5: We will work together to enhance our effectiveness in implementing the Principles.
- 2.4.6 Principle 6: We will each report on our activities and progress towards implementing the Principles.

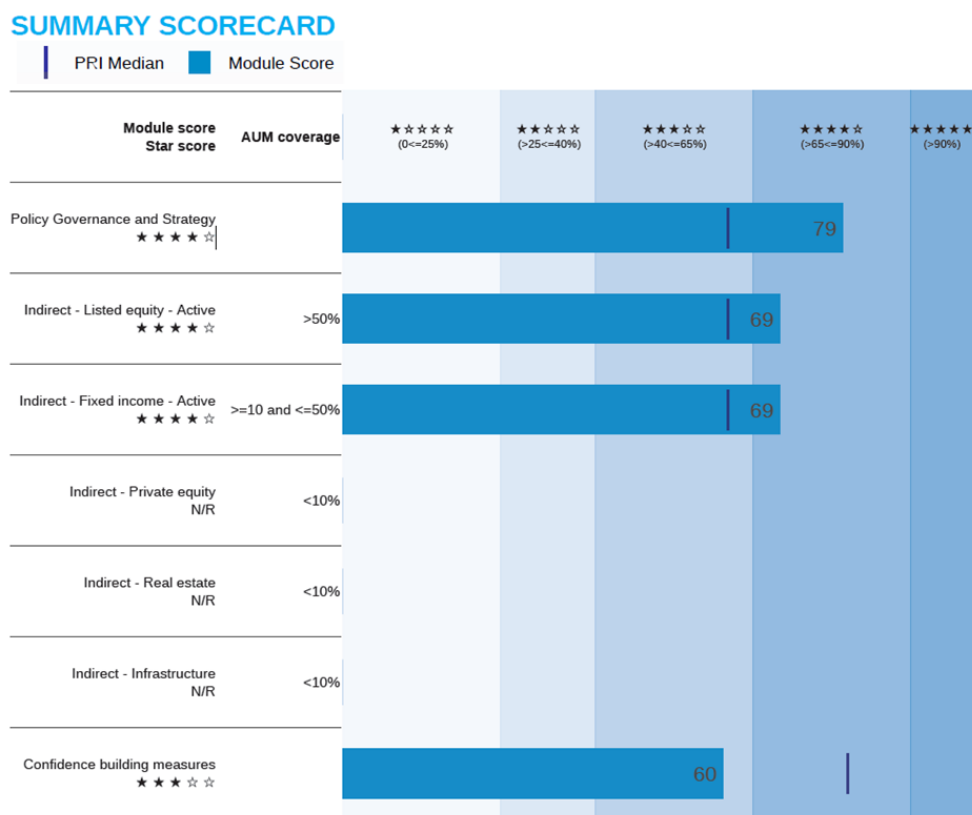
Results

- 2.5 As signatories, we submit information to the PRI on an annual basis. The Fund’s results for 2023 were as follows:

SUMMARY SCORECARD



2.6 By way of comparison, the results for the 2024 reporting period are shown below:



2.7 The improved scores in policy, governance strategy, listed equity and fixed income are an indicator of the work of the RIWG and officers to improve the Fund’s RI reporting.

3. ACCESS Update

- 3.1 Following the release of the Fit for Future consultation on pooling, the ACCESS pool has temporarily paused any project work. As a result, the planned procurement for the voting and engagement provider for the pool has not been progressed.
- 3.2 The Financial Reporting Council (FRC) has approved ACCESS as a signatory to the UK stewardship Code 2020 as of 11 February 2025.
- 3.3 To become a signatory to the Code, organisations must submit to the FRC a Stewardship Report demonstrating how they have applied the Code’s 12 Principles in the previous 12 months.^[1] The Stewardship Report prepared by ACCESS meets the requirements of the UK Stewardship Code and details how the Pool’s collective beliefs and policies are translated into investment decisions the Pool makes for the benefit of Administering Authority members.

3.4 To support with the report, Pensions & Investment Research Consultants (PIRC) were procured by the Pool in November 2023 to expand ESG and Responsible Investment oversight for stakeholders' investments. The organisation collaborated effectively with the Pool to assist in its successful Stewardship Code submission, while also helping the Pool transition into a more sophisticated level of ESG reporting and integration.

4. Voting Activity for the 3 Months to 31 December 2024

4.1 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.

4.2 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.

4.3 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	13	198	5
Schroders	WS ACCESS UK Equity Fund	1	23	0
Schroders GAV	WS ACCESS Global Active Value Fund	55	398	35
M&G	WS ACCESS Global Dividend Fund	5	61	3
Robeco	WS ACCESS EM Equity Fund	9	26	2
Columbia Threadneedle	WS ACCESS Emerging Markets Equity Fund	16	49	4
Ruffer	WS ACCESS Absolute Return Fund	2	21	2

NON-POOLED				
Impax	Impax Environmental Markets (Ireland) Fund	5	23	7
Pyrford	Global Total Return	5	32	4
Sarasin	Segregated mandate	1	15	5

4.4 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.

5. Engagement activity

5.1 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

5.2 Managers regularly report on engagements carried out with companies in the Fund's portfolio. An example of the engagements reported by Impax in their sustainability report can be found in Appendix 1.

6. Securities Lending

6.1 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.

6.2 The Kent Pension Fund also has a securities lending programme with Northern Trust for the directly held segregated assets not yet in the pool.

6.3 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.

6.4 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

6.5 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.

6.6 The Securities Lending performance for the quarter ending 31 December 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	142.189	12.7	0.068
WS ACCESS Global Dividend	M&G	119.785	8.7	0.032
WS ACCESS Absolute Return	Ruffer	99.841	22.5	0.011
WS ACCESS UK Equity	Schroders	18.468	2.2	0.007
WS ACCESS Global Active Value Fund	Schroders	18.123	4.2	0.007
WS ACCESS EM Equity Fund	Robeco	20.537	8	0.007
WS ACCESS Emerging Markets Equity Fund	Columbia Threadneedle	2.476	1	0.001
Total		421.419		0.133

6.7. Baillie Gifford Global Equity Core, M&G Global Dividend Fund, Columbia Threadneedle and Ruffer Absolute Return lent a total of six of the top ten revenue earning stocks, which included: Tempus AI Inc, ISHARES IV PLC MSCI CHINA, Rivian Automotive Inc, NU Holdings LTD, V F Corp Com & United States TREAS NTS.

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27 February 2025

Appendices

Appendix 1 – Engagement Example - Impax

Appendix 2 – ACCESS Stewardship Code Submission



Case study: Borregaard



Company description: Norway-based Borregaard ASA supplies specialty chemical companies with sustainable biochemicals which they produce from renewable raw materials. These biochemicals, which include lignin and cellulose manufactured from wood, replace harmful oil-based products and thereby reduce environmental damage.



Impact

Borregaard has performed analyses of some of its lignin-based specialty chemical products to quantify environmental impact compared to alternative products derived from fossil raw materials. For example, the company's analysis shows that emissions from lignin-based biopolymers are 70% lower than such polymers produced from fossil materials. For Borregaard's second-generation bioethanol, emissions are 86% lower vs fossil fuel gasoline.^{1,2,4}

The biosolutions segment represents products directly replacing oil-based alternatives and represents ~60% of total company revenue. Impax estimates that Borregaard's biosolution products, including biochemicals such as bioethanol, as well as biopolymers and biovanillin, **avoid 990,000 tCO₂e in GHG emissions per year**^{1,2,3,4,5} This compares to group-level GHG emissions (including Scope 3) of 853,000 tCO₂e per year.^{1,2,3}



Engagement

Nature

Objectives

In line with the Taskforce on Nature-related Financial Disclosures (TNFD) framework:

- Understand Borregaard's nature-related dependencies and impacts (achieved, 2023)
- Identify nature-related risks and opportunities (in progress)
- Improve nature-related disclosures in line with the TNFD framework (in progress)
- Set science-based targets for nature (in progress)

Activities

Borregaard was identified as a target for engagement given the company's material dependencies and impacts on nature. The company, which is already relatively advanced in managing nature-related risks, outlined its dependencies on wood, the process of certification, and other areas in which its processes could improve. Our discussion focused on water pollution as well, and the company outlined its clear processes for waste reduction.

Outcomes

Borregaard is updating its 2023 reporting to comply with the Taskforce on Nature-related Financial Disclosures (TNFD) and the Taskforce on Climate-related Financial Disclosures (TCFD). It is also progressing with plans to set science-based targets for nature.

Next Steps

Impax will continue to monitor Borregaard's alignment with the TNFD framework and its setting of nature-based targets.

The securities mentioned in this document should not be considered a recommendation to purchase or sell any particular security and there can be no assurance that any securities discussed herein are or will remain in strategies managed by Impax. Impax makes no representation that any of the securities discussed were or will be profitable, or that future investment decisions will be profitable. The selection criteria for case study examples is not based on performance. To illustrate our engagement work, we aim to show examples that illustrate our firmwide engagement priorities (Climate, Nature, People, and Governance) and different stages of engagement (outreach, meaningful dialogue with management and achievement of objectives). Of the companies demonstrating progress against engagement objectives in 2023, we selected companies that could also be used for impact examples based on their contributions in the relevant impact area/strategy. ¹<https://www.cdp.net/>. ² [Borregaard Annual Reports](#). ³ [Borregaard Company Sustainability Report](#). The avoided emissions calculation looks at lignin-based biopolymers (LBB), with the goal of quantifying the environmental load connected to utilizing wood to produce specialty chemicals like LBB. This environmental performance is compared to a Polycarboxylate (PCE) ether dispersant based on a fossil raw material. ⁴Source: Impax. ⁵Based on estimates of the company's production volume of lignin-based biopolymers and company's estimate that lignin-based biopolymers have a 70% lower CO₂ footprint through the overall life cycle compared to a synthetic dispersant.



Case study: Generac



Company description: Generac Holdings Inc. manufactures automatic, stationary standby, and portable generators to serve the residential, commercial, industrial, and telecommunications markets around the world. As a leading supplier of generators in the United States, the company plays a pivotal role in climate change adaptation by providing reliable and resilient power in case of extreme climate events like hurricanes or wildfires. The company's fast-growing energy storage business also supports the transition to clean power by facilitating the integration of solar power as a source of electricity.



Impact

Generac's PWRcell Solar + Battery Storage systems provide back-up power for grid outages. Generac calculates that as of the most recent data available, 162.4 GWh of power were produced by these units during the year, which contributed to over 116,000 metric tons of tCO₂e of GHG emission avoidance.¹



Engagement

Climate

Objectives

- Collect baseline GHG emissions data (Scope 1 & 2 – Achieved, 2022; Scope 3 – In progress)
- Publicly disclose emissions data in its annual/sustainability report (Achieved, 2023)
- Set science-based emissions reduction targets (In progress)
- Develop robust net-zero transition plan (not started)

Activities

In 2022, Impax reached out to Generac specifically regarding climate, given the company's lack of emissions disclosures. In 2023, we followed up as part of our priority outreach on climate to discuss our voting guidelines and increasing expectations in line with our commitments under the Net Zero Asset Managers (NZAM) initiative.

Outcomes

Our dialogue with Generac has been constructive and the company's responses to our feedback have been positive. In 2023, the company disclosed its Scope 1 and 2 GHG emissions for the first time. Generac is currently developing ESG roadmaps by priority theme and undertook an in-depth assessment of Scope 3 emissions in 2023. The company intends to disclose the outcome of this exercise, including more detailed Scope 3 emissions data, in line with the Taskforce on Climate-Related Financial Disclosures (TCFD) framework in its 2024 reporting. While in the early stages of developing its climate risk management processes, the company is in the process of integrating climate-related considerations into its strategic planning, risk management cycles and governance structures across its products, operations and supply chain, in line with the TCFD framework. In addition, it has established board level oversight for its ESG strategy, including climate-related risks, and a new senior director has been appointed to oversee its implementation.

Next Steps

Generac is currently considering setting internal reduction targets, and we have encouraged use of the Science Based Targets initiative (SBTi) framework as it considers both interim and longer-term net-zero targets. We continue to engage with Generac to improve its climate risk management processes and disclosures.

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ACCESS Pool Responsible Investment and Stewardship Report



Statement from the Chair of the ACCESS Joint Committee

I am delighted to present the ACCESS Pool's first ever Stewardship Report. ACCESS is committed to expanding its ESG and Responsible Investment oversight for the Pool's stakeholder investments, and our decision to report annually on this commitment according to the Principles of the UK Stewardship Code 2020 represents, to us, an important development in our approach.

The ACCESS Pool has always prided itself on working collaboratively and collectively to deliver cost efficiency and strong investment performance. Since the Pool was founded in 2016, investing responsibly has also become increasingly important to the eleven Administering Authorities that constitute ACCESS. Prior to, and during the months' long consideration and drafting of this report, the ACCESS Joint Committee has seen ever higher levels of interest expressed in stewardship from Pool members and other stakeholders.

Clearly, our beneficiaries continue to face a wide variety of investment challenges that find their root cause in the environmental, social and governance performance of the companies and instruments in which they have an interest. In short, we know that our members are focusing on stewardship as an ever greater priority and, naturally, so must we.

In this report, we share the approach to

stewardship we have developed at ACCESS, discuss the progress we have made as a Pool in this regard, and the actions we have taken as a result of reviewing our own stewardship performance viewed through the lens of the Code's twelve Principles.

This has been a valuable learning experience. The Pool's own Guiding Principles, which you will read about in this report, have been instrumental to the development of ACCESS' approach to Stewardship and Responsible Investment, and to the more recent initiatives we describe here. We have worked collaboratively with our members. Our decision making has been objective and evidence based. We have, and will, use professional resources as appropriate: demonstrating risk awareness, whilst also avoiding unnecessary complexity. And we have welcomed innovation and evolved our approach to meet changing needs and objectives.

You will read of the appointment of an ESG & RI Advisor, an independent review ACCESS commissioned in the reporting period of the Pool's Voting Guidelines; of the process to sharpen the Pool's focus on ESG priorities; discussions that have taken place around the option of engaging a Voting and Engagement Provider to supplement the engagement work conducted by the Pool's investment managers, and to recruit an RI Analyst within the ACCESS Support Unit.

This progress and commitment to resource ESG and Responsible Investment at ACCESS will only ever give impetus to the Pool's ESG and Responsible Investment ambitions. We

also know that seeking to be the best stewards of capital we can be, given our resources and structure, will never be complete. In our action plan to deepen our commitment to responsible investing even further, which we looking forward to reporting on in our next submission, you will appreciate our resolve to continuously improve how we meet the stewardship expectations of our members in regard to the responsible allocation, management and oversight of capital: with a view to creating long-term value for them, which also leads to sustainable benefits for the economy, the environment and society.

ACCESS has taken care in the drafting of this report to make sure it is fair, balanced and understandable. The Joint Committee is happy this is the case. And while our additional intent has been to ensure this report is useful and engaging to our members, we also hope for the same outcome for the FRC.

This report has been reviewed and approved by the ACCESS ESG/RI Sub-Group, by the Pool's Officer Working Group, by its Section 151 Officer Group and, finally, by the ACCESS Joint Committee.



Cllr Mark Kemp-Gee

Chair of the ACCESS Joint Committee

Principle 1

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

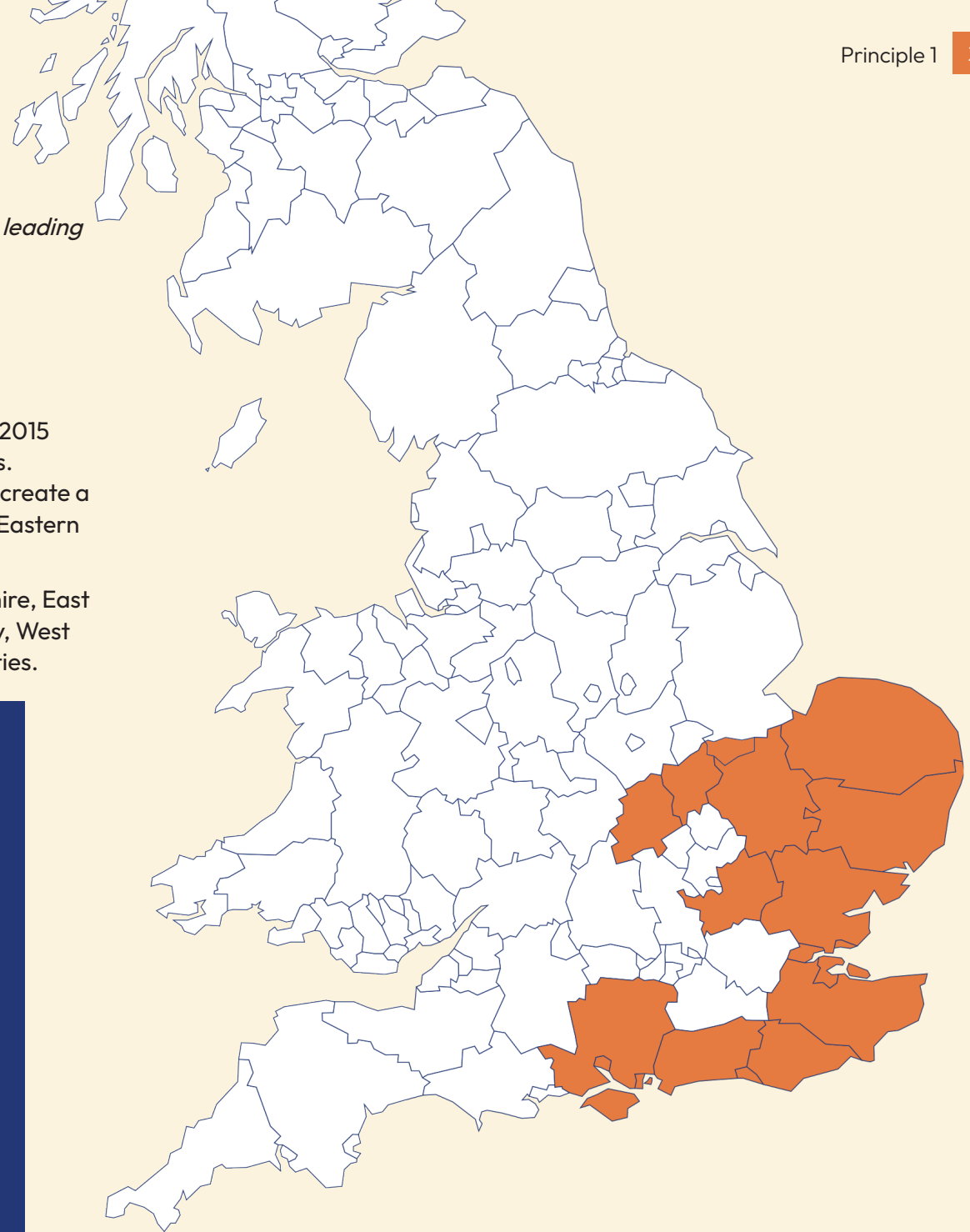
Origins of the ACCESS Pool

The government-led reform of investment management in the Local Government Pension Scheme (LGPS) for England and Wales began in 2015 with the publication of criteria and guidance on pooling of LGPS assets. In response, eleven like-minded LGPS Funds came together in 2016 to create a pool of funds under the name of ACCESS: A Collaboration of Central, Eastern and Southern Shires.

The founding members of ACCESS were the Councils of: Cambridgeshire, East Sussex, Essex, Kent, Hampshire, Hertfordshire, Norfolk, Suffolk County, West Sussex, and Isle of Wight and West Northamptonshire unitary Authorities.

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- **60%** of the funds' assets were invested in equities.
- **75%** of their assets were actively managed, with **70%** of assets invested across 12 fund managers.
- Each fund had some exposure to passive investment.
- The funds' actuarial funding levels were above the national mean average for all LGPS funds in England and Wales.
- Emblematic of their commonality of approach, the average investment return for the Pool's originating Authorities exceeded the Wood Mackenzie Local Authority Average over the medium term (five years).
- And, critically, from an organisational perspective, all of the funds' assets were managed externally. The Pool therefore began life with a pre-existing skill set oriented towards outsourcing, which is now fundamental to the Pool's approach to stewardship.



Origins of the ACCESS Pool

ACCESS has taken care to ensure that each member Pension Committee has retained its decision-making and monitoring power for asset allocation and investment strategy on behalf of their Authorities. Each Authority has also retained the right to decide whether or not to pool assets to execute its investment strategy based on relevant factors, including its own approach to value for money issues. Nonetheless, as a result of ACCESS engaging the Pool's stakeholders at all levels, its member Authorities agreed and implemented successful strategies for the pooling of both active and passive strategies.

Having jointly procured passive management arrangements in 2017, and subsequently established an Authorised Contractual Scheme currently operated by Link Fund Solutions (the Operator), which was acquired by Waystone in October 2023, 70% of assets were Pooled as at 31 March 2024, with 20% of the pooled assets in the UK.

Plans are in place for further pooling of assets. The remaining allocation is subject to Strategic Asset Allocation reviews and ongoing dialogue between the Authorities and ACCESS, with the expectation that these assets are either pooled or earmarked for other needs of the Authorities.



Our Culture, Values and Guiding Principles

Through working closely and collaboratively in creating ACCESS, the Pool's member Authorities have **developed a culture that is open, supportive, forward looking and accountable**, which is capable of capturing the best examples of current good practice from each Administering Authority.

Governance and decision making at ACCESS is directed by the Guiding Principles listed below.

ACCESS Guiding Principles



Collaboration

The participating authorities will work collaboratively, and the Pool is also committed to collaboration with other pools and organisations where there is potential to maximise benefits.



Risk Awareness

The risk management processes will be appropriate to the Pool's scale, recognising it as one of the largest pools of pension assets in the UK.



Value for money

ACCESS will be run economically, applying value for money considerations.



Equity

Participating authorities will have an equal voice in governance.



Professionalism

ACCESS will use professional resources as appropriate.



Innovation

The Pool will welcome innovation.



Objectivity

Decision making will be objective and evidence based.



Simplicity

ACCESS will avoid unnecessary complexity.



Cost sharing

The Pool's costs will be shared equitably.

Collaboration is placed at the head of the list of the Pool's Guiding Principles because it is fundamental to how ACCESS works, and instrumental in enabling the Pool to meet the needs of its constituent local Authorities.

Regular dialogue and engagement across the Pool were established at inception. The involvement of each Administering Authority in setting strategy for the Pool, which itself is facilitated by the governance arrangements expanded upon under our later reporting in this document, has become a key feature of ACCESS' culture. It has a track record of building consensus between the Authorities. And, in our opinion, it is responsible for our ability to live up to a definition of stewardship that places acting in the best interests of its members at its heart – with each Authority having an equitable voice that counts in setting the overall direction of ACCESS.

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Our Purpose and Strategy

When it set out to create the Pool, ACCESS did so with a strong and shared belief: That the primary purpose of effective stewardship would be to serve the best interests of the Pool's members and their beneficiaries.

As at 31 March assets under management (AUM) within the Pool's Administering Authorities amounted to £65bn. Approximately £45bn of this was pooled within ACCESS, making ACCESS one of the largest of the eight LGPS pools that

were created in response to the reforms. As such, ACCESS exists to represent the interests of LGPS Authorities that invest the pensions of over 1.2 million LGPS members (most of whom are not highly paid), across almost 3,500 employers.

The Pool's mission is to facilitate a multi-asset pooling arrangement that delivers across four dimensions:

01

Enable participating Authorities to execute their fiduciary responsibilities.

02

Provide a range of asset types necessary to enable those participating Authorities to execute their locally decided investment strategies as far as possible.

03

To develop and maintain a resilient and sustainable pooling model enabling Funds to achieve the benefits of pooling and apply the appropriate level of local decision-making and control.

04

To maintain an efficient governance framework that underpins good and effective decision-making.

We also recognise the role of LGPS Administering Authorities as best value Authorities, which are subject to rules derived from the Local Government Act 1999. These rules require Authorities designated under the Act to seek **continuous improvement** in the way they exercise their functions, having regard to a combination of factors including economy, efficiency and effectiveness.

In keeping with our shared understanding of what stewardship means to us, early consensus therefore formed naturally within ACCESS around three, collective, points of emphasis:

- On cost efficiency and value for money
- On investment performance
- On ensuring and preserving the local sovereignty of the Administering Authorities.

This report later outlines how the ACCESS Support Unit (ASU) provides day-to-day support for running the Pool, and how this has become a principal conduit via which member interests are conveyed to the Joint Committee that constitutes the Pool's formal decision-making body. Staffing the ASU in a way that included experience from the Pool's member Authorities was recognised as beneficial at inception.

Using that experience to achieve a detailed understanding of the needs and requirements of each Administering Authority was key to the decision, made in 2018, to reflect the Pool's member Authorities' developing interest in responsible investing (RI) by adding two more points of emphasis to those listed above:

- To protect and enhance investment performance in such a way as to generate sustainable benefits for the economy, the environment and society, ACCESS should enable the expression of the RI beliefs of the Pool's member Authorities, and
- That ACCESS should facilitate this through voting, via company engagement, and by collaborating with other investors.

The Pool's member Authorities support the aims and objectives of the UK Stewardship Code 2020 which set high standards for those investing money on behalf of UK savers and pension scheme members. Many of the Authorities are signatories or working towards being signatories in their own right.

ACCESS believes in making long-term sustainable investments, whilst integrating Environmental, Social and Governance (ESG) risk considerations into the investment process and promoting good governance and stewardship for itself, and for the Pool's investments.

In our view, good stewardship practices can have a material impact on investment returns by avoiding value destruction, through the identification of significant investment risks, and via the qualification of investment opportunities.



Environmental, Social and Governance Issues

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

Recognising that each of the Pool's Administering Authorities is operating at a different pace in respect of responsible investing, ACCESS also recognises its responsibility to represent the RI beliefs of the Pool's Administering Authorities at an aggregate level, and acknowledges the obligation placed upon it to ensure that ESG issues are taken into account when overseeing the management of investment portfolios by third parties.

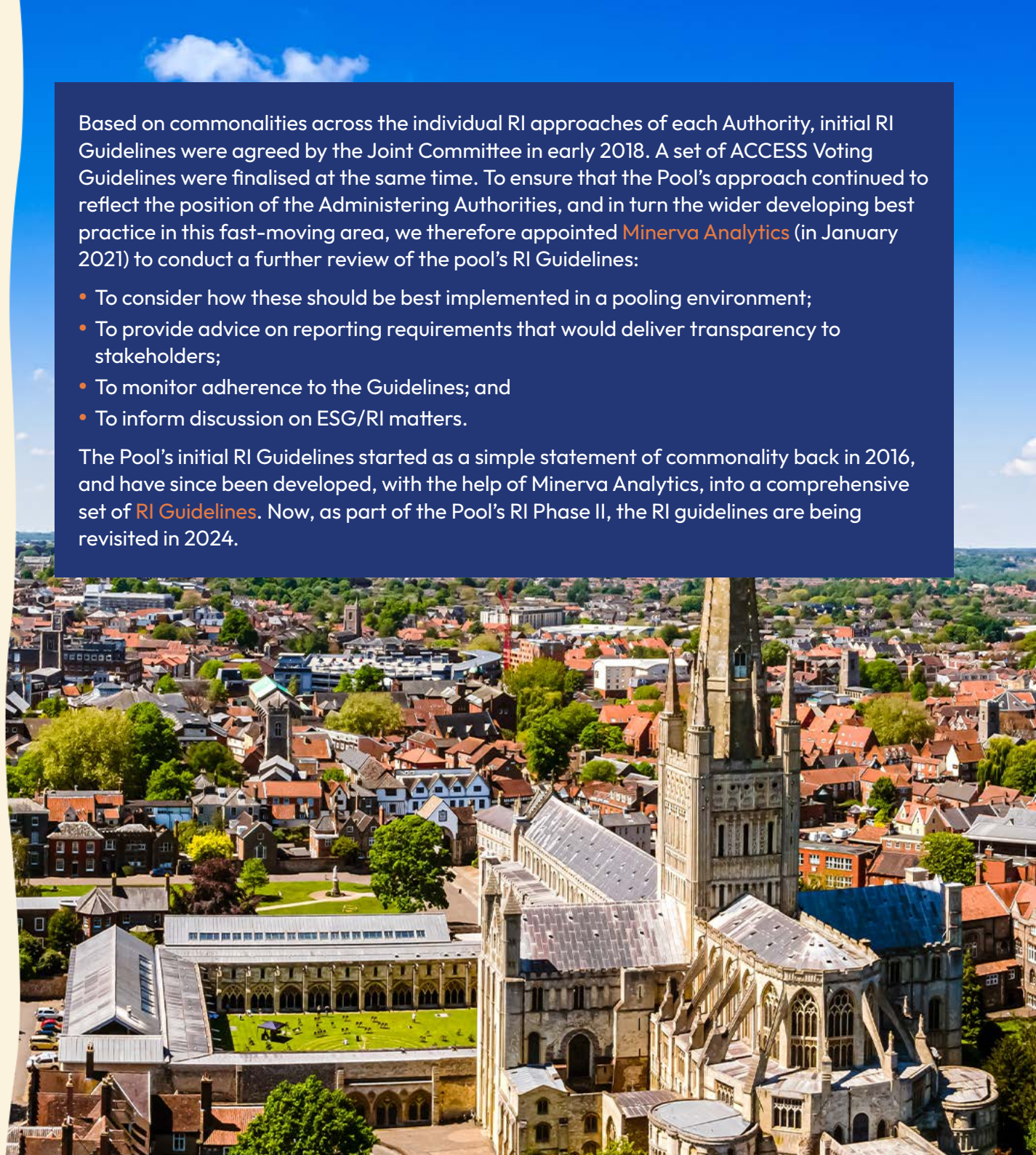
We therefore recognise the fundamental importance to stewardship of achieving high standards of governance around the selection, monitoring and impact of the investment managers the Pool retains.

ACCESS believes the pursuit of standards of best practice in the selection, performance and RI behaviours of investment managers aligns the interests of Pool members with those of fellow shareholders and with society as a whole.

Based on commonalities across the individual RI approaches of each Authority, initial RI Guidelines were agreed by the Joint Committee in early 2018. A set of ACCESS Voting Guidelines were finalised at the same time. To ensure that the Pool's approach continued to reflect the position of the Administering Authorities, and in turn the wider developing best practice in this fast-moving area, we therefore appointed [Minerva Analytics](#) (in January 2021) to conduct a further review of the pool's RI Guidelines:

- To consider how these should be best implemented in a pooling environment;
- To provide advice on reporting requirements that would deliver transparency to stakeholders;
- To monitor adherence to the Guidelines; and
- To inform discussion on ESG/RI matters.

The Pool's initial RI Guidelines started as a simple statement of commonality back in 2016, and have since been developed, with the help of Minerva Analytics, into a comprehensive set of [RI Guidelines](#). Now, as part of the Pool's RI Phase II, the RI guidelines are being revisited in 2024.



Stewardship Arrangements and Practices at ACCESS

Since we believe investment performance is key to cost effectiveness, and that it can easily deliver greater value for money than a narrow focus on cost containment, we resolved on formation to adopt an outsourcing model that would grant the Pool access to the best-in-class asset managers for each assets class and therefore to focus on using the best available investment managers to deliver superior investment performance. Given the Pool's heritage, we also determined at the outset to procure and operate the collective investment scheme for our members by utilising a Financial Conduct Authority (FCA) regulated Collective Investment Vehicles (CIV), called an Authorised Contractual Scheme (ACS), and through the employment of an Alternative Investment Fund Manager (AIFM).

This structure is referred to as the Operator.

It consists of the ACS itself, the FCA authorised and regulated entity (the AIFM) and the FCA authorised and regulated depository and custodian.

The Operator is a separate external legal entity, and is the legal owner of relevant underlying assets, creating a large single Pool. Instead of having direct ownership of the underlying assets, participating Authorities therefore hold units in the ACS sub-funds as beneficial owners.

From a stewardship perspective, it was important to put strong governance principles in place in regard to the selection of the Pool's investment managers, and the oversight of their behaviours after the fact. It was therefore critical that we should establish rigorous due diligence processes and oversight mechanisms in regard to the selection of the firm that would be chosen as the Operator of the Pool's Authorised Contractual Scheme.

ACCESS appointed **Waystone Management** (UK) Limited, which was then known as Link Fund Solutions in 2018. Detailed information regarding the governance structures ACCESS has put in place to oversee Waystone's performance, including details of the Operator agreement that specifies Waystone's responsibilities, can be found on page 15.



RI Beliefs

Following consultation with the Authorities, ACCESS' key RI beliefs were agreed in 2018, and are set out below:

- RI considerations are important across all time horizons, but especially in the medium and long-term. This is true not just in terms of protecting and enhancing long-term investment return, but also increasingly in terms of the interests expressed by our stakeholders.
- RI considerations are important irrespective of asset class.
- Responsible management of RI Issues by ACCESS and the Authorities is a reputationally important issue.
- Consideration of ESG factors should be incorporated into the portfolio construction process of all investments made by the Pool's active investment managers.
- ESG factors are relevant in the context of benchmarking, risk analysis and investment opportunity identification.

Climate risk – and the issues which contribute to it – is of significant concern to all stakeholders, and as a result it is a prominent area of focus.

We expect these beliefs to be expressed through the Pool's investment managers in the voting and engagement they conduct on the Pool's behalf. We advocate the use of engagement over divestment as the means to promote our RI beliefs. However, selling an asset remains an option when it comes to unaddressed ESG concerns in the investments made by the Pool's investment managers.

We also recognise the value in engaging collaboratively with investors that share our priorities to leverage greater influence through joint initiatives and organisations. Work on this is ongoing and has been initiated by our decision last year to become members of the [Local Authority Pension Fund Forum \(LAPFF\)](#), on which we expand later.

The exercise of Authorities' collective ownership rights through voting is an important part of implementing our RI beliefs and we expect ACCESS' investment managers to vote in accordance with the Pool's Voting Guidelines, or to provide explanations when they do not do so.

Work on continually refining ACCESS' RI and Voting Guidelines to meet the evolving stewardship requirements of the Pool's member Authorities is ongoing and is discussed later in this report.



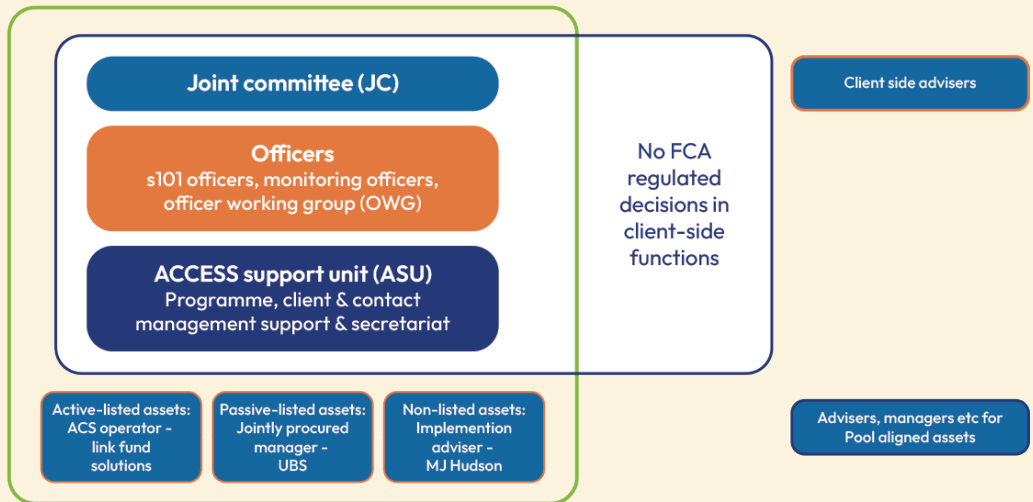
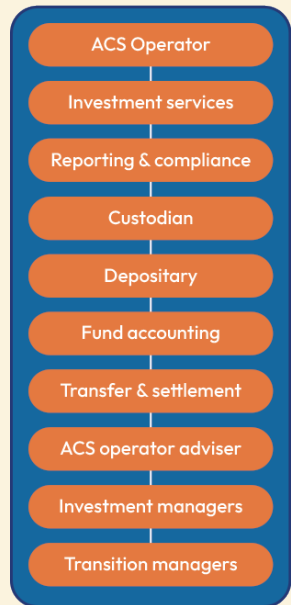
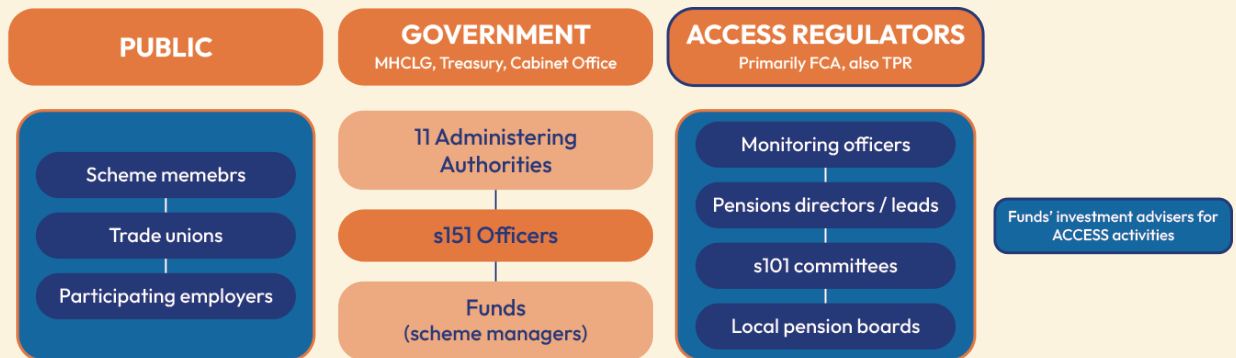
Principle 2

Signatories' governance, resources and incentives support stewardship.

ACCESS Governance Structures and Resources

Upon inception, each of the Pool's Administering Authorities agreed the governance structure put in place at ACCESS should work to preserve their local sovereignty.

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The Pool itself is not a legal entity. It is governed by an Inter Authority Agreement (IAA) signed by each Administering Authority within the Pool. The IAA sets out the constitution of ACCESS, and includes two key Terms of Reference:

Section 151 Officers

A Section 151 Officer is a responsible financial officer employed by each Administering Authority as required by Section 151 of the Local Government Act 1972, responsible for making arrangements for the proper administration of the Administering Authorities' financial affairs.

The IAA is entered into without prejudice to the exercising of the statutory powers and duties by any Section 151 Officer.

ACCESS' Section 151 Officer Group comprises representatives from each Administering Authority. These representatives are required to exercise specific functions set out in the IAA, which include:

- The provision of staff and resources to assist the Joint Committee in the exercise of its functions;
- To make recommendations to the Joint Committee on budget and business plan matters;
- To advise the Joint Committee on the identification of, and mitigation of any risk to the operational success of the Pool, including matters of stewardship; and
- To ensure that their Authority's share of Pool costs is provided.

The Section 151 Officers of each Authority accordingly provide advice to the Joint Committee, and in response to decisions made by the Joint Committee ensure appropriate resourcing and support is available to implement the decisions and to run the ACCESS Pool.

Staff and resources contributed by ACCESS's Section 151 Officers currently comprise of two technical leads supporting the Pool's reporting and financial and accounting functions. In addition, ACCESS is further supported by an Officer Working Group and several Officer sub-groups, the Chairs of each of which are members of the Pool's Administering Authorities. The day-to-day management of each fund is resourced by local senior officers with individual subject matter expertise covering investment, governance, and pension administration. This expertise is shared and utilised within the Pool.



Joint Committee

The Joint Committee is the statutory Committee of elected members from each of the Pool's member Authorities, established to exercise specific functions in relation to the pooling of pension assets.

Appointed by the Pool's Administrating Authorities under s102 of the Local Government Act 1972, with delegated authority from the Full Council of each Authority to exercise specific functions in relation to the pooling of pension funds, the Joint Committee is the formal decision-making body within the ACCESS Pool.

In discharging its functions the Joint Committee shall:

- Have due regard to any relevant stewardship codes of practice or other relevant documents, recognising that individual Authorities reserve the right to adopt their own individual policies in areas including application of stewardship codes, exercise of shareholder voting rights and policies in respect of responsible investments.
- Take steps to ensure the Operator provides sufficient sub-funds and/or vehicles to enable each Authority to execute its investment strategy.

Undertake training to acquire and maintain knowledge and skills relevant to the performance of their duties.



Functions of the Joint Committee

Each of the Pool's Administering Authorities is responsible for nominating an elected member to represent it on the ACCESS Joint Committee.

The Joint Committee therefore comprises 11 members.

The Committee meets at least four times each year and is responsible for ongoing contract management and budget management for the Pool, and for the management and oversight of its effectiveness in regard to the Pool's stewardship behaviours and activities. It is supported in this work by the Officer Working Group, the Pool's Section 151 Officers, and the ACCESS Support Unit.

The Joint Committee has delegated authority from each Administering Authority to exercise specific functions set out in the IAA, in particular monitoring the performance of the Operator.

It is also authorised to make the following decisions:

- Specification of the Operator's services, including functions required to deliver the sub-funds.
- Determination and oversight of the process for selecting the Operator.
- Design of the arrangements for contract management of the Operator.
- Approval of the appointment of advisors and costs.
- Setting the budget for ACCESS in line with strategic business plan.
- Designation of which Authority manages the ACCESS Support Unit (ASU) and deciding the tasks of the ASU.
- Designation of the Pool's Host and/or Lead Authority.

In addition to the above, the Joint Committee is also authorised to make recommendations in respect of the following:

- Appointment of the Operator.
- Extension or termination of the Operator.
- Strategic business plan for ACCESS.
- Strategic plan for transition of pooled assets.
- Pool-aligned assets.
- Changes to the IAA.

In this reporting period the Joint Committee has agreed the procurement for an ESG & RI Advisor to the Pool, to a review of the Pool's RI Guidelines and Voting Guidelines, and to the provision of a stewardship gap analysis.

The Committee receives a quarterly investment performance report each meeting which details sub-fund performance and provides voting information. The Committee also receives the results of the quarterly reporting data from the Contracts Management report which highlight any failure in provision of voting or engagement activity. If there is any failure, this is investigated and lessons learned covered.

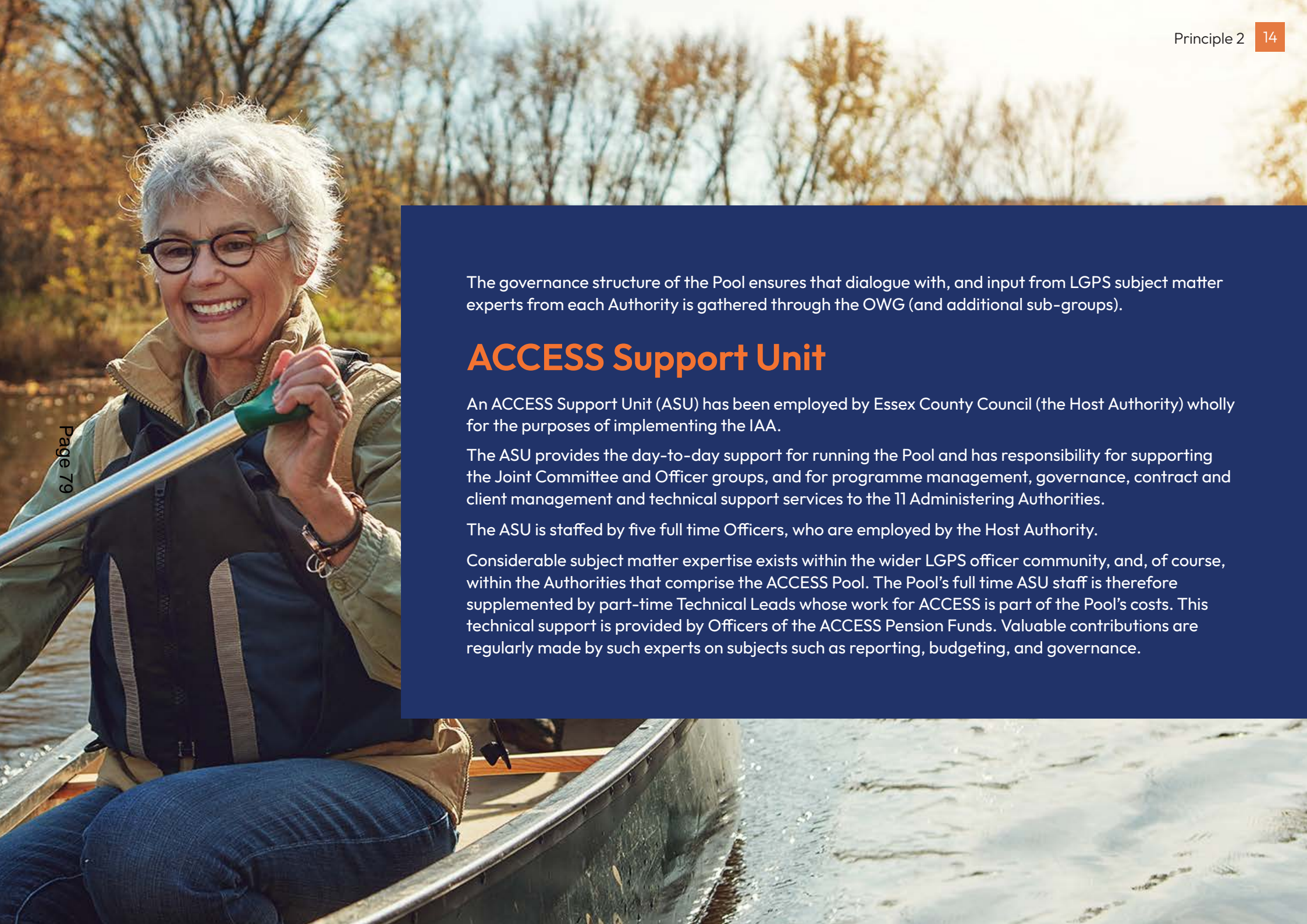
Officer Working Group

The Officer Working Group (OWG) is responsible for supporting the Section 151 Officers and, in turn, the Joint Committee, with each Authority being represented in the OWG. Its role is to provide a central resource for advice, assistance, guidance and support for the Joint Committee.

In the past, for example, the OWG has assisted ACCESS in respect of the implementation of the Pool's RI Guidelines by providing support, expertise and discussion in their creation, and in subsequent updates to them.

Each member Authority is represented at meetings of the OWG by its nominated Officer(s), or his or her deputy or nominee. Some Authorities have nominated more than one Officer to sit on the OWG, and the list of nominated Officers includes:

- Head of Pensions – Cambridgeshire
- Head of Pensions – East Sussex
- Director for Essex Pension Fund – Essex
- Head of Investments & Borrowing – Hampshire
- Head of Pensions – Hertfordshire
- Pension Fund Manager – Isle of Wight
- Head of Pensions & Treasury – Kent
- Director of the Norfolk Pension Fund – Norfolk
- Head of Pensions – Suffolk
- Head of Pensions – West Northamptonshire
- Pension Strategist – West Sussex



The governance structure of the Pool ensures that dialogue with, and input from LGPS subject matter experts from each Authority is gathered through the OWG (and additional sub-groups).

ACCESS Support Unit

An ACCESS Support Unit (ASU) has been employed by Essex County Council (the Host Authority) wholly for the purposes of implementing the IAA.

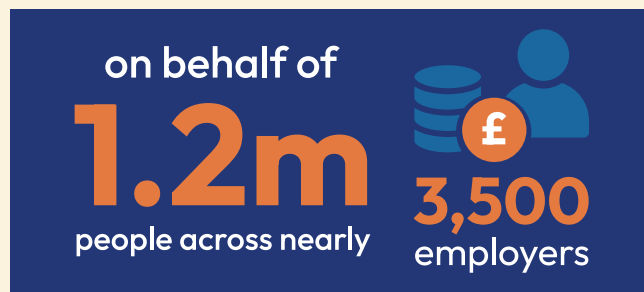
The ASU provides the day-to-day support for running the Pool and has responsibility for supporting the Joint Committee and Officer groups, and for programme management, governance, contract and client management and technical support services to the 11 Administering Authorities.

The ASU is staffed by five full time Officers, who are employed by the Host Authority.

Considerable subject matter expertise exists within the wider LGPS officer community, and, of course, within the Authorities that comprise the ACCESS Pool. The Pool's full time ASU staff is therefore supplemented by part-time Technical Leads whose work for ACCESS is part of the Pool's costs. This technical support is provided by Officers of the ACCESS Pension Funds. Valuable contributions are regularly made by such experts on subjects such as reporting, budgeting, and governance.

The Operator Role at ACCESS

At its heart ACCESS is a collaboration that sees 11 LGPS Authorities come together to partner with finance sector specialists to enable the oversight and investment of assets on behalf of over one million members in just under 3,500 employers.



The principal financial sector specialist ACCESS partners with to enable its investment, and the oversight of its investment, is the Pool's Operator: Waystone Management.

The Pool's Operator is responsible for establishing and operating an Authorised Contractual Scheme (ACS). The ACS is FCA regulated, and the Operator Agreement is signed by each of the Pool's 11 Authorities. The Operator sub-contracts with providers on behalf of the Pool in relation to sub-fund selection and investment instructions.

The appointment of Waystone (then known as Link Fund Solutions) followed a thorough public procurement process, during which emphasis was placed on the Operator's capacity and track record for the safeguarding of assets and oversight of funds.

The Operator appointed **Northern Trust** as the depositary to the ACS, and the current Custodian is Northern Trust Company.

Decision-Making Processes

Engagement of each of the Pool's eleven Authorities in its activities is a characteristic feature of ACCESS, and the support and facilitation of stakeholder groups that is delivered by the ASU for this purpose is key to the way in which the Pool functions.

The dialogue the OWG conducts with LGPS subject matter experts from each Authority ultimately enables the Pool's Section 151 Officer Group to form the recommendations that are put to consideration by the Joint Committee.

Whilst consensus should always be sought, the IAA sets out that both the Joint Committee and Section 151 Officers are empowered to reach decisions based on a majority of those voting on a particular issue.

Where the Joint Committee is making a recommendation to each Authority (e.g., to amend the IAA or the Operator Agreement) the Administering Authorities must consider making the necessary formal decision in line with its own processes (constitutions, established delegations of authority etc). As these are recommendations only, the Administering Authorities are not required to agree with the Joint Committee.

The IAA requires all Parties to execute an amendment for it to be effective.

Investment User Group

The ACCESS Investment User Group (IUG) meets regularly with the investment managers of the Pool's assets to discuss the performance, strategy and stewardship behaviours of each sub-fund.

This group is comprised of Officer representatives from each of the Pool's member Authorities who are directly involved in managing and scrutinising their own Authority's investments.

The IUG, who report to the Pool's Officer Working Group, scrutinise each investment manager's performance against the sub-fund investment objectives, as well as monitoring each manager's RI activities and the implementation of ACCESS' RI Guidelines. Each IUG meeting with an investment manager is supported by a dedicated RI, Engagement and Voting agenda item.

By providing a forum for the Administering Authorities to (literally) 'pool' their collective knowledge, experience and subject matter expertise in monitoring investment manager activity, we believe the IUG is a good example of the kind of benefit ACCESS has delivered to its members. By facilitating group discussions and surfacing relevant issues with its investment managers, ACCESS Authorities are able to share their understanding and best practice to elevate the Pool's collective approach to stewardship.

ESG/RI Sub-Group

The Pool's ESG/RI Sub-Group has been constituted to support the functions and the work deliverables of the OWG in respect of ESG and RI matters. Whilst not a decision-making group, it has demonstrated a substantial commitment, initially establishing and then reviewing the Pool's approach to RI, and is able to make recommendations to the OWG for its consideration. Each member Authority is invited to be a part of the Sub-Group.

Any members of the ESG/RI Sub-Group may convene a meeting of the Group at any time or as required by the OWG. It is supported by the ACCESS Support Unit and may be assisted by external professional advisers appointed by the Joint Committee. It has, for example, been closely involved in the work of the Pool's recently appointed ESG & RI Advisor: meeting with that body on at least a monthly basis since appointment.

The Group produces updates to the OWG following each regular meeting and as required, and is expected to represent all ACCESS Authorities. Where there is a potential conflict of interest this will be raised, and actions taken. At times participation by all Authorities may be required.

Training and Diversity within the Pool's Governance Structures

Training strategies within the Pool's Administering Authorities are designed to aid members of Pensions Committees and Local Pension Boards as well as Fund Officers and Section 151 Officers in performing and developing in their roles and to equip them with the necessary skills and knowledge to act effectively in line with their responsibilities.

This includes ensuring there is the appropriate level of internal challenge and scrutiny on decisions and performance of respective Funds – which the Officers from the Pool's Administering Authorities are then able to bring to bear on the governance of stewardship at ACCESS.

Fund Officers typically receive quarterly updates from investment managers and industry experts, which set out the managers' approach to responsible investing, supported by key case studies, as well as specific training from

these third parties on topics such as sustainable and impact investing, climate scenario planning and timberland investing.

Officers are also encouraged to attend the semi-annual ACCESS Investor days hosted by Waystone. These cover topical ESG matters pertaining to the Pool, during which industry experts and fund managers provide commentary and engage with questions from Pool members.

In this reporting period Waystone facilitated learning across the following subjects:

- Global Stocks held by ACCESS from ACCESS Managers: Dodge & Cox, Schroders, Baillie Gifford and M&G
- Market Updates for period relevance from the Head of Investment Management Oversight at Waystone
- Central Bank Rates
- Impact on Growth
- Asset Returns
- Sustainable Investing
- ACCESS Fund Returns
- LGPS: Investing Today, presented by the CIO at Waystone, Head of Investment Management Oversight at Waystone and ACCESS Programme Director

Member Fund Officers and staff from the ACCESS Support Unit frequently attend LAPFF Business Meetings, which are held every quarter and the LAPFF Mid-Year and Annual Conference. These comprise of approximately four days of RI content, the highlights of which in this reporting period included discussion of:

- Energy companies and the cost-of-living crisis
- Proposed engagement with Grupo Mexico (environment and human rights)
- Threats to the quality of UK Listing Regime
- Climate Metrics and Executive Pay

- Proposed Shareholder Resolution on Human Rights to Mining Companies
- Reliable Accounts
- LAPFF Recommendations for UK Climate Policy
- Carbon Capture and Storage Update
- Proposed Rio Tinto Shareholder Resolution Update (Water assessment)
- Ending modern day slavery: the role of companies and investors
- How can water companies better deliver environmental value?
- How are LGPS funds and pools managing climate-related financial risk?
- Why proxy voting choice is essential for investors in passive funds
- The ESG backlash: what should LGPS funds and pools expect from their asset managers?
- Ensuring a clean and equitable Electric Vehicle supply chain
- How can investors manage nature-related risks and tackle the biodiversity crisis?
- Getting to net zero: the role of alternatives

As to be expected from a membership base that values local sovereignty, each Administering Authority within ACCESS has its own approach to promoting and ensuring gender and ethnic balance, and gender pay equality.

ACCESS employs five full-time staff within the ACCESS Support Unit. As noted later in this report, we plan to increase this number to eight during the upcoming reporting period, including the addition of a dedicated RI analyst. That said, we do not believe a resource of this size warrants the setting of specific targets around gender and ethnic balance, and pay balance, at this moment.

The Rationale behind ACCESS' Approach to Governance

Under LGPS Regulations, each Authority retains responsibility for complying with the Investment Regulations (which is the statutory source of the requirement to consider factors that are financially material, including ESG factors).

Similarly, RI is an aspect of discharging fiduciary duties which are the remit of the Authorities, not the Pool.

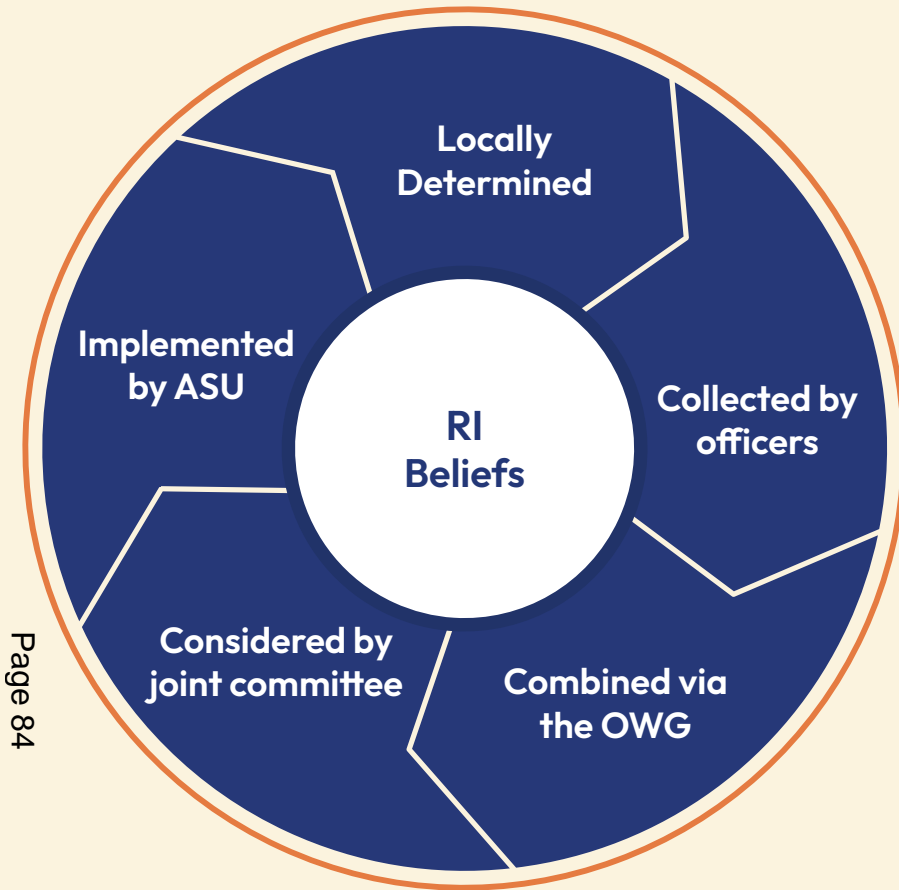
It was therefore important that the local responsibility for discharging effective stewardship should be reflected in the governance structure within ACCESS that preserves the local sovereignty of its members.

For example, as a product of its governance structures, ACCESS' approach to responsible investing was initiated by combining the RI beliefs and preferences of the 11 Authorities that comprise the Pool.

The process that facilitated the expression of the Authorities' local sovereignty serves as a good example of ACCESS' wider approach to the governance of its stewardship:

- The RI beliefs and preferences of each member Authority were first locally determined;
- They were then collected by Officers at the individual Authorities;
- Whereby the beliefs were combined into an overarching approach, through the Officer Working Group;
- After which they were reviewed by the Pool's s151 Officers;
- To be presented for consideration and approval by the Joint Committee (and for implementation by the ACCESS Support Unit);
- And, finally, to be implemented by the ACCESS Support Unit.





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Working in this way, ACCESS facilitated the incorporation of the Pool’s RI beliefs and preferences into the investment arrangements of the Pool, to ensure they were reflected at a fundamental level.

Guiding Principles

With ACCESS having resolved to preserve the local sovereignty of its Administering Authorities in all aspects of stewardship and responsible investing, two questions suggested themselves:

1. How might local sovereignty co-exist with the managerial requirement of ACCESS to set direction for the Pool?

2. How might the Authorities ensure their effectiveness working together within a pool, through ACCESS?

In response, ACCESS developed the Guiding Principles introduced under Principle 1 of this report to direct its work and its direction of travel.

Summarised below, these principles were agreed by the Pool’s participating Authorities at the outset. And they reflect an approach to the governance of the Pool’s stewardship that we believe is fit for purpose for a member-led organisation that operates in a decision-making environment that is subject to constant change.



Not least because ACCESS’ Guiding Principles enable effective debriefing and learning from experience, they have served the Pool well in ensuring the effectiveness of its stewardship and will, we believe, continue to do so in the future.

Principle 3

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

ACCESS aligns to the recommendations of the SAB Good Governance Review whereby we have a **Conflicts of Interest Policy** that recognises the distinct governance arrangements of pension funds. The ACCESS Pool intends to review this policy following the May 2025 election and support Authorities in their local review in the interim.

The ACCESS Support Unit has also reviewed the Pool's Conflicts of Interests Policy in this reporting period. The governance pathway at ACCESS maintains that any review that relates to policy must be put before the Joint Committee, and the outcome of this assessment suggested there were no gaps in ACCESS' policy, or in its approach to managing actual and potential conflicts of interest.

Going forward, the Policy will be reviewed on at least a triennial basis, and more frequently should a need arise.

The ACCESS Joint Committee Members, its Authority Officers and the ASU are responsible for identifying, managing and monitoring the Pool's actual and potential conflicts of interest.

The Public Service Pensions Act 2013 defines a conflict of interest as a financial or other interest which is likely to prejudice a person's exercise of functions. The ASU and the secretary to the Joint Committee are responsible for monitoring

conflicts of interest and ensuring that all Members, Officers and Advisors are aware of and follow the Pool's process for managing conflicts of interest. The ASU collates declarations of conflicts and maintains a conflict of interests register on behalf of the Pool.

In our opinion a conflict of interest may be present when Members, Officers and Advisors have a responsibility or fiduciary duty in the operation, decision making process or management of the Pool but also have either a separate personal or corporate interest, which can be financial or non-financial in nature, or another connection to the matter that may provide a possible conflict with their primary responsibility to the Pool. This interest could arise through association and may stem from a family member or colleague having an obligation or interest.

Accordingly, it is expected that all Pool Members, Officers and Advisors must:

- Acknowledge any potential conflict of interest they may have;
- Adopt practical solutions to managing those conflicts; and
- Plan ahead and agree how they will manage any conflicts of interest which may arise with the relevant parties.

ACCESS Members and Officers making decisions and recommendations on behalf of all Authorities have a duty to act in the best interest of all stakeholders, but this does not preclude Members, Officers and Advisors from having other roles or responsibilities which may result in a conflict of interest. Members are asked to declare any conflicts of interest at the beginning of every Joint Committee meeting. These declarations are recorded by the Secretary to the Joint Committee. Officers are also asked to complete a declaration of interest form, and confirm on an annual basis whether this has changed. This does not preclude updates being provided as and when they occur. The record of declarations is maintained by the Kent Secretariat.

Declarations of interest are also invited at the start of all governance pathway meetings or as a possible conflict arises. For example, individuals are invited to recuse themselves from discussions if they are conflicted in a procurement conversation. The Pool's member Authorities have their own processes for identifying, managing and monitoring conflicts of interest and these are considered alongside the Pool's process where relevant.

We understand it may not be possible to identify, manage and monitor all potential and perceived conflicts of interest. However, we do expect Members and Officers to endeavour to do so where possible. We also recognise that a failure to manage conflicts of interest can pose material risks to the Authorities, the consequences of which may include decisions that are not in the best interests of the Authorities' stakeholders. The reputation of the Councils may also be negatively impacted by a failure to manage conflicts of interest and this may also result in the Councils being referred to regulatory bodies.

Action in the Reporting Period

In addition to reviewing the Pool's Conflicts of Interest Policy we also took action in this reporting period to mitigate a potential conflict of interest in relation to the provision of insurance advice.

Following a previous issue, the ASU engaged with the Pool's insurance advisor on behalf of Administering Authorities to ensure ACCESS was able to avail itself of best-in-class insurance advice and for due diligence to be periodically performed on its Operator's insurance cover.

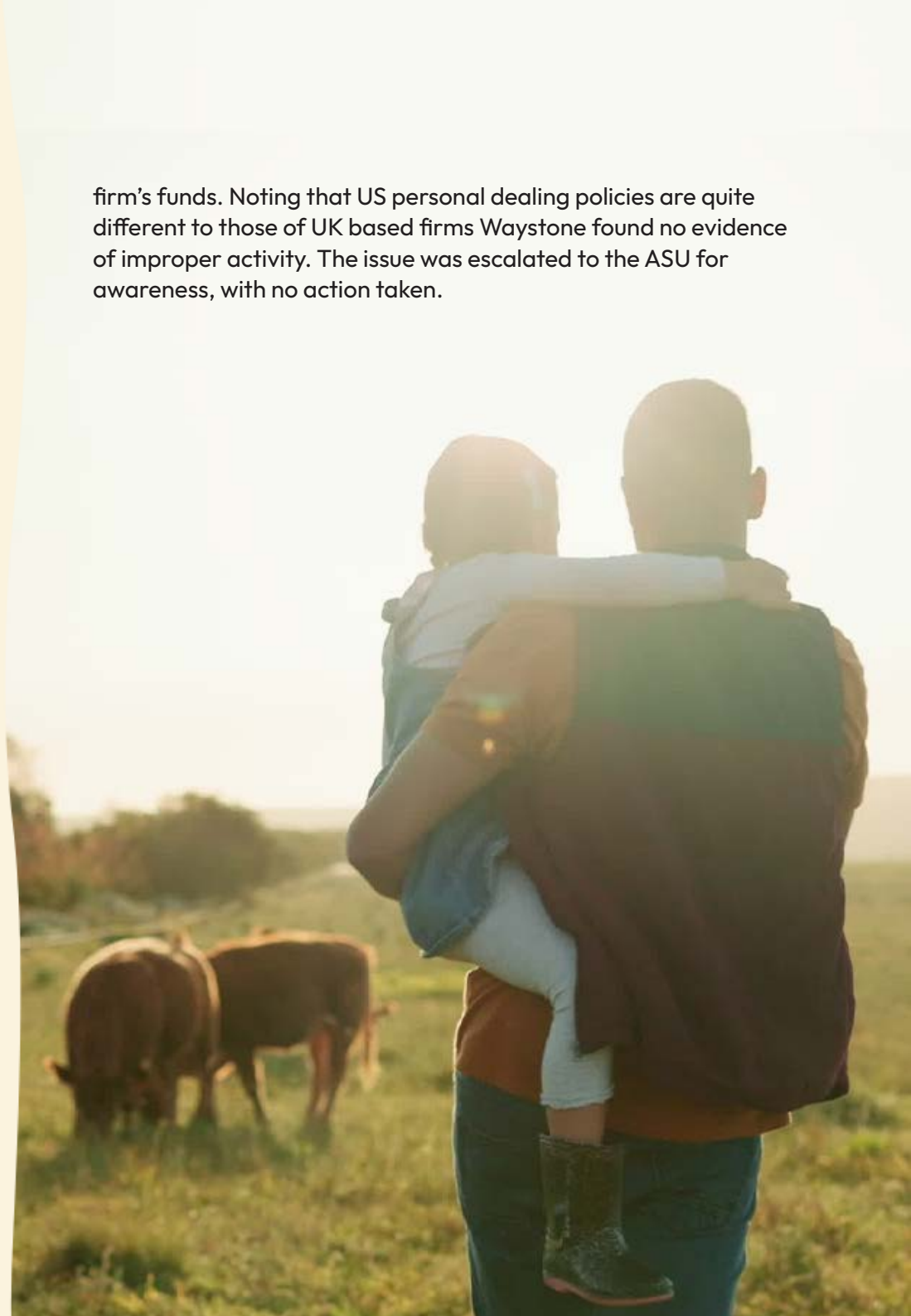
After the departure of a key individual at the insurance advisory firm, the ASU was introduced to a new representative of the firm. The following year the Pool's Operator, Link Fund Solutions, was acquired by Waystone, which had historically received brokerage services from the same individual.

Given that ACCESS and Waystone were now getting services on insurance from the same person at the same organisation, the ASU took the decision to examine this situation more closely, the outcome of which was to inform the elements in ACCESS' governance pathway that it would be in the Pool's interests to move to a different insurance provider.

The insurance advisor was able to assure the ASU that segregation arrangements could be put in place. Nevertheless, the ASU considered the advisor may have found itself conflicted in acting for both Waystone and ACCESS. It therefore proposed terminating the current contract with the advisor, to initiate a contract with a different provider. In accordance with the Pool's governance pathway, this was initially raised and recommended for consideration at the Pool's Officer Working Group (OWG) meeting. The Pool's Section 151 Officers then approved the recommendation, and it went to the Joint Committee in September 2023, where the actions were noted.

In 2023, one of the Pool's investment managers was also the subject of a prejudicial investigative report by a media outlet, which implied improper oversight regarding a matter of personal dealing. Waystone was informed by the manager prior to publication and held meetings with the manager's Compliance Officer to understand the situation and discuss the internal reviews that had taken place concerning staff trading in stocks held by the

firm's funds. Noting that US personal dealing policies are quite different to those of UK based firms Waystone found no evidence of improper activity. The issue was escalated to the ASU for awareness, with no action taken.



Service Providers

ACCESS recognises the use of external providers may be a source of conflict and has thus ensured that the Pool's Service Providers have their own conflicts policies in place.

Providers to the ACCESS Pool are required to disclose to the ASU any conflict of interest that may arise, including any related third-party engagements.

Upon tendering to provide a service to the Pool, providers are also asked to indicate if any Director, Partner, Senior Manager or Associate of their organisation:

- Is an employee of any Authority who is a member of the ACCESS Pool;
- Is a relative of an employee of any Authority who is a member of ACCESS;
- Has a business or private relationship with any Councillor at any Authority who is a member of the Pool; or
- Has a business or private relationship with any employee of any Authority who is a member of the Pool.

Upon identifying any conflicts of interest, the ASU will carry out an evaluation process, which will be reviewed by the OWG. The evaluation process will assess the potential severity of the impacts that could result if the chosen conflict is not suitably managed. Following the evaluation process the OWG will classify the conflict based on its nature and its potential impact severity. Such conflict will be classified as either low, medium or high risk.

Outside the two actions shared above, no conflicts of interest have been reported to ACCESS or identified by the ASU in the reporting period.



Principle 4

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Our Approach to Risk Management

ACCESS believes effective risk management is integral to good governance. To deliver on its objectives, the Pool needs to conduct activities that include taking advantage of opportunities that subject it to significant levels of risk. The success of ACCESS will, to an extent, depend on its ability to effectively balance risk and reward.

We recognise some risks cannot be fully mitigated; that risks can be fluid in nature, and that the impact and probability (i.e. severity) of risks can change rapidly and without warning. It is therefore important that ACCESS anticipates and deals with changes in its exposure to risk in an immediate and effective manner in order to minimise adverse outcomes.

With much of the early work guided by our professional advisors and, in particular, **Hymans Robertson**, ACCESS has developed a robust approach to risk management since inception. A (later) review of the Pool's risk assessment and reporting mechanism was conducted by the ACCESS Support Unit (ASU) in the second quarter of 2021, which led to the methodology outlined opposite.

The Section 151 officer Group is responsible for advising the Joint Committee on the identification and mitigation of any risk to the operation or success of the Pool. The ASU has responsibility to manage the development and implementation of the strategy, business plan and budget. This includes the identification and management of risks.

In support of the above, the Pool's RI beliefs maintain the consideration of ESG factors should be incorporated into the portfolio construction process of all investments made by the Pool's active investment managers: that ESG factors are relevant in the context of benchmarking, risk analysis and investment opportunity identification and that climate risk – and the issues which contribute to it – is of significant concern to all stakeholders, and as a result it is a prominent area of focus.

The process to identify, assess, manage and continually monitor risks is designed to allow ACCESS to:

- Demonstrate a robust risk management regime allied to effective governance;
- Minimise the likelihood of failing to meet its objectives;
- Achieve an appropriate balance between opportunities and risk;
- Limit the extent to which the Pool is impacted by unpredictable or adverse developments;
- Be better informed in its decision-making; and
- Be able to realise better outcomes for its stakeholders.

The probability of a risk manifesting to the Pool is measured across four dimensions: Unlikely, Possible, Probable, and Almost Certain.

Impact is measured according to whether the severity of the risk is considered: Minor, Moderate, Major, or Critical.

And, for the purposes of managing the risks pertaining to stewardship, the Pool's risk control measures are:

- Tolerate – accept the risk is there and that it is either so unlikely to happen it is not worth expending resources on or that the opportunities are greater than any risks,
- Treat – continue with the activity, take steps to reduce the probability and/or impact with control measures, and
- Terminate – stop the activity that is causing the risk, as even with control measures the risk remains unacceptable, or the cost to implement control measures is unacceptable.

Using a dashboard to facilitate incorporation of risk index scores, and changes to these, the ASU identifies and monitors the Risk Register. Opinions to the ASU are fed in from a variety of sources, including from the Pool's Section 151 Officers and from member discussions with investment managers, via the Pool's regular Investment User Group (IUG) meetings, for example.

The assessment of risks is discussed at meetings of the Officer Working Group first, which includes discussion of new or closing risks, before going to the s151 Officers. At each meeting the Risk Register is received and noted by the ACCESS Joint Committee. The Risk Management Dashboard is published each quarter on the Kent County Council website as part of the Business Plan update.

The Risk Register is received and noted by the Joint Committee at each of this Group's meetings. Thereafter, the Risk Register is used to document, change and monitor risk by:

- Outlining ACCESS' key risks and factors that may limit the Pool's ability to meet its objectives.
- Quantifying the probability and possible impact of the risk facing ACCESS.
- Summarising ACCESS' risk management strategies.
- Monitoring the ongoing significance of these risks, the effectiveness of existing risk mitigation strategies and the requirement for further risk mitigation strategies.

Risks to the functioning of ACCESS as a pool predominate the Risk Register. However, some market-wide and systemic risks are also captured within it, including, for example (in this reporting period), risks caused by Russia's invasion of Ukraine, and risks arising in China and Taiwan, and from conflicts concerning Israel, Palestine and Iran.



Russia's invasion of Ukraine

ACCESS recognised that trading of Russian stocks and the receipt of dividends were likely to be impacted when Russia first invaded Ukraine, and that companies listed elsewhere with a Russian footprint/supply chain would likely be reassessing activities in light of the invasion.

We also noted the extent of direct Russian-based investment within the ACCESS Pool has only ever been on a very small scale. Following the imposition of sanctions by the UK and other governments, the Russian equity market closed and Russian stocks have been excluded from major indices. As a result of these actions, the value of ACCESS Pool holdings in local Russian shares, ADRs and GDRs has been written down to zero.

ACCESS has received assurances from its partners that all new purchases of Russian securities have been suspended until further notice. The situation is continually monitored by Waystone's Head of Investment Oversight.

China's involvement in Russia's invasion of Ukraine

It has been noted that China may provide explicit support to Russia's invasion of Ukraine in the

form of weapons and equipment, or that it might support Russia, not by explicit transfers of military equipment, but by trade in electronics and other components which may fill gaps in the Russian military-industrial complex. It has therefore been agreed that ACCESS should maintain awareness of the possible risks arising from this, by engagement with Waystone's Head of Investment Oversight, and by involving ACCESS professional advisors as and when necessary.

China's potential insurgency into Taiwan

We remain aware of the risk posed by the possibility that China will carry out its threatened invasion of Taiwan. Taiwan is responsible for the production of 70% of the world supply of semi-conductors, and the US and the UK are heavily dependent upon exports from Taiwan across a range of industries and activities.

ACCESS is therefore maintaining awareness of the changing situation by engaging with Waystone's Head of Investment Oversight, and by involving ACCESS professional advisors as and when necessary.

Israel, Palestine and Iran Conflicts

ACCESS has identified the risk that conflicts in the Middle East may converge and escalate with material disruption to supply chains for goods transiting the region and to oil supply.

We consider that the initial broadening of conflict would be felt via energy prices. However, a region-wide development of the hostilities could also impact markets by impeding the passage of goods. This would be more about transit disruption than direct supply disruption. Russian oil production was three times the market share of Iranian oil product in respect of the global supply of oil, and Russia sold to many more developed markets. Uncontrolled escalation drawing global attention is the key risk presented to the Pool, and we are maintaining awareness of this changing situation.



Working with Waystone to Address Market-Wide Risks

Waystone engages with all of the Pool's investment managers in its annual review programme, and meets with senior management, governance teams, relevant portfolio managers and the investment risk team when doing so. Discussion with these personnel will typically feature focus on a fund's exposure to market-wide risks that are pertinent at the time – such as (recently) the risk to long duration, growth equity funds in an environment of rising interest rates.

In one such discussion, Waystone noted the investment manager's risk team had produced excellent work highlighting such risk, and that it also felt the investment management teams were not taking sufficient notice of this work. This resulted in Waystone challenging the firm to demonstrate the work of the risk team was being acknowledged and where appropriate, incorporated into the positioning of the fund.

In the two years since that challenge, which took place in 2022, Waystone has had regular interaction with the investment manager in respect of how it manages risk, and it has informed ACCESS that it now believes the relationship between risk management and investment management has matured such that the risk team is respected for its forward-looking research output.

Waystone rated this instance as an Amber issue for monitoring, and discussed the performance and structure of the relevant funds repeatedly at internal reviews. ACCESS was made aware of these discussions in the regular 'housekeeping commentary' Waystone provides at the Investment User Group (IUG) meetings. And this element of focus was highlighted for Q&A purposes prior to the investment manager's own IUG presentation.

Environmental, Social and Governance Issues

ACCESS employs a 'top-down' and a 'bottom-up' approach to reviewing and revising the RI & ESG risks that the Pool and the Authorities face:

- Top-down: the Authorities, through their membership of the Joint Committee, have the ability to feed into the RI risk identification and management process, by providing any comments, views or priority concerns they might have into the formal process of running the Pool, for further investigation and mitigation;
- Bottom-up: the IUG can feed any identified RI or ESG issues or concerns into the RI risk identification and management process, which can also involve the Officer Working Group and Section 151 Officers Group.

RI issues, themes and risks typically cover ESG factors. ACCESS' position is that these factors should be taken into consideration when investment decisions are made, and in ongoing monitoring of investments held, to enhance long-term sustainable financial performance.

Accordingly, we believe it is primarily the responsibility of the active investment managers to effectively identify, mitigate and report on such risks, specifically those that may be financially material, as part of their investment selection, monitoring and deselection process.

ACCESS expects its active investment managers to take a holistic approach to identifying risk as opposed to a stand-alone concern and believes that RI risks should be fundamentally integrated into a sustainable investment approach. We further expect these managers to be able to clearly identify the actions they have taken to identify and mitigate (where possible) RI risks in the context of the short, medium and long-term – and then be in a position to report this activity.

The ACCESS RI Guidelines are drawn from the Authorities' individual views on RI issues, themes and risks, and collate and communicate these views to the Pool's investment managers. The Authorities' views on RI risk are fed into the investment process formally through the ACCESS governance structure, and are discussed at Officer Working Group, Section 151 Officer and Joint Committee levels before being formally approved.

Review Actions in this Reporting Period

ACCESS appointed PIRC as the Pool's ESG & RI Advisor in this reporting period, and also commissioned PIRC to conduct a review of the Pool's RI Guidelines to ensure they remain fit for the purpose of expressing the Authorities' views on RI risk, and communicating these to the Pool's investment managers. The review, and actions following, will conclude in 2023/24.

As part of a wider brief, PIRC also reviewed the operation of the IUG meetings, which is one of the fora in which market-wide and systemic risks can be flagged to ACCESS via discussion with the Pool's investment managers.

Principal outcomes from this activity included the observation that the relationship that attendees of the IUG meetings have with the Pool's investment managers is of such a quality as to allow constructive challenges to be presented to investment manager processes and RI effectiveness. This itself is borne of ACCESS' intent to develop deep relationships with its investment managers, whilst also being careful not to dilute the Pool's capacity to exert influence over its managers by retaining too many.

It was also considered that the format of the IUG meetings might benefit from creating greater time for Pool members to put questions to the managers, which itself would require additional meeting preparation to highlight relevant RI discussion points – tailored to each manager – ahead of time.

Feedback from PIRC also encouraged us to acknowledge that we can tighten the process by which risk issues are identified by the IUG, or brought to the attention of the IUG and then acted upon by the Pool. We are therefore reviewing how emerging risks are captured by the IUG and shared with the Pool.

In addition, we are exploring the scope to appraise any specific market-wide and systemic risks to which the Administering Authorities may be exposed on an aggregate basis (through concentrated exposure to particular industries, for example) – with a view to working collaboratively with others to mitigate these risks. To that end, work is ongoing to identify stakeholders additional to the Local Authority Pension Fund Forum with whom ACCESS can work to promote continued improvement in the functioning of financial markets around issues that are particularly important to the Pool's members.

Recommendations to improve the processes around oversight and monitoring of its investment managers' stewardship activities and performance will be put to the Joint Committee, and we look forward to reporting on any actions taken in the next reporting period.

The Additional Role Waystone Plays in Supporting the Functioning of the Financial System

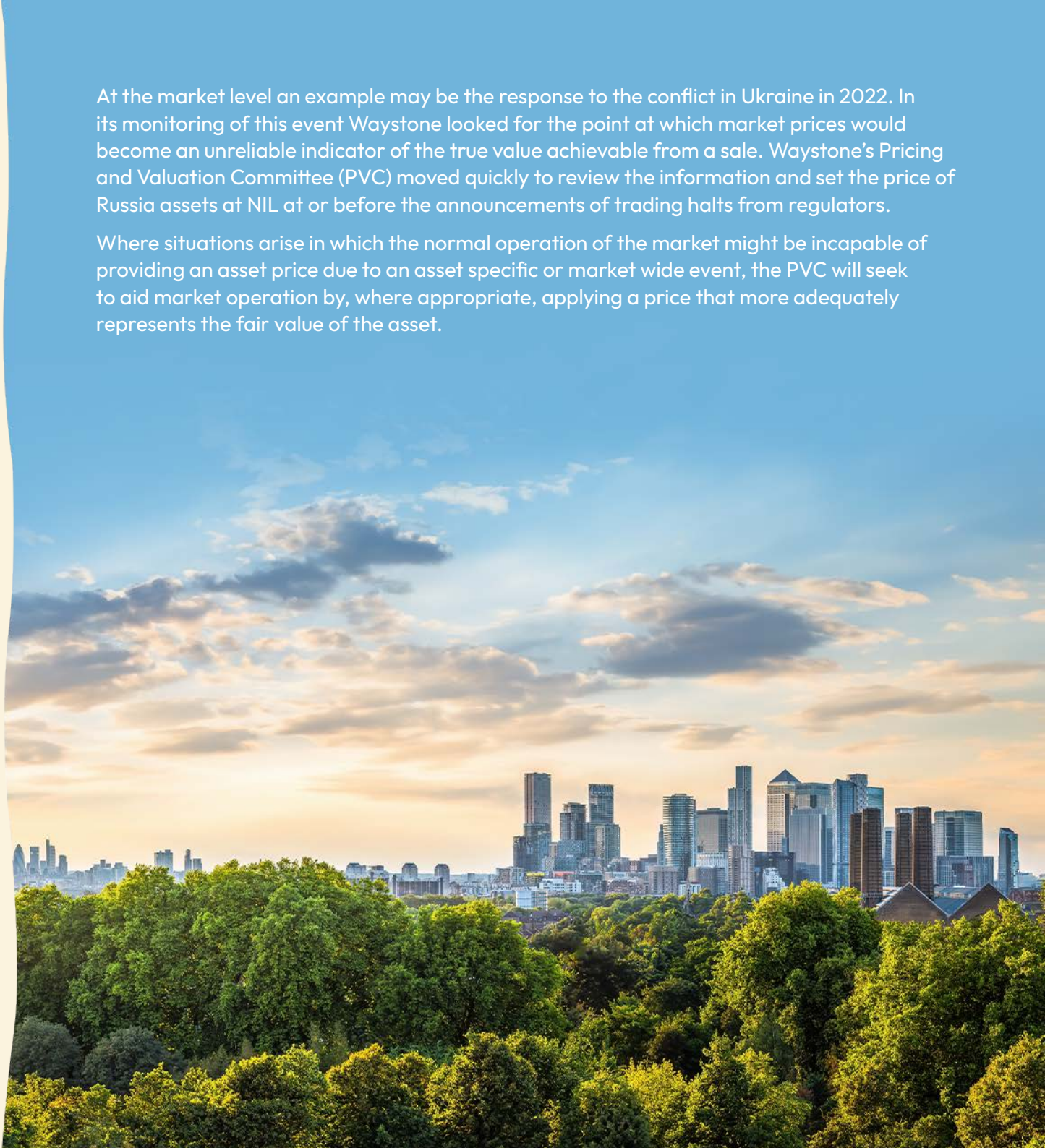
In Waystone's opinion, a well-functioning financial system can be considered one where investors have trust in the transactions in which they engage. Its contribution to this is to ensure compliance with market and fund regulations, including the fair pricing of both funds and assets.

This may include checks that funds are not exposed to non-permitted assets or assets which are not matched to the objectives of the fund or the skill sets of managers to control risks. (Waystone's oversight of investment managers also extends to their trading and best execution policies and governance).

Periods of market stress are often accompanied by changes in the structure of available market liquidity and the compounding negative feedback this creates on the market. Waystone reviews absolute liquidity levels and profiles daily. Cases where liquidity does not exceed its minimum threshold are subject to review to understand the liquidity structure and the liquidity management processes an investment manager has in place – thereby helping to ensure investment managers are prepared for fund specific or market-wide redemption risks.

At the market level an example may be the response to the conflict in Ukraine in 2022. In its monitoring of this event Waystone looked for the point at which market prices would become an unreliable indicator of the true value achievable from a sale. Waystone's Pricing and Valuation Committee (PVC) moved quickly to review the information and set the price of Russia assets at NIL at or before the announcements of trading halts from regulators.

Where situations arise in which the normal operation of the market might be incapable of providing an asset price due to an asset specific or market wide event, the PVC will seek to aid market operation by, where appropriate, applying a price that more adequately represents the fair value of the asset.



Principle 5

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

Assessing the Effectiveness of the Pool's Activities

When it set out to create the Pool, ACCESS did so with a strong and shared belief that the primary purpose of effective stewardship would be to serve the best interests of the Pool's members and their beneficiaries.

This is the basis upon which ACCESS reviews the Pool's policies, assures its processes and assesses the effectiveness of its activities.

The ACCESS Joint Committee is responsible for ongoing contract management and budget management for the Pool, and for the management and oversight of its effectiveness in regard to the Pool's stewardship behaviours and activities.

The Joint Committee's Terms of Reference contain three guiding principles that are particularly important in assuring the effectiveness of its stewardship. These being to:

- Communicate openly about concerns, issues or opportunities relating to the Pool;
- Learn, develop and seek to achieve full potential from the Pool; and
- Ensure sufficient and appropriately qualified resources are available and authorised to fulfil the Pool's responsibilities.

ACCESS reviews its Responsible Investment and Voting Guidelines; its Conflicts of Interest Policy, and its governance arrangements and member communications procedures on a regular basis. Through the process of curating this Stewardship Code Response it was recognised that further formalities need to be put in place to regularly update the Pool's guidelines and policies, and we look forward to reporting on these in our next submission.

Risk is subject to quarterly review by the Joint Committee.



Reviewing the Effectiveness of ACCESS against its Original Objectives

Putting the above principles in action, in this reporting period ACCESS retained the services of **Barnett Waddingham** to conduct a comprehensive review of the effectiveness of the Pool against its original objectives. This included an independent appraisal of the objectives the Pool has set, the Inter-Authority Agreement, the ACCESS Governance Manual and associated Guidelines, and how the Pool's approach to business planning, reporting arrangements and risk management contribute to meeting its objectives.

The review incorporated discussions with key stakeholders, including members of the Joint Committee, Section 151 Officers, the Officer Working Group (OWG) and the ACCESS Support Unit (ASU), and an exploration of the appropriateness of training provided to them, and the extent of training required in the future.

The Pool's risk management strategy – how it identifies, mitigates, manages and reports risks – was also reviewed.

This review also included a focus on the effectiveness and appropriateness of the way in which the ASU interacts and engages with the Pool's Administering Authorities, and with its service providers and external professional advisors. And how existing and planned workstreams are likely to impact upon the ASU, and on its roles and responsibilities.

A consideration of all the matters arising from the review is still ongoing, and we look forward to discussing outcomes in future reports. However, we can report on progress made in this reporting period with regard to three of the review's key findings:

1. One of the principal findings from the Barnett Waddingham review was that the day-to-day governance of the Pool was effective. However, it also advised that additional space and time should be made available for a robust and informed debate around the strategic direction of the Pool, in a landscape that will include changes in members' views (including those on responsible investing), shifts in legislation and evolving third party expectations of stewardship. Following the review the OWG, Section 151 Officer group and Joint Committee Members have all agreed to further time, in addition to the current allocated time for meetings, to specifically discuss the Pool's strategy.

To this end, ACCESS has agreed a strategy cycle, within which the role of the Pool's Section 151 Officers is integral: that this group should have sight of relevant draft Joint Committee papers, and that, to create additional resource, it should also be empowered to name delegated deputies to attend relevant meetings.

2. Questions were also raised in respect of whether the level of expertise made available to the Pool is sufficient in all areas of its governance.

The ASU has therefore been charged with considering the rationale and impact of identifying and retaining a panel of subject specific advisors to call upon as appropriate; the procurement of a high-level advisor who is an expert on pooled investment structures and channels, and an expansion of the role of the existing Pool Operator advisor (Hymans Robertson) to include advice on wider pooled investment structures. Discussions on this matter are ongoing.

3. Having observed the value that would accrue from providing additional resources to the ASU, three further full-time roles have been agreed by the Joint Committee to add to the ASU's current five members, including the appointment of a dedicated RI analyst.

Assessing the Performance of the Pool's Operator

Elsewhere, ACCESS set a day aside for the Pool's ESG/RI Sub-Group to better understand and challenge the stewardship performance of the Pool's Operator, with a view to ensuring and/or revising the degree to which the Operator is required to ensure the Pool's commitment to RI via its appointed investment managers, and to enhance the transparency via which the Operator fulfils this commitment.

In order to maximise the effectiveness of this event, the Pool requested that one of its other RI service providers, PIRC, attend the face-to-face meeting in order to bring its expertise and perspective to bear on the discussion.

Action points were agreed with the Operator to enhance the level of detail it shares with ACCESS in regard to its oversight of stewardship, and to engage in a further discussion with PIRC to expand the Pool's understanding of the finer details of Waystone's approach to assessing a fund manager's stewardship performance and how it resources that activity.

We believe achieving a clearer line of sight between the Pool's commitment to RI and the delivery of this commitment by its investment managers (via Waystone) will enable ACCESS to ask questions of policies and processes within the Operator and within the Pool's investment managers that will raise standards of stewardship performance. We look forward to reporting on further actions arising from this initiative in future reports. In the meantime, we have aligned the Pool and the Operator by enhancing the reporting requirements in the current Operator tender.



Shaping Future Stewardship at ACCESS

ACCESS has always had the expectation that the Pool's approach to RI would not be a static initiative, and that its stewardship in this regard would change over time as good practice develops, and as learning from experience accumulates.

Nor do the Pool's member Authorities expect one path to RI to dominate the implementation approach.

Every twelve months therefore a process is undertaken to develop both a Business Plan and Budget for the forthcoming financial year. The Business Plan is fundamental to how ACCESS activity is scoped and how that activity is monitored. It also affords an annual review of how well ACCESS is living up to its definition of stewardship, the outcomes of which get reflected in the Pool's short-term (1-3 years), medium-term (3-5 years), and long-term (over 5 years) priorities, and in the work plan for the next twelve months.

The Business Plan includes milestones across listed assets (both active and passive), non-listed assets and governance. Milestones are kept under constant review by the relevant group (e.g. the ESG/RI Sub-Group) and there is a feedback loop to the Business Plan. The Joint Committee also determines an annual budget to support the

activities within the business plan.

The process commences with initial drafting by the ASU and proceeds through detailed dialogue with the subject matter experts at each ACCESS Authority within the OWG. This is followed by consideration by the Section 151 Officers Group which has specific responsibility under the terms of the ACCESS Inter-Authority Agreement to make recommendations to the Joint Committee on business planning and budget matters.

Subsequently, the Joint Committee reviews and considers the Business Plan, which is then recommended to each ACCESS Authority. The Joint Committee also determines the annual budget required to deliver the Business Plan, based on a recommendation by Section 151 Officers.

In the recent past, the Annual Strategic Business Plan has included priorities to develop the implementation of the Pool's RI Guidelines by working with Waystone and the investment managers to ensure understanding and adoption of the Guidelines, and to complete the procurement process for RI reporting in line with work conducted to identify the specific RI reporting requirements of the Pool's member Authorities.

Priorities have also been set to further explore the range of third-party collaborations/ bodies with which the Pool might work; explore prioritising ESG and RI themes for development, action and reporting, and develop the Risk Register to ensure it covers the required range of known ESG and RI risks that might affect the

investments of the Authorities.

In 2023, the Business Plan included the decision to seek external advice on the implementation of the Pool's recently updated RI Guidelines, with particular emphasis on delivery of the reporting deliverables identified in the guidelines, covering both ESG reporting to Authorities within the ACCESS Pool and Pool level ESG reporting; a review of Pool voting guidelines, and support on future ACCESS pool stewardship code submissions.

The Guiding Principles detailed in our reporting under Principle 1 and expanded upon under Principle 2 tell us ACCESS will always have scope for continuous improvement. And we believe doing the work outlined above will put us in place to sharpen the engagement issues we want our investment managers to prioritise; to better monitor and critically appraise their approaches and outcomes, and to deliver activity reports that are even more tailored to the issues about which our members care most.

The outcome of some of this advice has been reflected in this submission. Our intention is also to report on the following aspects of the Pool's RI action plan in the following reporting period:

- Explore the possibility of Cross-Pool activity to identify stakeholders with whom ACCESS can work with to promote continued improvement in the functioning of financial markets around issues that are particularly important to the Pool's members.
- The refinement of specific ESG reporting deliverables based on those reporting requirements identified within the RI Guidelines.
- Advice on the most effective and cost-efficient approach to deliver both ESG reporting to Authorities within the ACCESS Pool, and Pool level ESG reporting.
- Advice on any further reporting requirements arising from the Ministry of Housing, Communities and Local Government (MHCLG) climate change risk consultation.
- Agree the revised ACCESS Pool Voting Guidelines to enhance voting impact in line with the RI Guidelines.
- Complete the review of the RI Guidelines to ensure they reflect any ESG/RI developments.
- Respond to the provision of an independent stewardship gap analysis.
- The completion of the process to either renew the contract for the Operator, or to appoint a new Operator.

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Ensuring Fair, Balanced and Understandable Reporting

In order to ensure the reporting in this submission is fair, balanced and understandable, the document was first shared with ACCESS' ESG/RI Sub-Group members for appraisal in this regard, a number of whom have experience of writing Stewardship Reports for their own Authorities.

Sections of the draft which, upon examination, did not reflect a balanced representation of ACCESS' delivery of its commitment to stewardship were purposely removed, and elements of the report that went forward for further inspection and which may have been at risk of not being fair, balanced and understandable were highlighted ahead of time for particular consideration. This led to a number of revisions that either improved the fairness or balance in our reporting, as well as its clarity.

A draft version of the report was then processed through the ACCESS governance pathway (first described in Principle 2) via which it was reviewed by the OWG, the Section 151 Officers and the Joint Committee – again with advice that the report should be checked for fairness, balance and clarity.

No material changes were suggested on this basis, and the report was signed off as being fair, balanced and understandable.



Principle 6

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

ACCESS' Use of Guidelines rather than Policies

As inferred in our reporting under Principle 1 and more fully in our description of the governance and resources in place at the Pool under Principle 2, ACCESS has intentionally avoided building a large central executive function. In our opinion, this reduces the risk of the governance of the Pool straying into areas of policy and strategy.

We believe a delicate balance holds in this regard. There is a risk in ACCESS' organisational construct that service providers take the lead in determining the Pool's activities. And there is also a risk that a pool can, for example, inadvertently dictate fund selection by presenting inadequate choice to its members. ACCESS is therefore mindful that it wishes to assert direction over the activities of its service providers and be attentive to the needs of its members. ACCESS believes this construct, of a small central function that can support and facilitate its partner Authorities in acting together, is an effective model for working with service providers and, where necessary, holding them to account.

The governance structure of the Pool ensures that dialogue with, and input from, LGPS subject matter experts from each Authority, is gathered throughout the decision-making process.

Nevertheless, the ACCESS Joint Committee has taken the decision to put in place RI guidelines that set direction for the Pool's activities, rather than policies – so as to leave locally designed policies intact.

One example of this approach was illustrated in the development of the Pool's RI Guideline, which were initially finalised in 2018. Since then, a number of Authorities have reviewed and updated their respective ESG/RI policies in response to both their own requirements, and to the evolving RI expectations placed upon institutional investors. Accordingly, the initial ACCESS RI Guidelines required review to ensure that the Pool's approach continued to reflect the position of the Authorities, and in turn the wider developing best practice in this fast-moving area. (In short: the Pool's Administering Authorities had higher expectations of ACCESS a few years into the pooling journey than at the outset, which ACCESS was able to detect and respond).

Importantly, under the LGPS Regulations, each Authority retains responsibility for complying with the

Investment Regulations (which is the statutory source of the requirement to consider material factors, including ESG). Similarly, RI is an aspect of discharging fiduciary duties which are the remit of the Authorities, not the Pool. Therefore, these Guidelines do not go beyond policies already in place or intended to be in place at each Authority and do not supersede or replace the Investment Strategy Statement or policies of each Authority. Instead, they are considered to be complementary to those documents.

Whilst the Authorities retain their own bespoke RI policies and are sovereign when it comes to investment matters, the Pool is responsible for the oversight, implementation and communication of these RI Guidelines to third parties, and for monitoring the results and outcomes with the assistance of such third parties, and the Authorities, where appropriate.

The Shape of the Pool's Investments

The distribution of pooled assets across ACCESS' membership base is depicted in Chart 1 opposite, with the distribution of pooled assets by type and by geography depicted in charts 2 to 4.

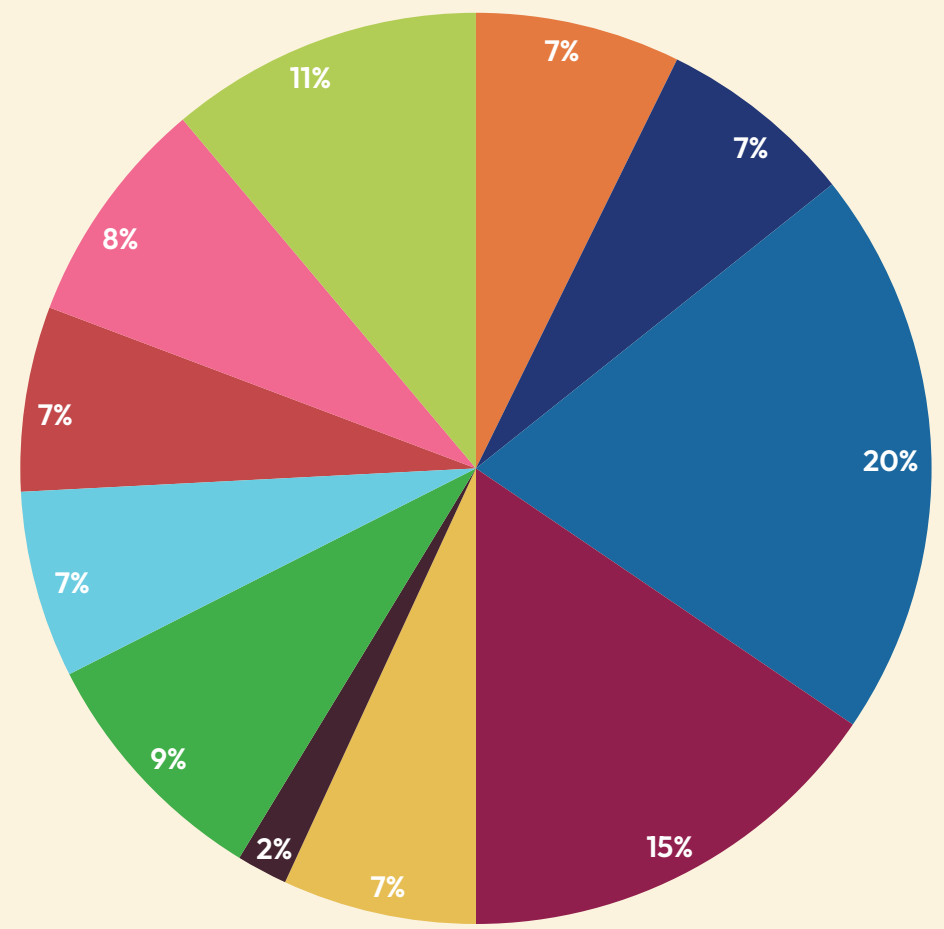
The Pool comprises eleven members of varying size measured by assets under management. It was therefore critical to the Pool's governance structure to ensure each of its members has an equal voice in its governance. And critical to its success that each member engages with the Pool's activities – which has become a central feature of the ACCESS model.

Indeed, with a 'minimal' Pool-staffed central function, ACCESS is structured in such a way as to draw heavily on a significant amount of member Fund Officer time and function support (e.g. procurement and secretariat). By definition, this level of member involvement in the governance of the Pool guarantees that member needs are taken account of in all aspects of its activities.

That said, the Barnett Waddingham review of the effectiveness of the Pool, which we detailed in our reporting under Principle 5, recognised a need for Officers and elected members, either separately or together, to be afforded the necessary opportunity to debate the future of the Pool in an informed manner. The 'strategy cycle' of the Pool has therefore been amended to ensure this improvement in accessing member views.

The ability to have different views within the Pool and different choices for its member Funds is, we believe, a unique feature of ACCESS. The governance pathway of a decision – from working groups, to the Officer Working Group, to the Section 151 Officer, to the Joint Committee: then back to individual pension committees – reflects this, and the close involvement of the Pool's members. And the fact that the final decision must always lie with the pension committees of the individual member Funds.

Chart 1 - 31st March 2024
Share of Pooled Assets by ACCESS Members



- Cambridgeshire
- East Sussex
- Essex
- Hampshire
- Hertfordshire
- Isle of Wight
- Kent
- Norfolk
- Northamptonshire
- Suffolk
- West Sussex

Chart 2 - 31st March 2024

Distribution of Pooled Assets by Type

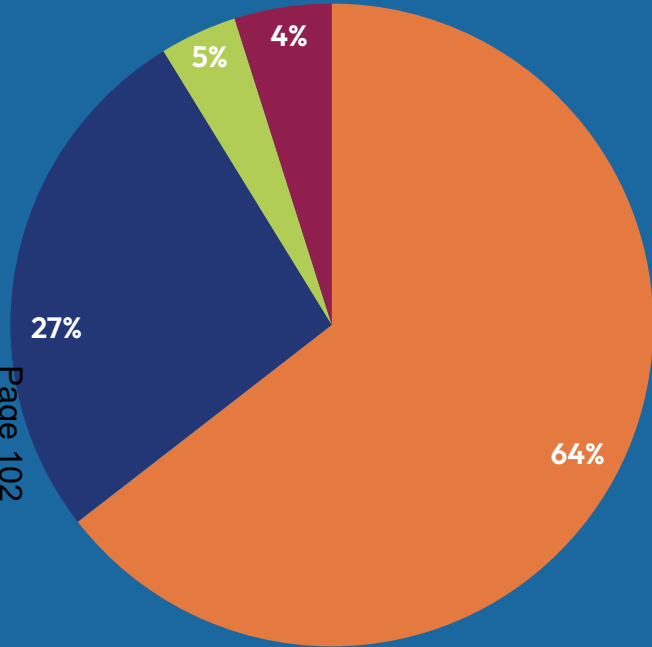


Chart 3 - 31st March 2024

Distribution of Pooled Assets by Asset Class and Geography within the ACS*

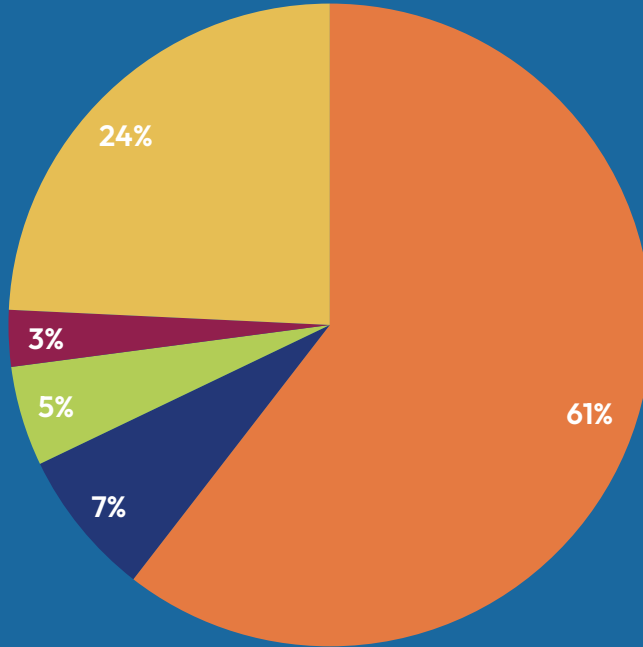
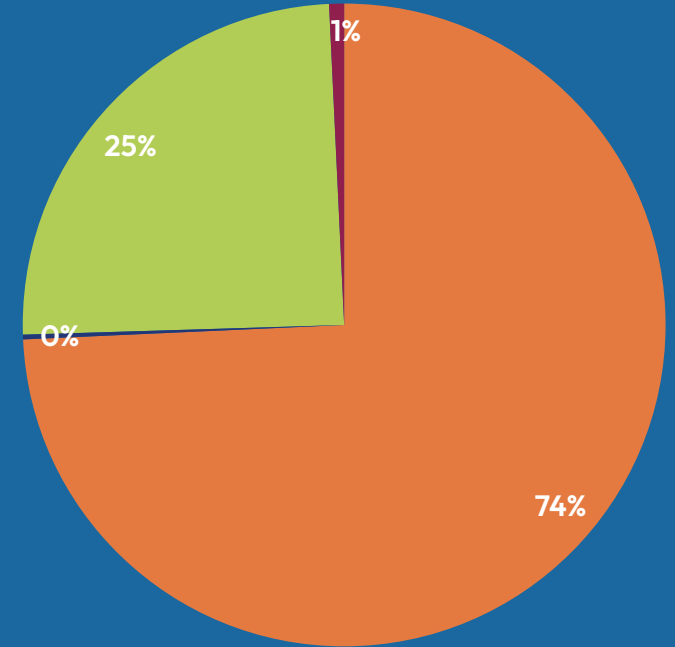


Chart 4 - 31st March 2024

Distribution of the Pool's Passive Investments by Type and Geography



- ACS (active) assets
- UBS (passive) assets
- Infrastructure
- Real estate

- Global equity
- UK equity
- Diversified growth
- Emerging markets equity
- Fixed income

- Global equity
- UK equity
- Fixed income
- Emerging markets equity

*The Pool's Diversified Growth strategies include exposure to equities, fixed income assets and other money market instruments.

Fixed Income Engagements

The ACCESS Pool's appointed investment managers engage with companies on the Pool's behalf across a wide range of ESG issues, and we report engagement examples conducted by the Pool's **Active** and **Passive** equity managers, and our service provider work in other asset classes, within our reporting under Principles 9, 10 and 11 and also briefly in our reporting under Principle 7. Here, we wish to share some of the engagement work conducted by two of the Pool's **Fixed Income** managers.

Royal London Asset Management (RLAM) manages the Sterling Core Bond Fund for ACCESS. It defines engagement as active dialogue with investee companies, where its pursuit of 'engagement for change' features purposeful dialogue to influence positive change, with defined objectives and demonstrable outcomes.

Firm-wide engagement activity is centred around six themes which RLAM has identified in consultation with its clients. These are: climate change, nature and biodiversity, health, governance and corporate culture, social and financial inclusion and innovation, technology and society. And below we present two examples of RLAM's engagement for change in this reporting period.

BNP Paribas SA – Net zero

Purpose: As part of a collaborative investor group coordinated by ShareAction, RLAM asked a question at BNP Paribas' AGM regarding its financing of oil and gas companies.

Outcome: The CEO of BNP Paribas expressed confidence in the bank's decision to cease involvement in oil and gas bond transactions since mid-February 2023.

This move is indicative of the bank's disinterest in participating in oil and gas bonds and is seen as a positive step.

BNP Paribas utilises International Energy Agency scenarios as a guide and seeks to reflect its insights in its policies. During RLAM's meeting, the

CEO of BNP reaffirmed the bank's commitments, including its 10-90 goal, which aims for 90% of its energy sector financing to be low carbon, with the remainder for fossil fuels, contingent on suitable opportunities for financing.

Next Step: RLAM will continue to monitor BNP's disclosures and assess the company's progress.

BP Plc – Cyber security

Purpose: Following a meeting with BP, RLAM has provided written feedback against its cyber security investor expectations. This feedback reflects RLAM's updated assessment of the company's practices in this area.

Outcome: In RLAM's assessment it has identified two key areas where BP can improve its cyber security practices.

Firstly, the effectiveness review of the board should explicitly include the oversight of cybersecurity risks. Therefore, RLAM suggested the company should establish a method to assess the board's effectiveness in overseeing cyber security.

Additionally, RLAM encouraged BP to integrate the management of cyber risks into its broader governance KPIs and to align this with executive remuneration.

Next Step: BP has acknowledged RLAM's recommendations and will take them into consideration.

Fidelity International Fixed Income Engagement with the UK Water Sector

Fidelity's fixed income portfolio managers have also been engaging with the UK Water Sector on ACCESS' behalf in this reporting period.

Fidelity views the UK Water Sector as an important part of the sterling investment grade credit market and notes that only three of the 17 UK water companies remain listed. In Fidelity's opinion, this reduces public market scrutiny on the sector's behaviour and, given its heavy dependence on debt finance, makes bondholders uniquely positioned to push for positive change on sustainability issues.

Fidelity initiated a sector-wide engagement with several UK water companies in July 2023 including Southern Water, Anglian Water, Wessex Water, Severn Trent Water and United Utilities. It has more recently initiated an engagement with Thames Water.

The main focus of the engagement is on sewage discharges, with the aim of better understanding why these occur and what companies are doing to address them.

Overall, Fidelity has been encouraged with the progress being made by UK water companies towards tackling these issues. Nonetheless, since it believes current standards and initiatives vary significantly across the sector, it is continuing to use its strong relationships with management teams to drive best practice across the industry.

Going forward, Fidelity will continue to engage with the sector and seek to monitor progress on sewage discharges, further investigate the use of nature-based solutions and their impact on biodiversity and address the UK's increasingly urgent water scarcity.



Stakeholder Involvement and Joint Committee Accountability and Transparency

Openness and external scrutiny form part of ACCESS' approach to ensuring its purpose is being achieved.

The Inter Authority Agreement requires the Joint Committee to take decisions only after consulting with and considering the advice from the Section 151 Officers, and, where required, from Monitoring Officers or from appropriate professional advisers. (A member of the Section 151 Officer Group attends each Joint Committee meeting).

Meetings of the Joint Committee are open for members of the public to attend (except for certain exempt items). In addition, any elected member of the Authorities who is not a member of the Joint Committee may attend and speak at a meeting of the Joint Committee if the Chairman of the Committee invites them to do so. They are not entitled to vote.

Any Section 151 Officer or Monitoring Officer is also entitled to attend all parts of all meetings of the Joint Committee or of any sub-committee appointed by the Joint Committee.

Kent County Council provides the secretariat support to the Joint Committee and publishes

electronic copies of agenda and unrestricted public items on its website.

Committee papers are also published on the Clerking Authority's website and reflected in local Pension Committee agendas.

The Officer Working Group (OWG) is responsible for supporting the Section 151 Officers and, in turn, the Joint Committee, with each Authority being represented in the OWG. Its role is to provide a central resource for advice, assistance, guidance and support for the Joint Committee.

In the past, for example, the OWG has assisted ACCESS in respect of the implementation of the Pool's RI Guidelines by providing support, expertise and discussion in their creation, and in subsequent updates to them.

Each member Authority is represented at meetings of the OWG by nominated Officers, or by his or her deputy or nominee.

In 2022 the Joint Committee agreed proposals enabling each ACCESS Authority's Local Pension Board (LPB) to send observers, on a rotational basis, to Joint Committee meetings. This initiative permitted two observers from each LPB to attend a Joint Committee at least once a year. The observers can be drawn from scheme member representatives, employer representatives or independent LPB members and are given an opportunity at the end of each meeting to provide input on their experience and to feedback any matters arising.



Stakeholder Progress Updates

We recognise that poor stakeholder management could see Local Authorities failing to meet legal and transparency requirements over the fiduciary stewardship of the invested funds. A failure to do so may result in significant criticism and loss of member and public trust.

The ASU is therefore required to ensure there is proactive engagement, continual dialogue and effective use of officer sub-groups to inform parties in a timely manner.

To improve the degree to which member funds and stakeholders are kept abreast of activity within ACCESS, the Joint Committee noted the appointment of a Communications Partner, **Oravistock**, for the Pool in December 2023.

ACCESS published its first Progress Update in 2022. This was designed to allow members to gain additional insight into the character of their Pool and its key activities and plans, such that members could gain an overview of how their Pool is progressing.

ACCESS already produces an Annual Report each summer which each Authority uses within the Report & Accounts for their own Pension Fund, and which ACCESS publishes on its website. The Progress Update is the Pool's opportunity to share further information, typically capturing events up to the end of each calendar year.

Prioritising the Interests of Members in the Pool's Approach to Outsourcing

Given the nature of its organisational form ACCESS is always mindful of ensuring service providers to the Pool are selected on the basis of their ability to play close attention to the interests of a member base that shares a great deal of commonality, yet one in which each member remains distinct and sovereign.

The tender process initiated in 2023 for the retention of a third-party advisor to review the ACCESS RI Guidelines and the Pool's Voting Guidelines and reporting exemplifies this approach.

As a matter of course, potential providers were required to evidence how they would, for example, maintain and update their knowledge and skills on ESG/RI matters; to demonstrate their adherence to current and future best practice, and to describe how they would ensure advice provided would keep pace as data quality and legislative reporting requirements evolve.

In addition to such technical specifications, however, the tender document further required respondents to evidence their ability to:

- Meet the different requirements of individual ACCESS Authorities;
- Engage effectively with all stakeholders;
- Address stakeholder concerns; and
- Meet the challenges contained within diverse customer requirements.

Formal Approach to Collaboration within the Pool

The collaboration between the Adminstrating Authorities that comprise ACCESS, and between the Authorities and the governance structures that determine how ACCESS operates – which we first described in Principle 1 – is so important to the effectiveness by which the Pool delivers its purpose that Principles of Collaboration have been set out in the Pool’s Inter-Authority Agreement.

These Principles require each of the Pool’s Administering Authorities to, for example:

- Ensure sufficient and appropriately qualified resources are available and authorised to fulfil their Pool responsibilities.
- Communicate openly about concerns, issues or opportunities relating to the Pool.
- Manage and account to each other for performance of their respective roles and responsibilities.
- Learn, develop and seek to achieve full potential from the Pool – whereby the Authorities will share information, experience, materials and skills to learn from each other and develop effective working practices.
- Manage stakeholder engagement strategy effectively.

Collaboration is fundamental to how ACCESS works. It is instrumental in enabling the Pool to meet the needs of its constituent local authorities. And it is therefore critical to agreeing the philosophy that underpins the Pool’s approach to stewardship, and to its stewardship activity.

ACCESS’ approach to RI is therefore a direct representation of the Authorities’ RI beliefs and expectations. By being responsible for the appointment of all ACCESS third parties – such as Waystone – the Authorities are able to set their expectations of them, and also their expectations of Waystone when it comes to manager appointment, monitoring and termination.

Although collaboration is enshrined in the governance structure of the Pool, that does not mean we cannot get better at working together effectively. We therefore take care to ensure we are adequately seeking out and representing the viewpoints of our members. And, in this reporting period, for example, a review of the Pool’s governance arrangements included the conduct of a ‘lessons learned’ session with key stakeholders. The object of this event was to establish the views and experiences of members of the Joint Committee, the Section 151 Officers, the OWG and the ASU, including a review of the appropriateness of training provided and to establish the extent of required training for future effectiveness.



Service Provider Reporting

The Pool's investment managers are required to provide reporting at least annually in terms of any RI-related performance objectives associated with their mandate, and more frequently – where their mandates require them to do so.

Active investment manager reporting should include some elements on their specific business which are universally applicable, including:

- Any material updates to the firm's responsible investment guidelines during the year;
- RI governance developments; and
- Any developments in the responsible investment process.

Additionally, ACCESS expects the active investment managers to disclose the following fund level information:

- Details on alignment with the ACCESS RI objectives and what measures (if any) remain to be carried out;
- ESG data (e.g., details of what data sources and tools are used, verification, scope of portfolio coverage of the data);
- ESG Risk Management (e.g., updates or changes to ESG risk management processes, positive and negative examples of how ESG factors have impacted investment decisions);
- ESG Risks and Opportunities (up to three of each identified in the reporting period);

- Material Incidents (details of incidents, and explanation of any investment actions taken as a result); and
- Performance Targets (e.g., material developments in progress towards targets; disclose whether assets are on target, exceeding or underperforming their ESG target; any RI related changes made to the performance benchmark).

Stewardship and Engagement Reporting

All of the Pool's investment managers are required to report on their stewardship and engagement activity. This includes:

- Explaining implementation of stewardship policies;
- How ownership rights have been exercised;
- Changes to engagement processes;
- Details of their approach to climate modelling of their specific investments;
- Details of any engagements undertaken in relation to the investments they manage on behalf of the Authorities;
- Details on measurement of engagement success;
- Information on how portfolio managers have been involved in active ownership activities; and
- Completing the Stewardship Template we provide to managers.

Additionally, listed equity and fixed income investment managers should include details of any collaborative engagements and how they have contributed to their stewardship and engagement strategy. Any listed equity voting reporting should cover:

- Any changes in the investment manager's voting guidelines (irrespective of the fact that ACCESS maintains a comply and explain model in regard to voting the Pool's voting guidelines);
- Specific results of voting activities and decisions, including summary statistics, policy alignment as well as case studies;
- Stock-on-loan related voting issues (where investment managers are responsible for their own securities lending programme);
- Outcomes of voting audits;
- Examples of results of resolutions voted;
- Proportion of shares voted in the period;
- Breakdown of votes cast against management; and
- Some rationale for votes against management or where deviated from Waystone's policy.



Climate Change Reporting

ACCESS expects all investment managers in all asset classes to provide climate change reporting in line with TCFD recommendations. This includes:

Climate change governance

- Engagement with companies regarding addressing climate change.
- Change in the board's oversight.
- Management's role in assessing and managing risks and opportunities

Climate change strategy and risk management

- Risks and opportunities over the short, medium or long-term (according to reporting horizon).
- How these are factored into strategies.
- Strategy resilience in the face of climate scenarios, including 2 degrees or lower scenarios.

Metrics and targets

- Metrics used and how these have changed over time.
- Scopes 1, 2 and 3 GHG emissions, weighted average carbon intensity.
- Targets used to manage climate related risks, opportunities and performance against targets (including any targets deriving from the current ACCESS Guidelines).

Third Party Review of ACCESS RI Reporting

In October 2023 ACCESS appointed PIRC to provide advice on the implementation of its recently updated RI Guidelines, with particular emphasis on delivery of the reporting deliverables identified in the guidelines, covering both ESG reporting to Authorities within the ACCESS Pool and Pool level ESG reporting.

The procurement process for the provision of that advice required the successful bidder to demonstrate a sound understanding of the LGPS, the pooling agenda and the current and ongoing developments of ESG/RI challenges and opportunities presented to the Pool.

The ability to demonstrate effective engagement and delivery of outcomes with the ACCESS community and the ACCESS ESG/RI Guidelines was also considered essential. As an understanding of the ACCESS Pool, its stakeholders, objectives, and principles, an understanding of each of the ACCESS Authorities, their stakeholders, objectives, principles, and key beliefs including detailed knowledge of their existing and developing ESG / RI policies, and detailed knowledge of ACCESS's ESG/RI Guidelines.

Finally, the capacity to support the delivery of the Pool's ESG/RI reporting requirements to satisfy the needs of the eleven ACCESS Authorities and the Pool's Joint Committee was considered paramount in the selection process.

As part of this review, it was specified that any reporting arrangements put in place as a result would need to meet the many and varied reporting requirements of the Authorities, now and in the future. Whereas historic investment reporting had predominantly focussed on asset holdings and performance, we recognised that future reporting requirements would likely place a greater emphasis on stewardship matters, such as:

- Voting activity, and variances from the Voting Guidelines;
- Engagement activity, along with outcomes achieved;
- Details of divestments made on ESG factors;
- Carbon intensity of specific investments and portfolios; and

- Content to enable the Authorities to complete their own Stewardship Code 2020 and TCFD reporting.

Changes made to the way in which ACCESS reports its stewardship activity to its members is ongoing, and we look forward to further commenting on these in future stewardship reports.

Additional Third-Party Reporting Expectations

The Pool's custodian, Northern Trust, is required to provide the Joint Committee with:

- Investment accounting and valuation information relating to the investment arrangements managed by the Pool's investment managers.
- Performance information relating to the investment arrangements managed by the Pool's investment managers.
- Custody safekeeping reconciliations relating to the assets, derivatives and cash associated with the investment arrangements of the investment managers.
- Securities lending activity, including information covering the recall of assets on loan for voting.
- Confirmation of the successful submission of votes cast on behalf of the Authorities through its agents.

Principle 7

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

Embedding RI into the Management of the Pool's Assets

ACCESS expects the investment managers appointed by Waystone on the Pool's behalf to demonstrate leadership in addressing and communicating ESG/RI issues in their investment process across all the asset classes they are retained to manage, and requires Waystone to monitor such performance.

In addition, ACCESS requires Waystone to report any potential stewardship issues or concerns it has identified in the Pool's investment managers to the ACCESS Support Unit (ASU).

The above requirements are supported by regular meetings between the Pool's Investment User Group (IUG) and ACCESS' investment managers, during which matters of performance, responsible investing and stewardship are discussed in more granular detail.

This is also a forum for the Pool's Operator to provide an update to Officers on any matters that need to be brought to the attention of the Authorities that are invested in particular funds. It is also an opportunity for Officers to hear from the Operator on the due diligence that has taken place with relevant investment managers over the period.

ACCESS expects the active investment managers to report on their ESG/RI factor integration approaches for all asset classes. Investment managers in the Waystone ACS are required to describe how, and to what extent, they incorporate ESG/RI issues into their investment processes. The Operator is required to conduct extensive due diligence in regard to the ESG stewardship competence and performance of any prospective investment managers. And any new investment managers appointed by the Operator are required to disclose their ESG/RI approaches at the time of their consideration for appointment.



ESG Priorities

Commencing January 2024, ACCESS engaged PIRC to collate the ESG priorities set independently by each of the Pool's member Authorities, which we have captured in Table 1 below.

Table 1: A Collation of Individual Member Authorities' ESG Priorities

	ENVIROMENTAL	SOCIAL	GOVERNANCE
	Climate change	Employee relations	Board structure
	Net zero	Labour practices	Governance
	Just transition	Controversial weapons	Remuneration
	Resource scarcity	Health inequalities	Diversity, equity and inclusion
	Pollution	Health & safety	Anti-bribery and corruption
	Waste	Supply chain employee consideration	
	Plastics	Human rights	
	Renewable energy and technical solutions	Gender equality and social inclusion	
	Agriculture, food security and food waste	Inclusive and equitable education	
	Water security and access to sanitation	Eradication of poverty and hunger	

Each of the Pool's eleven Authorities has agreed climate change as a priority issue. This focus is also reflected in the Pool's RI and Voting Guidelines, which the Pool's Operator is instructed to ensure are adhered to by its investment managers.



We support the objectives of the Paris Agreement and believe that keeping a global temperature rise this century to well below +2°C relative to pre-industrial levels is entirely consistent with securing strong financial returns. Accordingly, we expect the Pool's investment managers to make climate risk a key component of any engagement process on ACCESS investments.

In respect of reaching agreement on where the Pool (as opposed to the Authorities) should place additional ESG focus - outside of climate change - a meeting of the Pool's ESG/RI sub-group requested priorities to be formalised under the three headings below:

ENVIROMENTAL

- Climate Governance,
- Transition risks (shifting business models to being net zero), and
- Just transition.

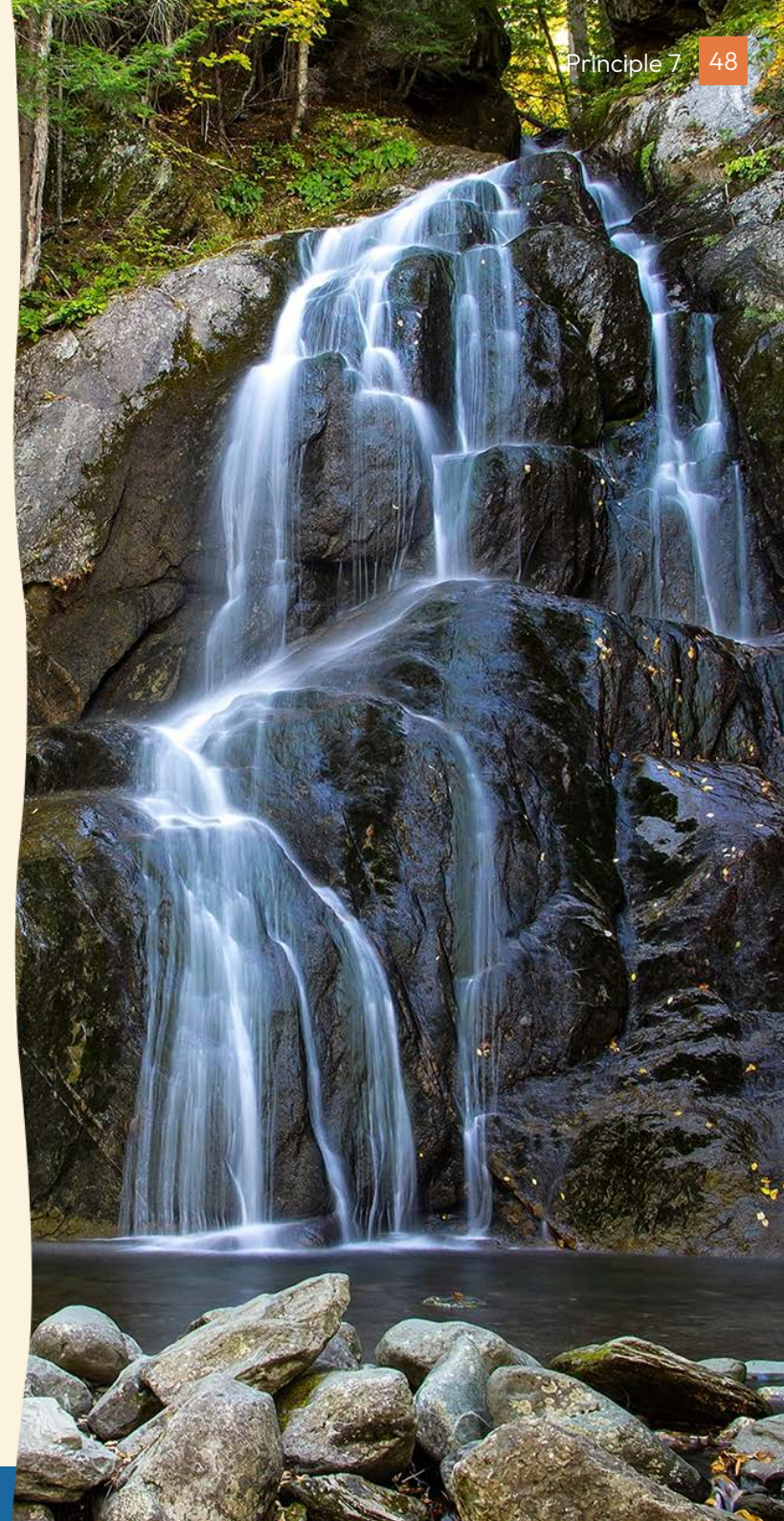
SOCIAL

- Modern slavery,
- Child labour, and
- Human capital management

GOVERNANCE

- Appropriate board structure, and
- Diverse board membership

Achieving the prioritisation suggested above would facilitate the establishment of ESG themes, on which members could agree and via which the Pool might achieve greater focus for the work of its Operator. This work is ongoing and we look forward to reporting on the outcome, and its impact on the Pool's stewardship in future submissions.



Monitoring Stewardship Integration in the Pool's Investment User Group Meetings

Each meeting of the IUG features a review of two of the Pool's investment managers, which is facilitated by a presentation by each manager. Waystone provides a market update to the IUG in support of this, and overarching update on each manager, which provides context for the IUG's monitoring process.

ACCESS has created a template agenda/question prompt for use in every IUG meeting.

The IUG meets with investment managers on a monthly basis, rotating through a review of the Pool's manager activity and performance as the calendar unfolds.

The template includes a designated ESG section, with the intention of covering the manager's recent stewardship and voting activities (including a check on whether the latter aligns with the Pool's voting guidelines), and discussion of the carbon benchmarking statistics for the portfolio in question.

In addition, each manager is asked how its recent activity has addressed current regulatory and reporting requirements, and how it is meeting evolving demands and future developments in RI.

Finally, the manager is required to evidence how ESG is embedded into investment by providing a case study on a recent engagement exercise.

How Waystone Integrates Considerations of ESG into its Manager Review Process

Waystone targets to have a current review of each investment manager it analyses at each manager's year end, but as annual reviews they should be no more than 12 months old.

The schedule of manager reviews has flexibility to accommodate specific issues such as change of control, new products, or to follow up outstanding actions from prior onsite visits or ongoing monitoring.

A Request for Information including a questionnaire is used to obtain any available key control documents prior to the on-site review, and asks that investment managers tell Waystone about their approaches to ESG; to Engagement, Stewardship and Voting, and to Training and Competence ahead of time.

Each final manager report includes a risk matrix with Red, Amber, Green (RAG) status and commentary on key metrics, which also highlights issues that may evolve into risks, and which therefore need monitoring.

A Red rating for any element of the review process indicates Waystone has identified issues that require remediation, and actions are set out for all such ratings. An Amber rating means Waystone has identified potential issues, in which case actions will be stated if these are required. A

Green rating for any category means Waystone has not identified any material issues, and that no further action or monitoring is required.

Where Waystone has uncovered a risk tolerance is exceeded with no remediation feasible, this will be indicated with a separate rating.

In its initial and annual reviews, Waystone considers the resources, qualifications, experience and infrastructure of each investment manager to deliver a fund's objectives and to adhere to its stated approach. Waystone expects a firm's activity to be proportional to the claims made of a product: including its ESG credentials.

A satisfactory assessment would be expected before a new fund proceeds to launch, and findings of initial due diligence activities are reported to the New Business and Product Development Committee (NBPDC). The final report is distributed to Waystone senior management.

Waystone's RAG ratings are provided to its internal Investment Risk Management and Performance Committee (IRMPC). The IRMPC meets monthly to enable discussion of any RAG findings to be integrated with discussion of performance, risk and sustainability issues that have been separately highlighted. The IRMPC is the primary oversight committee at Waystone for risk and performance issues including ESG.

Waystone uses three different RAG ratings for different purposes, at least one of which always includes an assessment of the suitability of RI activities in the fund. It expects managers to evidence commitment to frameworks including the Stewardship Code, PRI and Net Zero. And it routinely assesses the resources, infrastructure and sophistication applied to a manager's ESG activity to determine if these are proportional to any sustainability claims made by the manager.

Waystone's review of a manager will examine:

- The extent of resources devoted to ESG activity;
- Whether the manager has a specialist ESG team;
- The source and use of relevant ESG data;
- Evidence of any insight in the way data is gathered;
- The extent to which corporate engagement is consistent with stated policy; and
- Whether there is evidence of a link between the ESG activity and portfolio construction.

In the case of a multi-credit manager that was being onboarded to the Pool in this reporting period, Waystone found, for example that the manager could have 'hidden' behind the lack of data coverage for credit assets. Nonetheless, it uncovered a commitment within the manager to go beyond the simple regulatory reporting with which it could have complied, to persist with an innovative approach to making insightful inferences about the energy ratings of mortgage-backed securities, even in the absence of easily available commercial data.

Waystone UK staff are offered training including

the MSCI ESG certificate. Less structured training and updates are provided by legal firms working for the Group, and organisations such as the Investment Association. Additionally internal training is offered periodically.

ESG fund reviews are a standing agenda item at the monthly IRMPC meetings, and include assessments of the policy compliance of funds to their stated policy.

Waystone UK currently uses Bloomberg's ESG module for a variety of risk and analytics purposes including liquidity analysis, risk analysis, attribution, and the oversight of ESG issues. In 2024 this is being enhanced by the addition of MSCI's ESG analytics services delivered via Bloomberg.

Bloomberg's ESG module allows Waystone to assess the ESG credentials of issuers across several thousand metrics including carbon emissions, and compliance status (including net zero status, UN Global compact and Governance norms). Bloomberg provides scores across the S & G dimensions based on disclosure, via which Waystone uses disclosed hierarchies to enable it to assess the root cause of a low score.

Waystone also uses Bloomberg to screen for compliance with various sanctions regimes. It also employs variety of available climate metrics that indicate alignment to Paris targets and the likely short, medium, and long term outcomes of measured alignment.

Waystone has been building reporting templates in Microsoft Power BI for fund level analysis and reports as well as more efficient distribution, and is in the process of adopting MSCI as the prime ESG data source with associated fields being made available in Bloomberg. MSCI is Waystone's preferred solution for TCFD as it believes it to be an industry standard, with superior reporting capability. That said, although this adoption is now progressing quickly, it did delay this year's reporting.

All manager reviews include analysis of an investment manager's remuneration policy and how this aligns the interests of staff and investors in Waystone funds, an outline of the ESG framework the manager utilizes and how this is enforced and monitored, whether and how the manager extends its approach to RI to the application of ethical filters, the manager's engagement activities, and an exploration of how proxy voting decisions are made and who makes them.

The review process is designed to ensure:

- That a particular strategy's ESG or sustainability claims can be verified;
- That evidence that engagement is effective is present;
- There are no inconsistencies in approach with respect to RI; and
- The facilitation of a spot check of voting behaviour and outcomes in line with client wishes.

Actionable events must include a date for follow-up and are reported to the IRMPC and recorded in an Action Log. The IRMPC receives updates on the review schedule and specific outcomes including actions and timelines. Further commentary on actions and recommendations are provided to the IRMPC as they are resolved. The IRMPC may refer any item to Waystone's Risk, Audit and Compliance Committee (RACC) for further consideration. The RACC is a Board level Committee that is chaired by an independent non-executive director of Waystone UK. (If necessary, matters may be escalated by the IRMPC to the RACC).

Where deficiencies are noted in the report these are reported to the investment manager in question, together with a statement of Waystone's expectations to close the actions.

Each of Waystone's investment manager reviews is structured around four pillars of ESG:



ESG-related policies, governance and oversight

Understanding and appraising the manager's commitment to responsible investment, including the governance of its commitment to RI, its policies, and implementation.

This extends to analysis of the degree to which relevant individuals are qualified to integrate ESG into investment processes: if and how ESG objectives are incorporated into performance reviews and compensation; how ESG objectives are defined and measured and to which positions they apply; how investment professionals and other staff are equipped and trained to understand and identify the relevance and importance of ESG risks and opportunities, an assessment of any external resources used by the manager, and which international standards, industry (association) guidelines, reporting frameworks, or initiatives that promote RI to which the manager has committed.

Materiality

Understanding and appraising how the manager identifies material ESG risks and opportunities in its investments, and how these affect the selection of the manager's investments.

How the manager conducts ESG materiality analysis for potential investments, how it conducts due diligence on potentially material ESG risks and opportunities, and what tools, standards and data it uses to determine which ESG risks and opportunities are material – with a requirement that these are evidenced in recent examples.

Discussion also centres on how considerations of ESG factors have led to the abandonment of certain investments, how they have impacted the valuation of investments, and how these are reported to, considered, and documented by the ultimate decision-making body, such as the investment committee.

Contributing to ESG risk mitigation and value-creation

Understanding how, and the degree to which, the manager exerts influence on investee companies to proactively address ESG risks and opportunities.

Whether a manager develops ESG-specific value creation plans for investee companies, and how these are defined, implemented, and monitored.

How the manager uses interaction with the board to monitor, influence, and incentivise the portfolio company's management of ESG risks and opportunities: ensuring that adequate ESG-related competence and resources also exist at the company level.

Which ESG performance indicators the manager monitors and tracks, and how these are used, including any targets set for investee companies and insights into to how the company facilitates the monitoring of ESG performance in its reporting and disclosure.

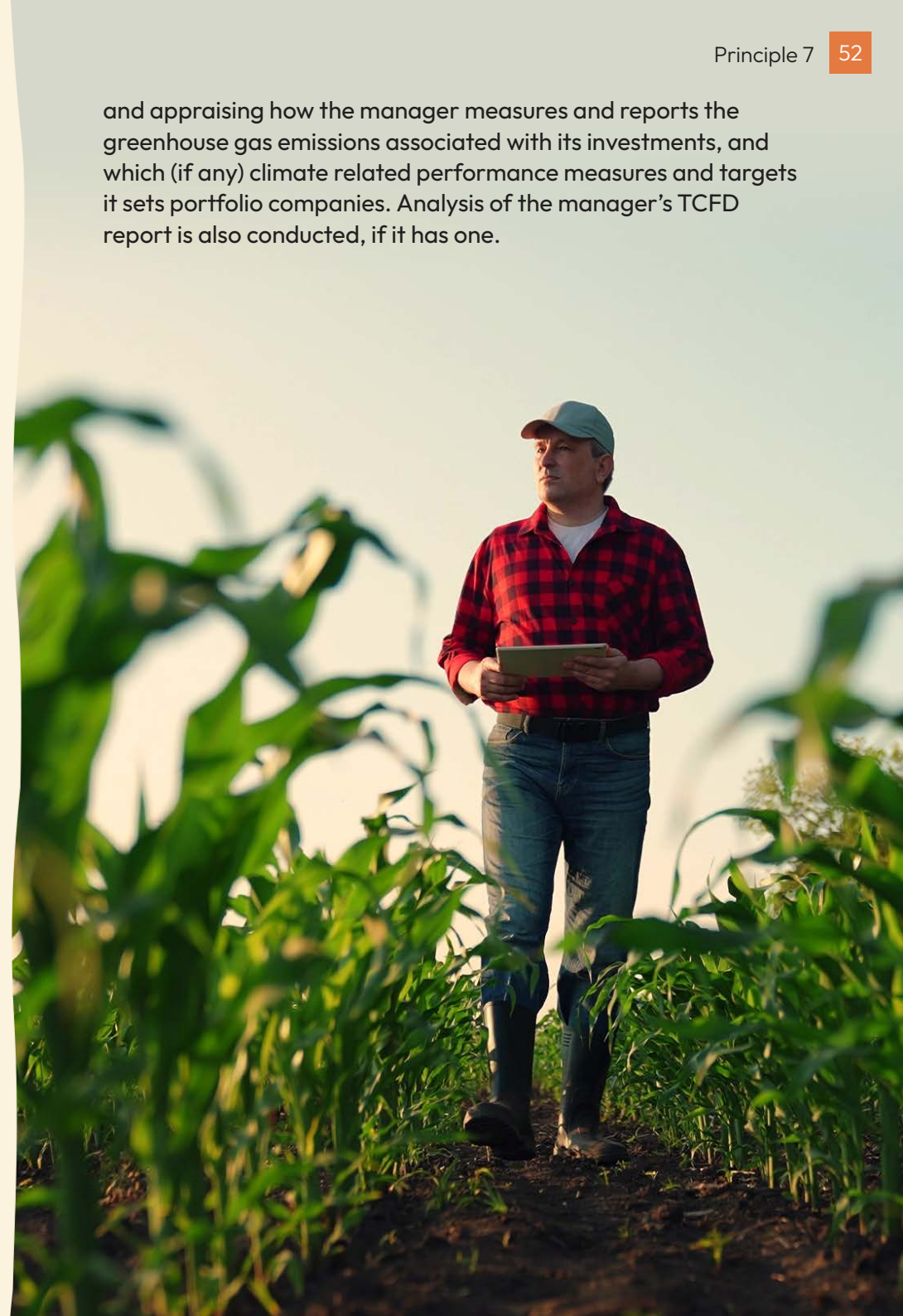
Climate Change

Understanding how the manager integrates specific considerations of climate change risks and opportunities into its investing.

Each of the pillars on the previous page feature regular analysis and discussion of climate change issues that includes a focus, for example, on the frameworks and tools the manager uses to identify and assess climate transition and physical/adaptation risks and opportunities, including the use of scenario analysis.

To ensure that considerations of climate change are given appropriate weight it also sits within its own category, which extends to analysing

and appraising how the manager measures and reports the greenhouse gas emissions associated with its investments, and which (if any) climate related performance measures and targets it sets portfolio companies. Analysis of the manager's TCFD report is also conducted, if it has one.



RI Resourcing at Waystone

The acquisition of Link Fund Solutions by Waystone increased staff numbers and enhanced skill sets at the Pool's Operator across a range of business areas and enhanced its capabilities on RI issues.

RI is being embedded across all of Waystone's activities. For example, its working group for implementation of the FCA's Sustainability Disclosure Requirements policy draws members from multiple teams. One development of particular note since 2018, when ACCESS first appointed Link/Waystone, is the creation of the Value Assessment (VA) team which now numbers 15. The VA process including the Value Assessment Committee (VAC), which has board level representation, looks to test fund outcomes including RI against expectations.

Waystone is also in its second year of TCFD reporting, which has prompted upgrading of data providers, systems, and resources that will be valuable across all aspects of the firm's RI activity.

Finally, ESG/RI has become a standing agenda item for Waystone's governance committees, as well as its reviews of investment managers.

The Integration of ESG and RI into the Pool's Operator Agreement

In terms of integrating ESG and RI into the stewardship of ACCESS' pooled assets, ACCESS requires Waystone to:

- Assess potential Investment Managers' approach to sustainability and consideration of sustainable investment approaches when carrying out due diligence prior to appointing a new Manager.
- Engage with Investment Managers on an ongoing basis to ensure ESG factors are embedded into their investment processes.
- Ensure that Investment Manager Agreements set out specific expectations and objectives in relation to ACCESS ESG requirements, and that

performance against these will be monitored, and reported to the Administering Authorities as part of the routine investment manager engagement meetings.

- Engage with key stakeholders regarding the ACCESS Responsible Investment guidelines and voting requirement, to ensure implementation and enforcement of the ACCESS voting guidelines.
- Support ACCESS members in their participation in any relevant class action lawsuit.

In turn, the Pool's Investment Managers are required by Waystone to report to ACCESS on the following ESG/RI metrics every quarter:

- Commentary on ESG activity during the quarter;
- Information on engagements carried out in the reporting period;
- Detailed case study of one engagement;
- Managed portfolio carbon-intensity metrics; and
- Compliance with any other future reporting requirements.

Via the reporting mechanism cited above, the Pool's Investment Managers are also required to provide a summary factsheet on each of the Pool's sub-funds to enable a comparison of strategy and objectives. This report includes a description of how the manager incorporates ESG into the relevant investment process, and how it will comply with any other future reporting requirements.

Waystone is also required to orchestrate at least an annual meeting with each of ACCESS' investment managers, via the Pool's IUG. Working with one of the Pool's technical leads, Waystone groups such meetings under common themes and suggests a particular focus for each meeting.

Additional Investment Service Providers

Following a joint procurement in 2017, **UBS** acts as the ACCESS Authorities' investment manager for passive assets. UBS has been working with Authorities, as highlighted opposite, to ensure a smooth transition into a low carbon version of its original index showing the firm's commitment to the Pool and to the RI goals of its constituent Authorities.

ACCESS has been working with **Apex Group** since October 2023, having procured MJ Hudson as implementation advisor for the pooling of illiquid assets including private equity, private debt, infrastructure and real estate in 2022, following a procurement via National LGPS frameworks.

As implementation advisor, Apex provides support to the Pool in selecting individual investment opportunities and investment managers to build portfolios in a range of illiquid assets. Apex has developed a distinct programme of activity on behalf of the Pool across multiple asset classes and has also been highly responsive to individual fund needs in and around that planned programme: for example by prioritising timberland, long-lease property and investments in social/affordable housing.

ACCESS has also appointed **CBRE** to undertake property mandates for both UK Core and Global Real Estate, and work on other non-listed assets continues.

Since our relationship with CBRE and Apex are still in their infancy we are yet to set reporting requirements in regard to the services these two firms provide to the Pool. We look forward to sharing these requirements in future reports.

How ACCESS works with individual Authorities and Service Providers to enhance Responsible Investing

In 2022 the Essex Pension Fund Investment Steering Committee reviewed the alignment of all its investment mandates to the Fund's RI Policy and then worked in collaboration with ACCESS and UBS, its index tracking manager, to develop a new ESG fund, designed to invest in companies believed to be best placed for the transition to a low carbon economy.

The fund was launched in September 2022 with a £1.5bn investment. The UBS Global Equity Sustainable Transition Fund not only aligns to ACCESS's 2050 net zero aspiration, but also to many of the ACCESS Authorities' RI priorities and the United Nations Sustainable Development Goals.

Also working in collaboration with ACCESS and UBS, two of the Pool's Administering Authorities worked to transition their original RAFI investment into a low carbon version of the index. In doing so, the weighted average carbon intensity (WACI) of each fund, whether based on \$1m sales or Enterprise Value Including Cash (EVIC) was reduced by over 50%, with both funds on target to reduce carbon emissions yearly by 7%.

In support of the above, the data presented in Table 2 below, shared by UBS, reproduces a time series analysis of the ACCESS Equity Life Fund's WACI numbers since the year end 2020.

This analysis is based on the Equity Life Funds ACCESS held as at Q1 2024. Blank cells indicate where historical data is not available to UBS (for example, because a fund has only recently launched). For the standard market cap/index tracking funds, changes in carbon metrics over time result from changes in the underlying index/data disclosures, etc.

Funds with ESG benchmarks or UBS climate tilts are highlighted. Of these, only the Sustainable Transition Fund is explicitly net zero aligned. (For example, the UK Life Climate Aware fund has a lower-than-benchmark CO2 intensity objective. However, it does not specifically incorporate a net zero glidepath).

Table 2: Weighted Average Carbon Intensity of ACCESS' Equity Life Funds

Fund Code	WEIGHTED AVERAGE CARBON INTENSITY (tCO ₂ e/USDm SALES)					WEIGHTED AVERAGE CARBON INTENSITY (tCO ₂ e/USDm EVIC)				
	Yr end 2020	Yr end 2020	Yr end 2020	Yr end 2020	Yr end 2020	Yr end 2020	Yr end 2020	Yr end 2020	Yr end 2020	Yr end 2020
UBS Life UK Equity Tracker Fund		134.21	120.74	81.8	79.26		82.16	92.16	65.7	63.05
UBS Life Europe Ex-UK Equity Tracker GBP Hedged Fund				92.89	85.3				65.01	59.68
UBS Life Japan Equity Tracker GBP Hedged Fund				92.24	76.57				71.68	66.11
UBS Life Pacific Ex-Japan Equity Tracker GBP Hedged Fund				172.59	157.34				105.55	90.92
UBS Life North America Equity Tracker GBP Hedged Fund				109	101.57				34.81	32.08
UBS Life Global Emerging Markets Equity Tracker Fund		351.98	345.91	391.69	437.58		161.22	165.61	160.3	174.03
UBS Life Climate Aware World Equity Fund	65.39	62.21	67.41	50.65	48	99.05	27.54	32.4	26.31	25.28
UBS Life All World Equity Fundamentally Weighted Low Carbon Transition GBP Hedged Index Fund			218.87	97.51	95.68			118.45	70.15	69.93
UBS Life Climate Aware World Equity GBP Hedged Fund	66.83	64.15	67.55	50.68	47.4	40.22	27.92	32.45	26.33	24.97
UBS Life All World Equity Factor Mix Carbon Aware Fund			118.59	105.9	95.23			47.49	47.13	43.02
UBS Life Global Equity Sustainable Transition Fund (hedged)			74.08	59.74	52.34			26.24	22.31	20.06
Data Coverage	25%	26%	63%	75%	75%	25%	26%	63%	75%	75%

Re-Procurement of the ACS Operator

ACCESS is currently preparing for the re-procurement of its ACS Operator services. The Pool's contract with Waystone was for a five-year term with the option to extend at the end of the five years by two years which ACCESS took up. This contract expires in March 2025. We have therefore commenced a tender process, which is due to conclude in the second half of 2024. We look forward to sharing with you the identity of the successful partner to the Pool in this regard in next year's stewardship report.

For now, we can share that the tender process for this procurement specifies the details below.

Corporate Governance and Stewardship

1. The Operator will be required to adopt and integrate the investment strategy requirements of the investing Authorities and the ACCESS RI Guidelines to ensure on-going strategic alignment.
2. The Operator must demonstrate a well-considered process, with evidence, for assessing investment managers' approaches to sustainability, to ensure more risk aware managers being appointed, and investing in better run companies.
3. The Operator will perform an assessment of ESG factor integration, stewardship approach and the consideration of sustainable opportunities of each sub-fund manager and ensure ESG is embedded into an investment managers investment process.
4. The Operator is expected to participate in a continuing dialogue with Administering Authorities on the implementation of ESG/RI within investment processes and the impact of the sub-fund investment manager's voting and engagement activity, to provide evidence of any active ownership activities on investments held.

5. The Operator is also expected to report to Administering Authorities any potential issues or concerns identified and provide information on any remedial action, including timescales.
6. The Operator should also have regard to the requirements of the Stewardship Code. New Investment Management Agreements entered by the Operator must set out specific expectations regarding resourcing, deliverables, targets and/or objectives in relation to ESG. Monitoring of these will be carried out by the Operator, reported to Administering Authorities and form a part of the routine investment manager engagement meetings.

Voting

1. The Operator is required to ensure voting rights attached to investments held in the Pool's sub-funds are exercised in line with the ACCESS Voting Guidelines and that any assets out on loan are recalled with sufficient time to permit votes to be cast.
2. Where sub-fund investment managers do not adopt the positions set out in the Voting Guidelines, the Operator must ensure a robust explanation of the position adopted on a 'Comply or Explain' basis is provided to the relevant Administering Authorities.
3. The Operator will facilitate the use of any proxy voting services, if required by the Administering Authorities.

Assisting the Pool's Member Authorities in Class Action Lawsuits

We recognise there may be instances where voting and/or engagement activity fails to bring about the required stewardship results, or information becomes available concerning shortcomings or inappropriate actions taken by investee companies.

In such instances, ACCESS will support any Authorities that choose to seek redress for any financial loss they believe they have suffered by participating in securities litigation.

It will, for example, provide help in coordinating action across Authorities and work with the Authorities and Waystone to ensure any portfolio holding information needed to evidence any claim is sourced and provided in a timely manner.

Waystone is also required to assist any Administering Authority that chooses itself, or together with any other Pool member, to seek redress via legal proceedings from any third party for loss or damage wrongfully caused to an investment it beneficially owns entirely or as a tenant in common.

Such assistance includes ensuring that all portfolio holdings and transactional information and other evidence needed to support any claims relating to such loss or damage is accurately sourced and provided to the relevant Authority in a timely manner, and the taking of such further steps as are necessary or expedient to pursue and obtain redress.

The Operator is also required to additionally direct the Pool's Depository to provide such assistance as is needed and requested by the Authority/ Authorities seeking redress.

Protecting Human Rights

ACCESS considers it important to know that current and potential service providers to the Pool recognise and accept their legal duties to promote equal opportunities and ensure that all members of the community are treated fairly and equally, and that they recognise their own stewardship and sustainability responsibilities.

In managing the tender process for third party service provision, the Pool's Host Authority requires its suppliers to support its approach in proactively managing its Corporate Social Responsibility including the reduction of its carbon footprint, impact on the environment and use of natural resources.

In addition, ACCESS' Operator Agreement also requires the Pool's Operator to:

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- Comply with all applicable labour, employment, anti-slavery and human trafficking laws, statutes, regulations from time to time in force including but not limited to the Modern Slavery Act 2015
 - Not engage in any activity, practice or conduct that would constitute an offence under sections 1, 2 or 4 of the Modern Slavery Act 2015 if such activity, practice or conduct were carried out in the UK;
 - Include in contracts with its direct subcontractors and suppliers provisions which are at least as onerous as the Pool requires of it; and
 - Notify the Administering Authorities as soon as it becomes aware of any actual or suspected slavery or human trafficking in a supply chain which has a connection with services provided to the Pool under the Agreement.

In addition, the Operator is required to ensure its sub-contractors and staff at all times comply with the requirements of the Equality Act 2010 and all other related statutory and regulatory requirements and shall not treat any person or group of people less favourably than another on the grounds of age, disability, gender reassignment, race, religion or belief, sex, sexual orientation, pregnancy any maternity, marriage and civil partnerships.



Reviewing the Option to Procure a Voting and Engagement Provider

ACCESS places emphasis on the Operator to ensure that the Pool's voting and engagement activity is aligned with its RI and Voting Guidelines: that reporting on this activity is shared with the Joint Committee, and that relevant Investment Manager actions are discussed in the Pool's Investment User Group meetings.

In keeping with the Pool's Guiding Principles, the rationale for this approach is that it avoids unnecessary complexity and provides a cost-effective way of delivering the Pools commitment to RI.

That said, our principles hold that we should always be prepared to evolve our approaches to stewardship. Mindful of the need to continually review the effectiveness of our RI activities, the ESG/RI Sub-Group convened a special meeting in March 2024 to initiate the process of exploring the costs and benefits of procuring the services of a Voting and Engagement Provider to facilitate the delivery of the Pool's commitment to responsible investing.

The benefits of working with a voting and engagement provider will be measured against the effectiveness of the Pool's current approach, and the Pool's principles of ensuring value for money and local sovereignty.

Deliberations are ongoing within the Pool's corporate governance pathway, and we look forward to reporting on the outcome of this process in our next stewardship report.



Principle 8

Signatories monitor and hold to account managers and/or service providers.

Monitoring and Holding the Pool's Service Providers to Account

The ACCESS Joint Committee is responsible for overseeing the activities of the Pool's Operator (Waystone), and for monitoring its performance.

An Operator Agreement specifies the terms on which Waystone is required to deliver its services. This agreement requires Waystone to prepare and present reports to the ACCESS Administering Authorities, which include a comparison of achieved KPIs with target KPIs in the measurement period in question, together with measures to be taken to remedy any deficiency in achieved KPIs. (See Table Four below for additional details on the type of meetings ACCESS conducts with the Pool's Operator, their frequency and the performance monitoring objectives of each).

The Operator Agreement has been executed by each Authority in counterparts so there is a single Operator Agreement. Any amendment therefore has to be made by each of the Authorities to be effective

Remedies in the Event of Inadequate Operator Performance

Where there has been a failure by the Operator to deliver the services detailed in the Operator Agreement, or if a material issue is raised about the standard of services or about the manner in which any services have been supplied or performed by the Operator, ACCESS is entitled to investigate and escalate any issues in accordance with the Escalation Procedure contained within the Operator Agreement.

A repeat of a previously resolved default will result in processing that default by the relevant escalation path set out in the Escalation Procedure. And a third instance will be deemed as a material breach of the Agreement.

Testing Waystone's Service Provision in the Reporting Period

In order to continue to test Waystone on its service provision, the KPIs embedded in the Operator Agreement have been expanded twice through formal Change Control in this reporting period.

As part of the Operator re-procurement process, the Pool's Officers, its professional advisors and senior staff at the Depositary have reviewed the provision of KPIs in the Operator Agreement to test areas of service delivery, and to ensure there had been no prior critical oversight. These parties gave assurance that the existing KPIs set for Waystone are fit for ACCESS' current purpose, and for future Operator requirements.

Ensuring Service Fit with the Operator

Under the terms of the Operator Agreement the Operator is expected to have a dedicated Client Team in place which is able to deliver all agreed requirements to the desired standard.

Upon request, the Operator is required to provide educational training to the Pool's elected Members and Officers on the delivery of its services and on the risks of such service delivery.

Additionally, the Operator is required to give details of an appropriate escalation path within its organisation for use in the event that the ACCESS Support Unit (ASU) and/or the Administering Authorities experience problems with any aspect of the Operator Agreement.

Expected Operator Engagement Protocol

Regular contact with the Pool's Operator is a matter of course, and formal engagement with the Operator allows for systematic review and oversight of its activity. This is scheduled ahead of time and is described in table four below.

Table Four: Scheduled Meetings with the Pool's Operator

MEETING TYPE	ACCESS ATTENDEES	FREQUENCY	OBJECTIVE
Strategic Relationship Review	<ul style="list-style-type: none"> Joint Committee Pool Director Contracts Manager 	<ul style="list-style-type: none"> Quarterly, and ad hoc as required 	<ul style="list-style-type: none"> Ensure strategic alignment between Host Authority and Waystone
Quarterly Business Review	<ul style="list-style-type: none"> Officer Working Group Pool Director Contracts Manager 	<ul style="list-style-type: none"> Quarterly 	<ul style="list-style-type: none"> Update on key activities Identify opportunities to expand working relationships Introduce subject matter experts to discuss topical matters
Monthly Service Review	<ul style="list-style-type: none"> Officer Working Group Pool Director Contracts Manager ACCESS Support Officers Officer Working Group as required 	<ul style="list-style-type: none"> Monthly 	<ul style="list-style-type: none"> Provide updates on open projects or issues Discuss monthly KPI review Discuss outstanding issues and risks
Monthly Operations Meeting	<ul style="list-style-type: none"> Contracts Manager 	<ul style="list-style-type: none"> Monthly 	<ul style="list-style-type: none"> Discuss operational matters Agree actions, ownership and proposed timescales
Investor Day	<ul style="list-style-type: none"> Open to all involved parties 	<ul style="list-style-type: none"> Annual 	<ul style="list-style-type: none"> Open day for presentation on Investment Manager strategy and performance
Pension Fund Committees	<ul style="list-style-type: none"> Individual Pension fund Committees 	<ul style="list-style-type: none"> Annual 	<ul style="list-style-type: none"> Open day for presentation on Investment Manager strategy and performance
Section 151 Officers	<ul style="list-style-type: none"> Section 151 Officers Pool Director Contracts Manager Client Manager 	<ul style="list-style-type: none"> As required 	<ul style="list-style-type: none"> Update on topical issues

Third Party Management/Sub-Contractors

In order to extend its oversight of stewardship to providers the Pool's Operator might employ to deliver its services, the Operator is required to state if any other part of its supply solution requires the use of sub-contractors.

As a minimum, the review framework the Operator has in place for its own oversight of such suppliers must include:

- Details of the engagement schedule undertaken with sub-contractors (such as an annual plan); individuals attending from the Operator and sub-contractor; and the method of oversight (i.e. desk based or in person);
- An outline of areas that are reviewed as part of the due diligence process (such as management of risks - including cyber -, internal controls and compliance with ISAE 3402 controls, or equivalent);

- Details of the escalation process if action is required; and
- Reporting on how conclusions, outcomes and agreed actions from the above are reported to ACCESS.

The Operator is expected to provide regular reporting on the outcome of this oversight to the ACCESS Joint Committee including any key findings and action points agreed with the sub-contractor (including timescales), and any material findings that would cause the agreed escalation process to be activated.

The Operator will also provide reporting on due diligence prior to appointment of any third parties and test quality and costs at least every three years, or as required.



Investment Manager Oversight

We have reported extensively under Principle 6 and Principle 7 in regard to how ACCESS holds its investment managers to account, working through Waystone. Here, we can report additionally that the Chair of the ACCESS' Investment User Group (IUG) gives a verbal update on an ad hoc basis to the Officer Working Group in respect of the Pool's regular meetings with investment managers. This does not get reported to Joint Committee in the normal course of business. However, any issues arising with an investment manager are raised via the Pool's Sub-Fund Implementation Report (SFIR), which originates from the IUG and/or from the Pool's Listed Sub-Group (LSG).

Should any investment manager issues arise, however, it is more likely Waystone will have had an immediate conversation with the ACCESS Support Unit and the respective managers, before presenting these to the Joint Committee. A Pool client manager may also present investment manager issues to the Joint Committee via the SFIR and, in respect to quarterly investment performance, the Chair of the IUG presents to the Joint Committee.

The Joint Committee also receives an Investment Performance report each quarter which highlights the performance of each sub-fund in the quarter and their voting activity. As the Pool has expanded, the requirement for a Voting & Engagement provider has been highlighted and is being reviewed by the Pool.

Supporting Waystone's Commitment to Sustainability

ACCESS is an engaged customer of Waystone and has participated in regular conversations with this service provider to enquire about its own approach to Sustainability.

In addition to rating how the Pool's incumbent and prospective investment managers manage their own ESG risks and opportunities, Waystone

has now established a Group Sustainability Committee (GSC) that has a reporting line to the firm's Chief Operations Officer. The GSC is charged with ensuring Waystone's commitment to Sustainability, and with overseeing its ESG strategy and initiatives.

Waystone has grown rapidly through acquisition over the past few years and ACCESS is pleased to see it is now taking stock of its position on Sustainability by completing a double materiality assessment. Through engaging with its stakeholders including staff and senior management, investors, clients, and service providers, this process will form a renewed vision of what Sustainability means to Waystone and its people.

The GSC comprises individuals across Waystone senior management; across the company's product lines, and its support functions to bring diverse perspectives to bear on this issue and to ensure progress.

Waystone is a signatory to the UNPRI and has committed to set emissions reduction targets, in line with the Science Based Targets Initiative (SBTi) criteria and recommendations and to submit these targets to the SBTi for validation by June 2025.

It will also be developing a list of sustainability issues that matter most to its staff, and a new sustainability policy and approach to sustainability reporting, which will follow during the second half of 2024.

Working Through Waystone to Hold the Pool's Investment Managers to Account

An Emerging Markets fund was proposed for launch in this reporting period, following a search by the Pool's consultant. During the initial due diligence, Waystone became uncomfortable with an inconsistency between the commentary of the risk team at the investment manager and the implementation and feedback from the investment management team, which revolved around the fund's positioning in Russia prior to the conflict with Ukraine.

Waystone conducted follow-up meetings with the investment team. However, its concerns were not fully alleviated. It therefore formally escalated the matter to ACCESS and the consultant for approval to progress with the launch.

In the period since, the investment manager has worked to strengthen its oversight of risk, and we have witnessed a shift in focus by the manager to highlight risk management in its reviews and presentations.

Waystone has also highlighted a number of instances of corporate activity such as acquisitions or mergers, which have elevated concerns about the allocation of resources to strategies in which the Pool is invested. It has, for example, reviewed the departure of individuals or teams for a variety of reasons. Although succession planning is covered in the annual review Waystone submits to ACCESS, if these departures are deemed to be material, it will notify the Pool.

In 2023, for example, Waystone noted management changes at one particular investment manager in two strategies in which ACCESS had an investment, and it ensured these were discussed on multiple occasions at the Pool's Investment User Group (IUG) meetings. In one of the cases, a portfolio manager Waystone rated highly took a career break and, shortly after Waystone had concluded its due diligence process for the period in question, was replaced by two managers whose backgrounds were in European and UK equities while 70% of the World index is comprised of US stocks. Waystone gave the new managers time to settle in and visited them on-site to verify their approach, as it believed that an understanding of particular (US) market nuances can only be acquired over time. That follow up due diligence found the managers to be competent and thoughtful – and backed by an extensive team of experienced analysts. Waystone therefore reported having no outstanding actions, and that the strategies would be monitored in line with standard processes. Should any performance issues arise it would, of course, investigate on the Pool's behalf and report as required.

Waystone has also been encouraging clearer investment manager reporting on the effectiveness of the managers' engagement activities and specific RI outcomes – by, for example, asking managers to provide more evidence of their engagement process; whether it has the extent of impact the managers claim, and if it is proportionate to the expectations of the fund.

Elsewhere, Waystone has noted how important the IUG is as a forum in which the Pool's investment managers can communicate their investment strategy, and how outcomes may have been shaped by current market conditions. It has further noted these presentations typically include a great deal of ESG process information and data – yet with very little manager commentary on how these factors have shaped portfolio decisions. Waystone has therefore provided feedback to these managers requesting greater connection and clarity between the ESG integration process and the information provided to ACCESS.

Principle 9

Signatories engage with issuers to maintain or enhance the value of assets.

ACCESS expects the Pool's investment managers to conduct ESG engagements on its behalf. Being closer to the subject than it's possible for the Pool to achieve and possessing the developed ESG expertise that the Waystone review process requires, we believe the Pool's investment managers are best placed to identify those ESG risks that are most material to relevant portfolios. That said, we do require all our investment managers to be mindful of the risk that climate change presents to the Pool's investment returns, and it is likely that, as ACCESS develops additional ESG priorities, further direction will be given to the Pool's investment managers.

Waystone monitors the engagement activity of the investment managers on the Pool's behalf (and we have also documented under Principle 4 how Waystone works seeks to address market-wide risks and otherwise support the functioning of the financial system). Managers are required to report on their activity to Waystone and ACCESS. And engagements are frequently discussed with relevant managers in the Pool's monthly Investment User Group meetings. A number of ACCESS' Administering Authorities also receive regular stewardship reporting, and voting and engagement data locally, which further facilitates monitoring of investment manager activity at the Pool level.

All of the investment managers appointed to manage money for participating Authorities are signatories to the United Nations Principles of Responsible Investment, and all UK-based investment managers are signatories to the UK Stewardship Code 2020.

Overleaf we present case studies of investment manager engagement in action in one of the Pool's active equity mandates, and in a passive equity mandate.



Fidelity International Engagement with Baidu Concerning Ethical Artificial Intelligence (AI)

Engagement Objective

Fidelity wishes to better understand and raise the bar on ethical practices in the development and deployment of AI.

In this meeting Fidelity sought to better understand Baidu's consideration of ethical AI in its business strategy, operations, governance, and disclosures. The company talked Fidelity through its approach, which allowed Fidelity to acknowledge Baidu's progress and to provide some specific areas of guidance for further improvement.

AI has the potential to enhance Baidu's operations and increase value, but Fidelity engaged with the company on the ethical application of these tools and the transparency with which these are reported. For example, the current disclosures are a good start, but commentary is largely observational and aspirational rather than specific and underpinned with definite commitments. Providing more detail regarding how the company follows ethical AI principles in its business operations, along with a more detailed and clearer descriptions of internal governance mechanisms, would be more closely aligned to best practice.

Outcome Achieved

Baidu told Fidelity it is developing an increasing awareness overall of the importance of ESG, with significant time being dedicated to the topic, although ethical AI is one of the more nascent topics for the company.

In Progress

Fidelity offered to provide further information, input, and feedback at any time, for which Baidu expressed appreciation.

Fidelity expects ongoing engagement with the company on this issue, following this initial discussion.

UBS Engagement with Glencore in the UBS Passive Mandate

In early 2024, Glencore published an updated climate action transition plan with expanded discussion on the strategy for its coal business, and a data provider upgraded its assessment of the management of community relations at Cerrejon Coal. UBS wishes to keep continued engagement on the climate action transition plan and further improve community relations in Colombia.

Engagement Objective

In recent years, UBS engagement with Glencore has covered a range of topics and they have seen a number of positive changes at the company. These have included board and senior management changes, the introduction of a new internal compliance system in response to bribery and corruption charges, and an overall enhancement in sustainability performance. One key operational improvement has been the reduction in fatalities in the company's mining operations. As a result of these changes, UBS engagement focus has steadily shifted to two additional topics.

First, climate: Glencore published a transition action plan nearly three years ago and UBS is engaging to gain clarity into the company's strategy, with a particular focus on the managed decline of its thermal coal mining business.

Second, community relations: Glencore's acquisition of full ownership of Cerrejon Coal in Colombia has brought longstanding community relations issues within the direct scope of the group. Here, the UBS engagement is focused on ensuring good management of community relations in a complex social situation.

Action

UBS has been engaging with Glencore on climate change issues for more than three years. This has included discussions with the board chair, the head of sustainability and investor relations. In 2021 UBS supported Glencore's Say on Climate reflecting the overall depth and detail of its first climate transition action plan which incorporated targets for a significant reduction in scope 1, 2 and 3 emissions. Since then UBS has continued to

engage with a focus on the strategy for the coal division, and especially for greater transparency into Glencore's plans to manage a reduction in overall thermal coal production. During this period, discussion has been against the backdrop of Glencore's purchase of a full interest in Cerrejon Coal, the proposed merger with Teck Resources and the recent announced acquisition of Teck's metallurgical coal assets.

With regards to community relations at Cerrejon Coal, UBS engaged with the chair and head of sustainability, and has met with the Cerrejon Coal CEO and her team. In November 2023, UBS also met with community representatives and civil society organisations to discuss the situation.

Outcome Achieved

Glencore will present its revised climate transition action plan for shareholder approval at its AGM in the first half of 2024. Engagements with the company have highlighted actions it has been taking to review its plan and UBS expects that greater detail on implementation, just transition and policy advocacy will be provided. Glencore verbally confirmed its intention to wind down its thermal coal assets while the pace of the reduction will be determined by global policy, the stability of the global energy system and pricing.

UBS meetings with Glencore and community representatives, as well as its broader research, confirm the complexity of the social situation in the La Guajira province which is the location of Cerrejon Coal. It is clear that community relations reached a nadir around six years ago and that action has been spurred by the intervention of the Constitutional Court. More recently, UBS research indicates an improvement in the approach to community relations, although legacy grievances remain and frustrations are ongoing.

In Progress

Engagement on both the group climate change plans and the community relations in Colombia are ongoing. Glencore's openness to receiving feedback from investors and its dialogue on both topics provides a constructive backdrop to the UBS engagement.

UBS will be engaging further with Glencore on the details of the climate transition plan. The extent to which the plan contains further information,

especially on the direction of the coal business, will be a factor in determining its position on the upcoming Say on Climate vote.

Since late-2022, UBS has taken the view that Glencore was making sufficient progress in managing the community issues in Colombia to allow UBS to assess the company as demonstrating credible corrective action in line with the UBS SI Exclusion Policy. In March 2024, one of the major ESG rating agencies upgraded its view, removing its indication of a violation of the United Nations Global Compact principles, following a reassessment of Glencore's role and actions.

UBS is continuing to engage with Glencore on community relations in Colombia. This includes incorporating the insights from its recent contact with communities into its engagement dialogue with the company. UBS is focusing its interest in how Glencore progresses with Cerrejon's community consultation and agreements, and how the subsidiary implements the recent update of the human rights impact assessment.



Principle 10

Signatories, where necessary, participate in collaborative engagement to influence issuers.

Our Collaboration with the Local Authority Pension Fund Forum

ACCESS recognises it has a responsibility to work with others to improve how markets function, and to influence the ESG performance of the companies in which the Pool invests. We also understand that it is increasingly challenging for investment institutions that cannot match the scale of the world's largest asset managers to take leadership positions across a broad and constantly developing spectrum of ESG issues.

This is one of the primary reasons why the Pool took the decision in 2023 to become a member of the Local Authority Pension Fund Forum (LAPFF). Having researched a number of possible collaborative partnerships we chose to join LAPFF as our first outreach to an organisation that has a specific purpose to promote better stewardship.

Representing 87 LGPS funds and seven (of the eight) LGPS Pools, LAPFF concentrates over £350bn of assets into singular ESG engagements. ACCESS is fortunate to have an Officer as a member of the LAPFF Executive Committee that agrees the Forum's work and sets its direction. Additionally, the Pool's Director also attends the Scheme Advisory Board's Responsible Investment Advisory Group to keep abreast of any developments.

LAPFF's engagement work is informed by listening to the concerns of its members. Consequently, LAPFF's members get to choose which engagements to pursue, who to target, and how the engagements are managed. This includes handing control to members over when engagements should be escalated and when they should be concluded.

Working through the Forum's Executive Committee, members set the objectives, and specify the milestones against which engagement success, or otherwise is measured.



Climate Change

LAPFF has been engaging with companies on climate risk and their transition plans for many years and has seen a significant growth over the last few years in the number of companies considering climate change and developing transition plans – even if many of those plans need significant improvement.

LAPFF also engages with government and policymakers to ensure policy is helping to address risks, create opportunities and provide incentives to change.

These activities are also strengthened by the LAPFF membership, as a cross party collaboration involving local councillors across the UK, with practical understanding of politics, regulation, and policy development.

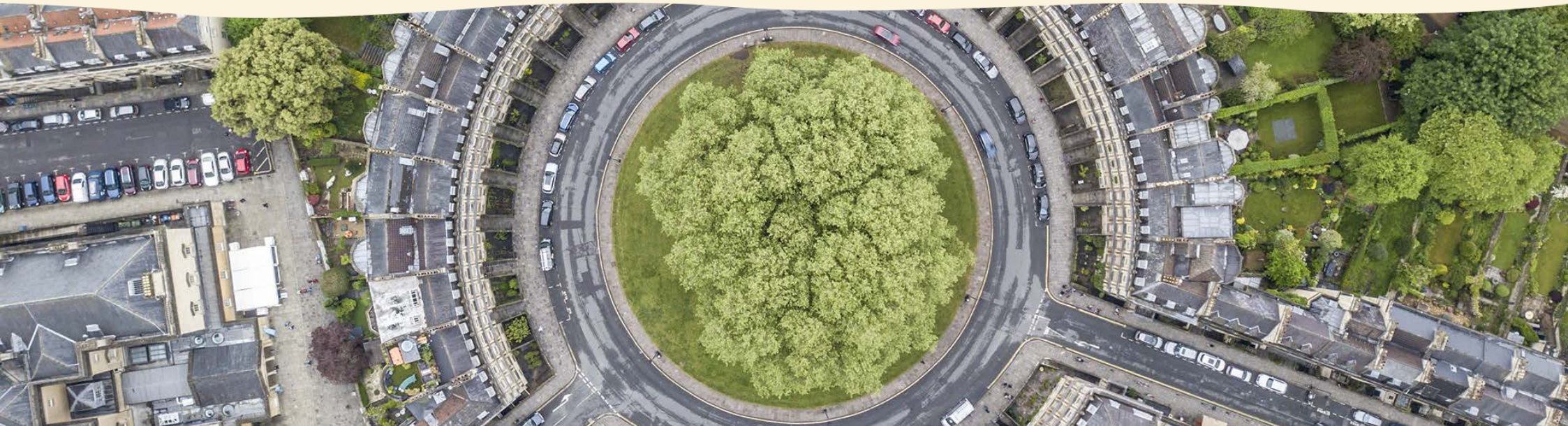
Climate Voting Alerts

During the year, LAPFF issued climate alerts which covered over 50 resolutions: on, for example, climate transition policies and climate target setting (including include all emission scopes, absolute emission reductions targets and Paris-aligned targets). Around half of resolutions gained over 70 percent or more shareholder votes reflecting the level of support for companies to improve their climate change practices and policies and which provided a clear message to the companies.

ACCESS asks its investment managers to vote in accordance with ACCESS' voting Policy but to note the LAPFF recommendations and explain if they have voted differently. We recognise that the research teams of the investment managers may have a different insight to the advice LAPFF offers, and they may not always agree on the best approach, so an explanation is expected in these cases.

LAPFF's annual work plan is shaped by its members. ACCESS therefore looks forward to playing a role in helping to steer the Forum's direction of travel, and where it places its emphasis in the coming years. We also look forward to reporting on our contribution to this collaborative work in future Stewardship Reports, starting in 2024, together with a critical assessment of the effectiveness of those LAPFF activities that are particularly important to the Pool, and where any gaps might lie in this regard.

We plan to put a process in place to achieve the above by the start of the next reporting period.



Collaboration in Action

The Pool's investment managers participate regularly in collaborations that are aimed at improving the ESG performance of investee companies. Reporting under Principle 6, we shared the example of Royal London Asset Management's collaborative engagement with BNP Paribas SA, and below under Principle 11, we document Columbia Threadneedle's collaborative engagement with Meituan.

Working through the Pool's appointed investment managers is one of the avenues ACCESS uses to encourage collaboration on its behalf. Another is via LAPFF, which we expand on below.

LAPFF Engagement: Climate Change

In this reporting period LAPFF joined two other investors in the CA100+ Working Group (the Church of England and Northern Trust), seeking to improve National Grid's disclosure and accountability on direct and indirect lobbying.

The CA100+ benchmark on National Grid places it below its peer companies under indicator 7 on lobbying. Alongside engaging with the company, ahead of the company's AGM, LAPFF escalated its concerns by issuing a voting alert which outlined its concern regarding lobbying and made a voting recommendation related to an agenda item on political donations. Shortly before the AGM, the company pledged to publish its trade association memberships and updated climate policy ahead of the next AGM. LAPFF therefore

is seeking to ensure the company's disclosure is timely and of a high standard.

LAPFF has also been seeking to ensure the company is more transparent about its plans to support the energy transition and reducing grid connection. The objective was to encourage disclosure and to offer the opportunity to provide feedback on the company's approach in both respects. LAPFF also sought a separate climate meeting with the company and to write a letter to National Grid seeking disclosure of industry associations and an updated climate policy.

In November 2023, LAPFF together with the Church of England wrote to National Grid, stating expectations for its upcoming lobbying report. At the end of November, LAPFF met the company's Chief Sustainability Officer of National Grid and asked for an update on the backlog of grid connections and an update on the transition plan. The recent change in regulations has enabled the backlog to start to be cleared. This has been a main concern as the average time between requesting a connection and being offered one has increased from 18 months in 2019-20 to 5 years in 2023, as reported by the company. The easing of regulations will allow the company to terminate projects not progressing and push projects which are ready to the front of the queue. Given that the expected power to be generated from these held-up contracts is as much as 400 Gigawatts with connection dates of 2030 or later, this change will help towards decarbonising the power systems by 2030. However, there is still a challenge in speeding up building necessary infrastructure to physically enable the grid connections.

LAPFF will monitor the effect of lifting these regulations and how quickly the company clears the backlog and is also looking for clarity in its infrastructure development plans. The meeting also discussed the new transition plan to be published next year. LAPFF welcomed the fact that this is likely to be updated next year and will be put to a shareholder vote. LAPFF also encouraged the company to ensure the report is not only about reducing emissions but how the company can facilitate new infrastructure to be built, and its wider role in the energy transition. The company also recognised a challenge in reaching long-term targets of net zero by 2040 in absence of a pathway for gas distribution in the US.

The release of the lobbying disclosure report next year in good time before the AGM is expected and will enable the Forum to assess the progress made by the company on this area. So far National Grid appears to be responding well. LAPFF also expects the new transition report to be released and to address the points it raised with the company.

A key outstanding issue is gas distribution in the US, where National Grid asserts the ongoing importance of gas networks to the business due to its existing infrastructure and cost efficiency and envisage both hybrid solutions and clean gas. To address this LAPFF will seek to understand the US energy market in more detail. On engagement specifics, LAPFF planned to organise a wider CA100+ meeting in January 2024 and will arrange direct follow up meetings through the year.

Collaborations in which LAPFF is a Member

One of the reasons that supported our decision to become a member of LAPFF was appreciation of the size and scope of the collaborative engagement work in which the Forum participates, and in which – in certain projects – it plays a leading role.

Below is a list of the collaborations in which LAPFF is a member.

30% Club Investor Group

- Brings together more than 40 investors with £11 trillion AUM to drive change with companies on inclusion and diversity.

Investor Alliance for Human Rights

- The objective of this collaboration is to equip the investment community with expertise and opportunities that enable it to put investor responsibility to respect human rights into practice.

Investor Alliance for Human Rights - Uyghur Working Group

- LAPFF has been part of a pilot group looking to establish a group to engage companies across a range of sectors on their use of Uyghur labour in their supply chains. The group facilitates learning and engagement on Uyghur forced labour in company supply chains.

Net-Zero Aligned Audits

- In which a group of investors have come together to set out their expectations for auditors to provide greater, and more quantitative, disclosures relating to how material climate considerations have been taken into account in the audit process.

Workforce Disclosure Initiative (WDI)

- The WDI aims to improve corporate transparency and accountability on workforce issues, and to provide companies and investors with comprehensive and comparable data and help increase the provision of good jobs worldwide – in accordance with the UN Sustainable Development Goal 8, calls for ‘decent work for all’ by 2030.

Financing a Just Transition Alliance

- This programme is designed to identify the role that finance can play in connecting action on climate change with inclusive development pathways.

PRI Advance

- Investors use their collective influence with companies and other decision makers to drive positive outcomes for workers, communities and society.
- LAPFF is particularly involved in certain initiatives that target improving human rights in the mining and renewables industries, and is leading this collaboration’s work with Vale, as well as being a participant to its work with Anglo American.
- LAPFF has also been approached by PRI and other investors for a great deal of assistance on the community engagement part of the initiative, which has been emphasised by PRI as an important component.

Rathbones Votes Against Slavery (VAS)

- VAS coordinates the response of the investment community on the issue of modern slavery, and to provide the necessary accountability for compliance with the UK Modern Slavery Act.

CCLA Find It, Fix It, Prevent It

- This initiative has developed work streams to influence public policy, to engage with companies to develop and implement better processes for finding fixing and preventing modern slavery, and develop better data for stakeholder to work with.

Investor Initiative for Responsible Care

- More than 100 investors with \$3.7 trillion in AUM have set out their statement of expectations for the care sector including to see improvements in staffing levels, health and safety, wages and contracts, freedom of association and collective bargaining, and in quality of care.

World Benchmarking Alliance (WBA) – Just Transition

- This initiative assesses 450 of the world's most influential companies in high-emitting sectors on what they are doing to respect the rights of workers, communities and the most vulnerable as they work towards low-carbon goals.

Valuing Water Finance Initiative (VWFI) – CERES

- VWFI is a global investor-led effort, facilitated by the NGO Ceres, to engage companies with a significant water footprint to value and act on water as a financial risk and drive the necessary large-scale change to better protect water systems.

Access to Nutrition Initiative (ATNI)

- ATNI improves market performance by challenging key actors in the food system – starting with industry – to accelerate access to affordable, nutritious food for all, especially for society's most vulnerable.

Financing a Just Transition Alliance

- This programme is designed to identify the role that finance can play in connecting action on climate change with inclusive development pathways.

Finance Sector Deforestation Action (FSDA)

- FSDA has brought together 37 financial institutions, with more than \$8.5 trillion in AUM to work toward eliminating agricultural commodity-driven deforestation risks (from cattle, soy, palm oil, pulp, and paper) in their investment and lending portfolios.

FAIRR Initiative

- FAIRR is an investor network that raises awareness of ESG risks and opportunities in the global food sector, particularly those linked to intensive animal production.
- LAPFF is closely involved with FAIRR's engagement work in Restaurant Antibiotics, Working Conditions, and Animal Pharmaceuticals.

Carbon Disclosure Project (CDP)

- CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

Healthy Markets – ShareAction

- Healthy Markets engages food retailers and manufacturers to be at the forefront of the drive for healthier food options for all, by shaping the food options available to us in order to better address the challenge of obesity.

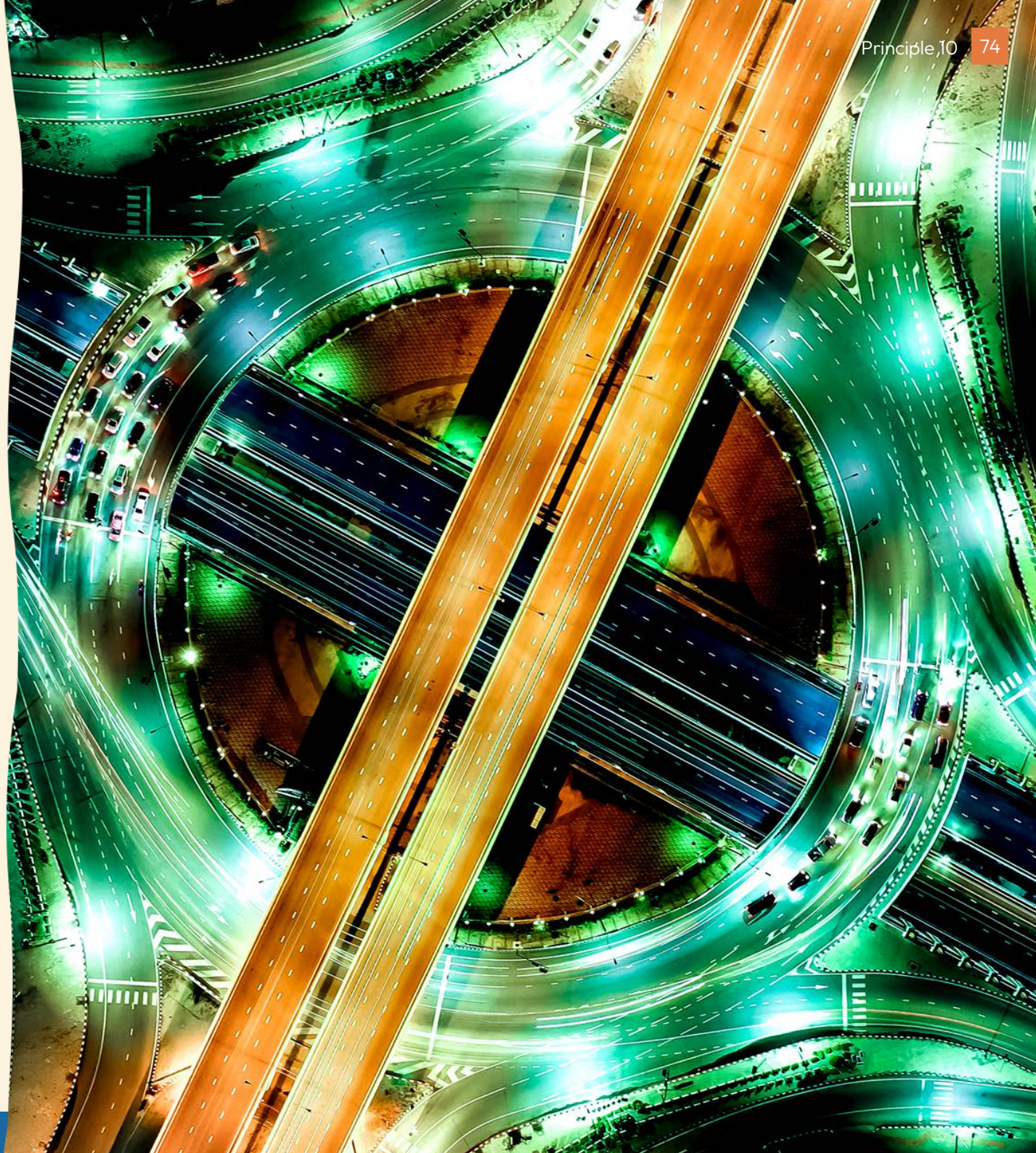
CA100+

- This initiative was started by PRI, IIGCC, and some other organisations to target the top 100+ carbon emitting companies and drive their emissions down.
- LAPFF has been a lead investor on a range of engagements, including National Grid and ArcelorMittal.
- LAPFF has also participated in other CA100+ groups, including the transport group with Ford, GM, and Toyota.

Additional Interest in Stewardship Initiatives

Separately, the Administering Authorities that comprise ACCESS are, in total, members of and/or supporters of the following stewardship initiatives:

- LAPFF
- Pensions for Purpose
- TCFD
- Just Transition
- IIGC
- UNPRI
- Stewardship Code 2020
- Transition Pathway Initiative
- Net Zero pledge 2050, and
- UKSIF



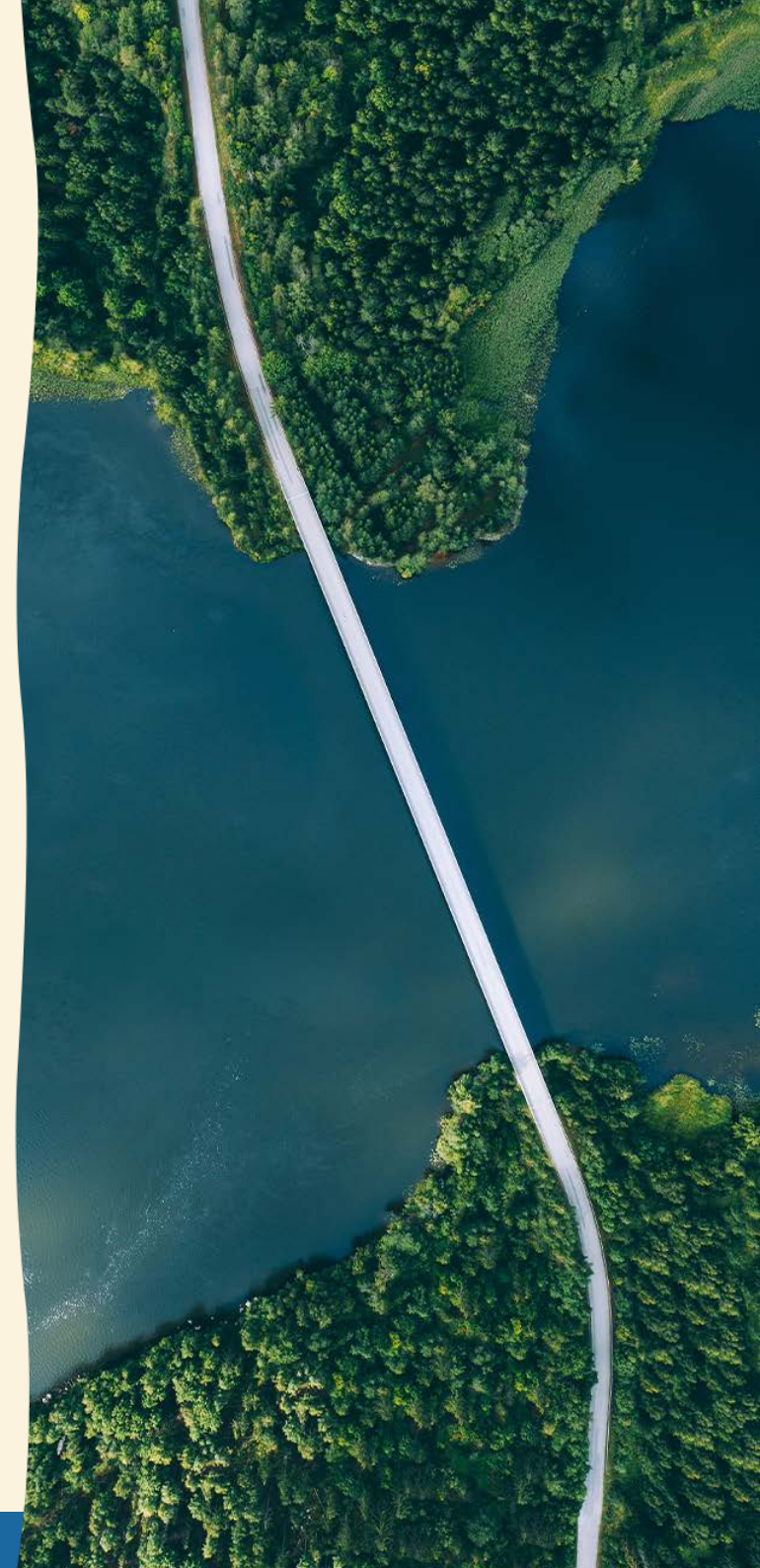
Principle 11

Signatories, where necessary, escalate stewardship activities to influence issuers.

Investment Manager Escalation of Stewardship Activities on Behalf of the Pool

The capability and effectiveness with which the Pool's investment managers escalate company engagements that have either stalled or are meeting with resistance is a component of the monitoring that Waystone conducts on behalf of ACCESS. **The steps commonly taken by the Pool's investment managers are depicted in the diagram below, below which we share two examples of such escalation in action.**

- ← → 10. If concerns persist and/or meaningful progress appears unlikely future actions include;
- Vote against company at shareholder meeting on related management proposal
 - Reach out to other significant shareholders as part of collaborative proposal
 - Downgrade company rating and in turn reduce size of portfolio holding
 - Sell out of holding in order to minimise risk of loss
- ↑ 9. If specific outcomes are not achieved within a reasonable timeframe the issue is escalated via a meeting held with senior members of management/company Chair to discuss concerns
- ↑ 8. Engagement outcomes documented against objectives, including identifying next steps and timescales for progress
- ↑ 7. Engagement Log periodically checked for progress and prioritisation
- ↑ 6. Continual assessment of relevant ESG performance including tracking engagement progress via an Engagement Log
- ↑ 5. Two-way engagement to identify material ESG related issues and means for providing proactive feedback
- ↑ 4. Identify key ESG engagement themes and undertake quarterly engagement meetings
- ↑ 3. Evaluate and risk assess the effectiveness of the company's management of ESG performance
- ↑ 2. Engage with management
- ↑ 1. Integrate ESG factors within investment process/stock selection



Fidelity International Engagement with Ubisoft

Fidelity engaged with Ubisoft because it believed the company had weak governance controls. This is due to strong family control, the lack of relevant experience of independent members (including Lead Independent Director), and overrepresentation of family on the Board. The company also had legacy scandals around bullying and sexual harassment of staff.

Engagement Objective and Escalation

Fidelity began its engagement with Ubisoft in March 2021 with the objective of improving the company's governance and its board independence. It enhanced that initial engagement in October 2022 and since then has had eight meetings with the company's Lead Independent Director (LID), and with its CEO, and CFO.

Outcome Achieved

Ubisoft made improvements to its Human Resources and to its Executive Committee. When a private investment in the company was announced in September 2022, which entrenched management and reduced the company's takeover potential, Fidelity sent a letter to the board detailing its concerns and expectations on governance. It also initiated a collective engagement with the company that was facilitated by UK Investor Forum. That started with a letter on board composition and replacement of the LID.

In July 2023, Ubisoft announced the nomination of two new board directors and LID succession. It has also announced enhanced capital market communications, including around the private investment in question. In September 2023, Fidelity decided not to support the resolution to approve the report on related party transactions pertaining to that deal. The resolution was opposed by 43% of shareholders.



Columbia Threadneedle Engagement with Meituan

Meituan is a Chinese shopping platform for locally found consumer products and retail services, and is one of the world's largest online and on-demand delivery companies.

Engagement Objective

Columbia Threadneedle joined a collaborative in-person investor meeting with Meituan's ESG manager and company secretary where the key topic of discussion was the company's approach to delivery rider safety and well-being.

Meituan addressed a recent strike in Shanwei which received widespread attention as it was alleged the company cancelled a number of rider subsidies – including for extreme weather – which lowered earnings for couriers. The company clarified the strike was relatively small in scale and that it had asked its delivery partners to undo changes to incentive mechanisms, and to hold discussion panels with the couriers to understand their grievances.

Columbia Threadneedle also discussed the lack of information Meituan provided to investors regarding its drivers' injury and accident rates, and encouraged increased disclosure on these metrics. The company explained rider safety is beyond its control due to delegation to third party agencies and added that riders often break traffic rules despite it providing safety measures such as training, mandatory breaks, and safety helmets.

Outcome Achieved

Overall, Columbia Threadneedle was discouraged by Meituan's lack of appetite for increased transparency on rider safety and other workforce metrics.

Columbia Threadneedle reiterated that Meituan's peers provide investors with similar information and that it views being able to measure the trends related to rider safety and satisfaction as very important in its assessment of the investment potential of the company. It therefore followed up with Meituan to encourage further transparency regarding its delivery workers' satisfaction, demographics, turnover and injury rates: recommending that the company shares the audits regarding its delivery partners' and agencies' compliance with Meituan's code of conduct, such as the number of minor/major nonconformances, and how Meituan works with the agencies for remediation.

In Progress

Columbia Threadneedle will keep engaging with Meituan on these topics.



Failed and Stalled Engagements

It would be wrong for us to suggest that all the engagements the Pool's investment managers conduct succeed in encouraging better ESG performance in the companies that are targeted for engagement. Some engagements fail. And some take years to change corporate behaviours in the direction we would like.

Nonetheless, we trust that our investment managers learn from such experiences, and take the opportunity to discuss these with the investment managers in question in the Pool's Investment User Group Meetings.

In addition to the Meituan example shared above, which is a candidate for further escalation, below, we present two examples of engagements that are yet to achieve their objectives.

M&G Engagement with methanol producer

Engagement Objective

M&G asked a US based global methanol producer to set net zero targets for its scope 1,2 and 3 emissions. It met with the Chair, with the Board member responsible for governance, and with the company's Head of Finance and Head of IR.

Outcome Achieved

In discussion M&G learned the company has a philosophy of not announcing targets without board approval. Currently the Board has approved \$15m capex for decarbonisation over the next 2 years. The company is looking at carbon reduction opportunities, and a \$2m investment in a feasibility study. The best opportunity is in carbon capture and storage (CCS) which is likely in the next 10 years but the timing is unknown. CCS currently would cost an extra \$50-100 extra per tonne of methanol produced and the company needs customers willing to pay a premium for green methanol in order to fund the investment in CCS. Louisiana has the right infrastructure and geography to sequester carbon. As a leading methanol producer they will continue to work on reducing its carbon intensity.

M&G also learned that the company's newest production facility will have a much lower carbon intensity than that of the group. However, the company expressed that it had no intention of setting net zero targets as per M&G's engagement agenda.



Newton Human Capital and Governance Engagement

Newton conducted an engagement with a large global retailer (Company 'B') on the subjects of Human Capital (safety, working conditions, employee engagement, diversity and inclusion) and Governance (Board and leadership quality, skills and experience).

Newton's first objective was for the company to conduct an independent assessment/audit of the company's human rights/health and safety issues and to report upon key findings and how the company will action them. Company B reasonably highlighted this could be extremely expensive. However, since the company was unable to point to current risks to the business through human capital, Newton emphasised that it needs to see a bridge between what is being done in this regard and what will happen in the future. That said, Newton believes it is likely that the company will continue to take a defensive stance towards forward looking asks around governance and disclosures and will continue to do only what is regulatory requirement.

The second objective was to appoint a director with experience in human capital to the board and as workforce representative (should be non-executive), and to report on how the board oversees human capital management (HCM) related issues and related strategy – as appointing a director with HCM experience may ensure these issues are given the attention and consideration they deserve. Further, by requiring the board to report on how it approaches and oversees HCM issues, shareholders would be able to hold the board accountable in a more effective manner.

The initial reaction to this request was disappointing but not unexpected.

However, Newton considers this to be a thematic engagement characterised by long-term objectives that will not have an immediate investment impact if not achieved but which is necessary to conduct to be on top of its risk assessment and understanding.

Newton is still considering how it can push further for what would provide it with comfort in terms of the company's HCM practises and it will continue to escalate its concerns through annual check-ins and voting in the AGMs.



Principle 12

Signatories actively exercise their rights and responsibilities.

Reviewing the Pool's Voting Guidelines

ACCESS has a single voting policy for pooled assets which can be found [here](#).

The Pool seeks to protect and enhance the value of its shareholdings by promoting good practice in the corporate governance and management of those companies. The voting policy sets out the principles of good corporate governance and the means by which ACCESS will seek to exercise its influence on companies.

Based on experience since formalising its voting stance into a set of guidelines for investment manager use, and having received feedback from the Pool's member Authorities that, for practical purposes, they wanted these to be stated more sharply such that they could be potentially more impactful on corporate behaviours, we engaged PIRC to conduct a review of the Guidelines, which examined this question and which also extended to assessing where the Guidelines might be expanded.

PIRC's review produced 75 recommendations for change, all of which were implemented by the Pool's ESG/RI Sub-Group: some with minor modifications. **This resulted in agreement to:**

- Better explain the context for the Pool's positions by expanding the rationale behind all (as opposed to some) of its voting stances. Doing this will improve the Pool's communication with its investment managers, its investee companies, and all ACCESS stakeholders.
- Provide greater clarity on our expectations (what we mean by director independence, for example).
- Expand existing policy by considering expansions to, or strengthening of current positions, together with an expansion of the Environmental and Social issues over which ACCESS wishes to exercise its rights.
- Fill gaps identified by the review, particularly in respect of Environmental and Social issues of interest to the Pool's members.

The updated Voting Guidelines have been reviewed by PIRC and recommendations have been suggested for the Pool to review and update as appropriate.

Exercising our Rights and Responsibilities

As responsible asset stewards, we believe the Pool's member Authorities should vote at all company meetings for the assets they own. Accordingly, ACCESS informs Waystone and Northern Trust that any assets that are out on loan should be recalled with sufficient time to permit votes to be cast. ACCESS monitors this requirement with Waystone and Northern Trust through quarterly reporting from them.

We expect voting power will be exercised by the Pool's investment managers with the objective of preserving and enhancing long-term shareholder value, with regard to the ACCESS Voting Guidelines on a 'Comply or Explain' basis.

Investment managers report quarterly on voting activity, including (but not limited to) all instances where votes were cast out of alignment with the Voting Guidelines, including case study examples of both positive and negative outcomes.

The implementation of ACCESS's Voting Guidelines is supported by Waystone, which recognises that as the manager of the ACS, it has a responsibility to promote good corporate governance and management in the underlying companies in which the Councils invest. Waystone requires the investment managers appointed to the ACS to exercise the voting rights attached to any listed investments held. **The areas covered by the current Voting Guidelines are:**

- Report & Accounts
- Audit-related Matters
- Directors & Remuneration
- Shareholder Rights
- Environmental Issues

Recent Voting Data

In this reporting period ACCESS' Listed investment managers voted at 2,614 meetings, and on 37,483 agenda items and resolutions.

The Operator is required, under the KPIs within the Operator contract, to ensure the Pool receives reporting on Voting and Engagement from each of the Managers. The ACCESS Support Unit monitors the delivery and timeliness of these reports as shown below. The provision for April (quarter end March 2024) included late submissions from three sub-funds. The ASU will work with the Operator to prevent further late submissions occurring.

KPI#6 voulmes				Apr		
Group	Deliverable	SLA	KPI#	Req	Prov	%
QR	Holding by sub-fund	100.0%	6a	1	1	100.0%
QR	Perfomance	90.0%	6b	31	29	93.5%
QR	Whole fund	92.5%	6c	1	1	94.4%
QR	Managers/Carbon/Engagement		6c	31	28	
QR	Voting		6c	22	22	

The Joint Committee receives a report on all voting activity, and Authorities are engaging with the investment managers initially through the Investment User Group (IUG) to discuss any issues of concern identified from their voting activities.

The data below provides details on how ACCESS' managers voted in opposition to company positions.

Investment Manager Opposition to Company Positions

	Number of votes cast			
Number of meetings	For	Against	Other	Total votes cast
2,614	31,434	4,780	1,269	37,483

Significant Votes and Specific Voting Positions

We consider shareholder opposition of 20% or more against a management position as a significant vote.

UBS informed ACCESS of selected significant votes against management positions. Within the reporting period this included a significant vote at a US packaged food company, Conagra Brands, where 30% of shareholders voted against an advisory vote on named executive officers' compensation. Within the year the remuneration committee lowered performance-based element of the LTIP while CEO pay was increased. This came at a time when the companies total shareholder return was underperforming its peers.

At Nike, a shareholder resolution on gender and racial pay gap reporting was backed by 30% of shareholders. This was supported to help provide understanding of whether there was progress on pay fairness and diversity across the company.

ACCESS was informed of other voting positions by its managers. Fidelity outlined its decision to oppose a director election at ICICI Bank on climate grounds, including for the lack of GHG reduction targets. Similarly at Reliance Industries, Fidelity opposed the re-election of a director on climate grounds, in this case for failing to disclose multiple scenarios in its climate scenario planning.



ACCESS Pool Responsible Investment and Stewardship Report

From:	Chairman Pension Fund Committee Interim Corporate Director of Finance
To:	Pension Fund Committee – 19 March 2025
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. Detailed performance information is provided in the *Quarterly Fund Performance Report* found at Appendix 1.

Recommendation:

The Committee is asked to:

- a) note the report; and
- b) to agree that no rebalancing is undertaken (para. 1.3)

FOR DECISION

1. FUND VALUE AND ASSET ALLOCATION

1.1 As of 31 January 2025 (the latest available data), the Fund's value was £8.7bn compared to £8.4bn as at 30 September 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%	5,018.0	57.4%	4.4%	In Range
UK Equities	10.0%	+/- 2.5%	948.0	10.8%	0.7%	In Range
Schroders UK Equity			945.7	10.8%		
Link Fund Solutions			2.3	0.0%		
Global Equities	38.0%	+/- 5%	3,648.9	41.7%	3.7%	In Range
Schroders GAV			513.2	5.9%		
IMPAX Funds			73.8	0.8%		
Baillie Gifford			1,108.3	12.7%		
M&G Global Diversified			711.0	8.1%		
Robeco Global Stars			712.7	8.1%		
Insight- Global Synthetic			529.9	6.1%		
Emerging Market Equities	5.0%	+/- 2.5%	421.2	4.8%	-0.2%	In Range

Columbia Threadneedle			219.1	2.5%		
Robeco			202.1	2.3%		
Fixed Income	22.0%	+/- 5%	1,667.6	19.1%	-2.9%	In Range
Credit	15.0%	+/- 5%	1,286.3	14.7%	-0.3%	In Range
Goldman Sachs			436.9	5.0%		
CQS			279.9	3.2%		
M&G Alpha Opportunities			296.3	3.4%		
Schroders Fixed Income			273.3	3.1%		
Risk Management Framework	7.0%	N/A	381.2	4.4%	-2.6%	N/A
Insight			381.2	4.4%		
Alternatives	25.0%	+/- 10%	1,905.3	21.8%	-3.2%	In Range
Absolute Return	5.0%	N/A	425.7	4.9%	-0.1%	N/A
Ruffer			182.8	2.1%		
Pyrford			242.9	2.8%		
Infrastructure	5.0%	N/A	395.9	4.5%	-0.5%	N/A
Partners Group			395.9	4.5%		
Private Equity	5.0%	N/A	396.7	4.5%	-0.5%	N/A
YFM			74.3	0.8%		
Harbourvest Intl			322.4	3.7%		
Property	10.0%	N/A	687.0	7.9%	-2.1%	N/A
DTZ Direct Property			472.5	5.4%		
DTZ Pooled Property			107.6	1.2%		
Fidelity International			45.7	0.5%		
Kames Capital			26.3	0.3%		
M&G Property			34.9	0.4%		
Cash	0.0%	5%	158.7	1.8%	1.8%	In Range
Total	100.0%		8,749.6	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. Some excess cash (~£154m) is being held to meet liquidity requirements for private equity and infrastructure drawdowns pending the formulation of a liquidity waterfall.

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 31 December 2024 is summarised below. Further detail is provided in the *Quarterly Fund Performance Report* found at Appendix 1.

Investment performance: quarter to 31 December 2024

2.2 The Fund's investments returned 1.6% in the three months to 31 December 2024, matching the benchmark return.

- 2.3 **UK equities:** impacted by the UK government's budget, struggled to generate positive returns with the FTSE All Share index detracting by -0.4% over the quarter. Large-cap stocks performed marginally better than small-cap equities with a return of -0.4% compared to -0.5%, respectively. The Fund's only UK equity manager, Schroders, performed in line with its benchmark, posting a return of -0.4%.
- 2.4 **Global equities:** US equities made strong gains during the quarter, with positive responses following Donald Trump's re-election early in the quarter – although this had the opposite impact on other global market stocks. As a result, overall, global markets returned 1.3% in local currency; however, due to the strengthening of the USD, returns in Sterling terms were 5.9%. In the US, the rally was led, most notably, by breakthroughs in artificial intelligence and technology stocks.
- 2.5 Amongst the Fund's global equity managers, Baillie Gifford's return of 3.3% was above its fixed weight regional benchmark return of 1.8%. M&G was the only global equity manager to outperform the MSCI benchmark, making a return of 6.4% this quarter. Sarasin, Impax and Schroders each underperformed the benchmark with returns of 5.4%, -5.0% and 2.7%, respectively. Collectively, the Fund's global equity mandates delivered a return of 4.0% during the quarter.
- 2.6 After considering the impact of the risk management framework (RMF), this gain was increased slightly to 4.6%. This was helped by strong global returns on the Fund's synthetic equity exposure in the RMF, as well as an increase in exposure following a roll of swaps at higher valuations.
- 2.7 **Emerging market equities:** Despite strong market volatility, mainly due to concerns around the implementation of tariffs, emerging market equities ended the quarter with marginally positive returns in sterling terms, at 0.2% (-3.8% in local currency). Robeco underperformed the benchmark with a return of -3.6%, whilst Columbia Threadneedle performed well, achieving a return of 3.4% during the quarter. CT's performance was largely driven by favourable security selection, with a large overweight position to technology proving beneficial. In addition, CT are underweight to China, which was hit hard by tariff fears and, therefore, contributed positively to performance. Robeco's underperformance was driven mostly by country allocation, with overweight positions to South Korea and South Africa as well as underweight to Taiwan and Saudi Arabia all detracting.
- 2.8 **Fixed income:** the fixed income market experienced notable volatility in Q4 2024, influenced by a variety of economic and policy decisions. Despite rate cuts in the US following a softening of the labour market, bond yields rose, and bond prices fell. Economic outlook deteriorated in the UK over concerns around sticky inflation and a lack of rate cuts. During the quarter, the Fund's bond mandates collectively achieved a return of 0.7%, slightly lagging the benchmark of 1.1%. CQS and M&G Alpha Opportunities outperformed the benchmark, both achieving returns of 2.2%. Schroders and GSAM underperformed during the quarter, posting returns of -0.6% and -0.3% respectively.
- 2.9 The Index Linked Gilts portfolio, which is part of the Risk Management Framework (RMF) managed by Insight, returned -10.5%. This is a buy and hold

portfolio and was impacted by inflationary concerns following news on the Chancellor's budget.

- 2.10 **Property:** lagged slightly during the quarter with the Fund's property allocation posting returns of 1.9% against the UK All Property benchmark return of 2.6%. The UK real estate investment market was showing clear signs of improvement with investment volumes up 17% year-on-year and Q4 investment activity up c.25% compared to that of Q4 2023, with the retail sector driving performance whilst the office investment market continued to struggle. DTZ's legacy portfolio returned 1.8%. Fidelity posted 2.8% whilst M&G returned 1.3%. Kames, which is in its winding down stage, returned 0.8% against a Balanced Property benchmark of 2.4%
- 2.11 Both of the Fund's **absolute return** mandates, Pyrford and Ruffer, underperformed the RPI benchmark of 0.9% in the quarter, posting returns of -0.9% and -2.9% respectively.
- 2.12 In **private equity**, HarbourVest managed large outperformance, posting a return of 8.6% relative to the benchmark of 1.2%. YFM, however, was not quite as successful, although still posting returns in line with the benchmark at 1.2%. For **infrastructure**, Partners Group also performed well, achieving returns of 2.8%.

3. LONGER TERM PERFORMANCE

- 3.1 For the year ended 31 December 2024, the Fund achieved a return of 6.8% against a benchmark return of 9.1%, an underperformance of 2.3%.
- 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 remain the best performing manager with a return of 11.4% against a cash +4% benchmark of 7.5%, followed by the M&G Alpha Opportunities fund, which returned 10.2%. Schroders and GSAM also performed well, posting returns of 6.0% and 4.5% respectively.
- 3.3 Equities have seen exceptional returns with several major indices reaching record highs and the MSCI ACWI posting an annual return of 19.6%. However, the Fund's active managers have had mixed performance: M&G have delivered the best performance with a return of 21.9%. Baillie Gifford also marginally outperformed their regional benchmark, achieving returns of 12.3%. Sarasin, Schroders GAV and Impax have underperformed their benchmarks with Impax detracting the most with a return of -1.9% compared to the benchmark figure of almost 20%. Given the rally in global equities, mostly driven by the technology sector, over the past 12 months the equity protection programme has detracted from overall Fund returns. With returns of 9.5%, Schroders' UK equity portfolio performed in line with the FTSE All Share benchmark.
- 3.4 Both absolute return managers, Ruffer and Pyrford, were faced with challenges this year resulting in underperformance against the RPI benchmark. Ruffer returned -0.5% in the year against a benchmark of 4.7%, whilst Pyrford performed better with returns of 3.4%. Overall, the property portfolio returned 5.7% against a benchmark of 6.5% Fidelity was the only manager

outperforming the benchmark, posting returns of 7.1% in the year to 31 December.

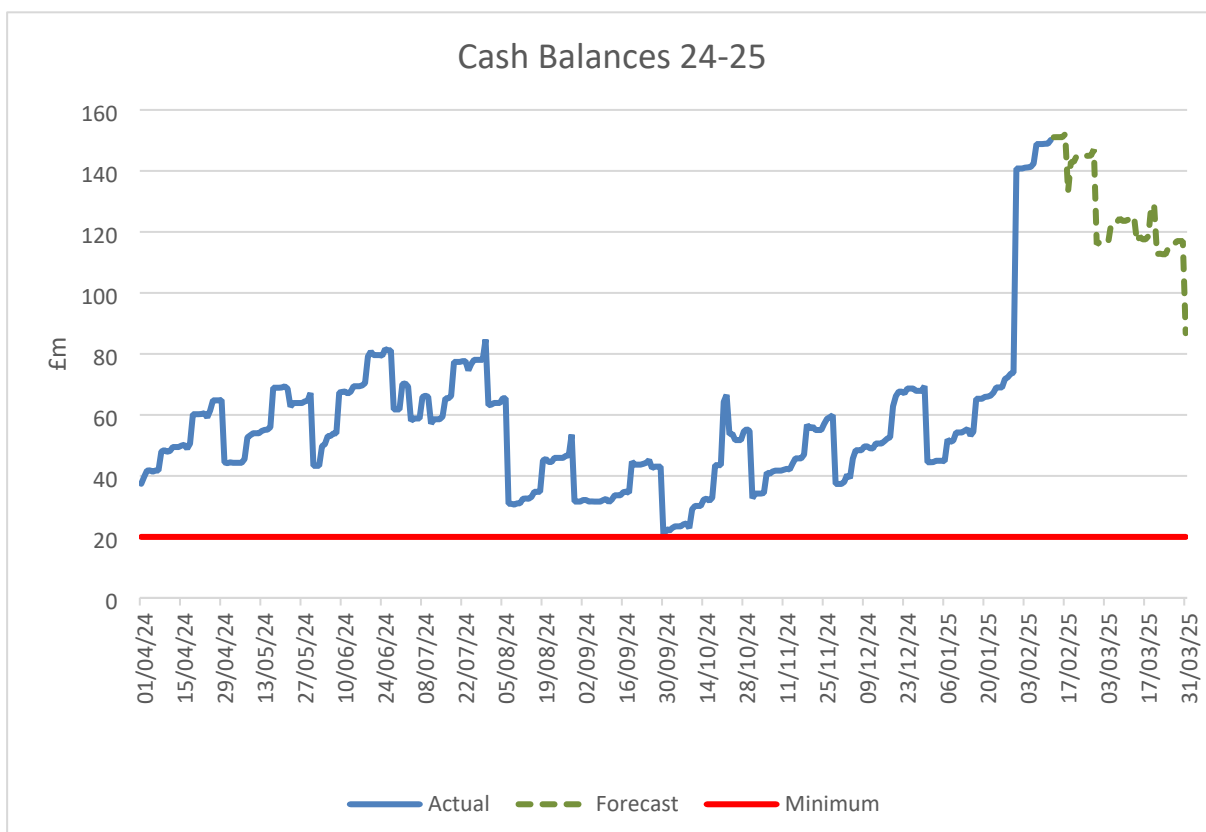
- 3.5 For the three-year period, the Fund achieved a return of 3.1% compared to its strategic benchmark of 4.8%, an underperformance of 1.7%.
- 3.6 Benchmark equity returns have been strong during the three-year period with UK and Global equity indices returning 5.8% and 8.2%, respectively. Of the equity managers, M&G and Schroders UK have outperformed the benchmark over the period with an annualised return of 11.5% and 6.1%, respectively, whilst the Fund's growth-style manager, Baillie Gifford, significantly detracted with a return of -4.9% against a regional benchmark return of 6.1%. Impax also detracted from global equities performance with a return of -4.5%.
- 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 when compared to their relative benchmarks, whilst the absolute return and credit managers have struggled with high inflation, as well as rising rates and significant market volatility.

4. CASH FLOW

- 4.1 The cash balance as of 31 December 2024 was £44.5m, up from £26.1m at the end of the previous quarter. This figure excludes £154.4m 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 available for use to meet investment requirements both for existing commitments, future asset class rebalancing, as well as any additional collateral requirement under the Risk Management Framework.

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 to 14 February 2025 (the date of writing this report) as well as forecast of 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 been largely influenced by the timing of transaction activity within the alternatives allocation, and in particular the property allocation. The recent partial sale of the Fidelity UK Real Estate Fund, in line with DTZ's discretionary mandate, has led to an uplift in cash balances in the final quarter.



- 4.4 As the graph shows, cash balance rose significantly in January 2025 following the proceeds from sale of units in Fidelity UK Real Estate of £90m. Whilst the intention is to reinvest the redemption proceeds, it is important to note that only *known* commitments are factored into the forecast and, therefore, the forecast is expected to evolve as future drawdowns are communicated and investments are committed.
- 4.5 Drawdowns usually relate to commitments in private equity / infrastructure funds or from DTZ who manage the Fund’s property allocation. At the time of writing the report, the Fund has invested £20m of the proceeds from the Fidelity partial sale into a new investment in the Octopus Healthcare Fund, which was identified by DTZ as part of their discretionary mandate.
- 4.6 Despite this recent increase in cash, the balances are still expected to trend down until the year-end as a result of investment activity within the alternatives allocation in relation to commitments already made, as well as pensions payments and other fees. This is a trend that is expected to continue to evolve with the market cycle, as well as in accordance to the anticipated life cycle of the Fund’s existing and future investments within this asset class.

Cash Flow Forecast (2024-2027)

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

	2024-25	2025-26	2026-27
	Q4	Full Year	Full Year
	£m	£m	£m
Opening cash balance	44.5	86.5	173.8
Revenue			
Pensions contributions	77.8	324.0	326.0
Property income	4.3	18.0	18.6
Total inflows	82.1	342.0	344.6
Pensions payments	-70.5	-319.0	-328.0
Admin, governance and oversight	-6.6	-7.4	-7.6
Investment management fees	-1.2	-3.9	-4.0
Total outflows	-78.3	-330.3	-339.7
Net revenue cashflow	3.8	11.6	5.0
Investments			
YFM	0.6	13.0	26.0
Partners Group	0.0	45.0	59.0
HarbourVest	-17.4	17.7	64.0
Property investments net of redemptions	55.0		
Net investment cashflow	38.2	75.7	149.5
Closing internal cash balance	86.5	173.8	328.3
Cash held with Insight	154.4	154.4	154.4
Total cash balance (internal + Insight)	240.9	328.2	482.7

- 4.8 The table shows that the Fund's cashflow from pension contributions and property income is currently sufficient for meeting its ongoing pension liabilities. This situation looks to continue over the medium term with net revenue cashflow remaining positive for both 2025-26 and 2026-27. However, one thing to note is that the triennial valuation exercise will be conducted as at March 2025, the results of which may require changes to contribution rates which will, in turn, impact on cash flow. Officers will continue to monitor progress of the triennial valuation into their forecasts and will update when new contribution rates are known.
- 4.9 The table also shows that investment activity within the alternatives allocation, specifically real estate, is expected to have a significant impact on projected cash balances, with a net inflow of £38.2m during the remaining quarter, which is mostly as a result of a partial sale of the Fidelity UK Real Estate Fund, as discussed above. In addition, 2025-26 and 2026-27, net investment cash flows are expected to result in total inflows of circa £75.7m and £149.5m, respectively.
- 4.10 The size and timing of the investment cash flows relating to the alternative investment allocations cannot be precisely predicted, and capital calls can be issued at relatively short notice (two weeks). Therefore, it is important that the Fund has adequate liquidity to manage this inherent uncertainty.

4.11 In addition to current and forecast cash levels and given the buffer cash available within the Insight Liquidity Fund, as outlined above, officers have no concerns over liquidity.

Appendices

Appendix 1 – Quarterly Fund Performance Report – Q4 2024

Connor Steensel (Investments Accountant, Level 2)

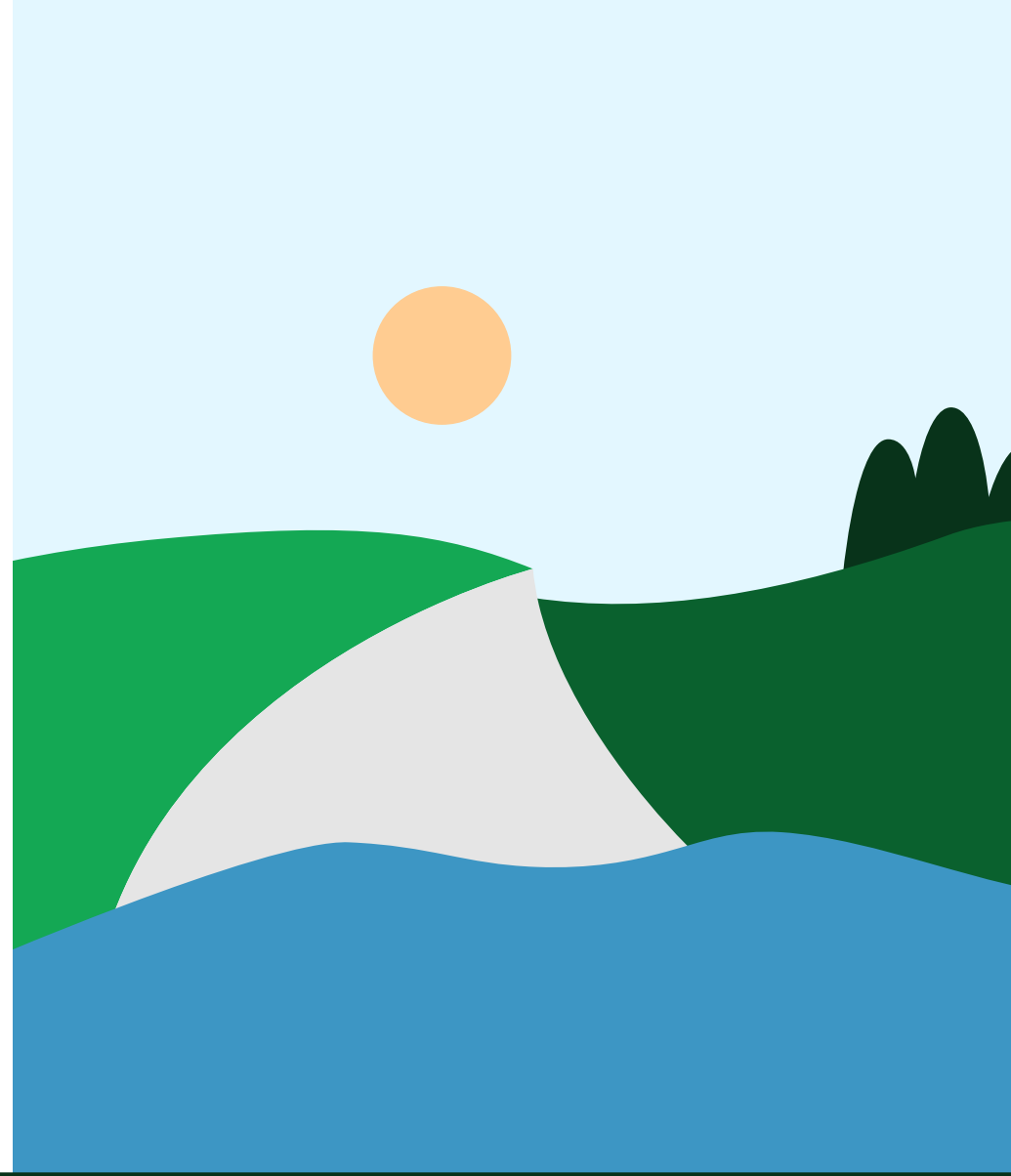
Sangeeta Surana (Investments, Accounting and Pooling Manager)

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28 February 2025

Kent Pension Fund **Q4 2024 Fund Performance**



Market Commentary

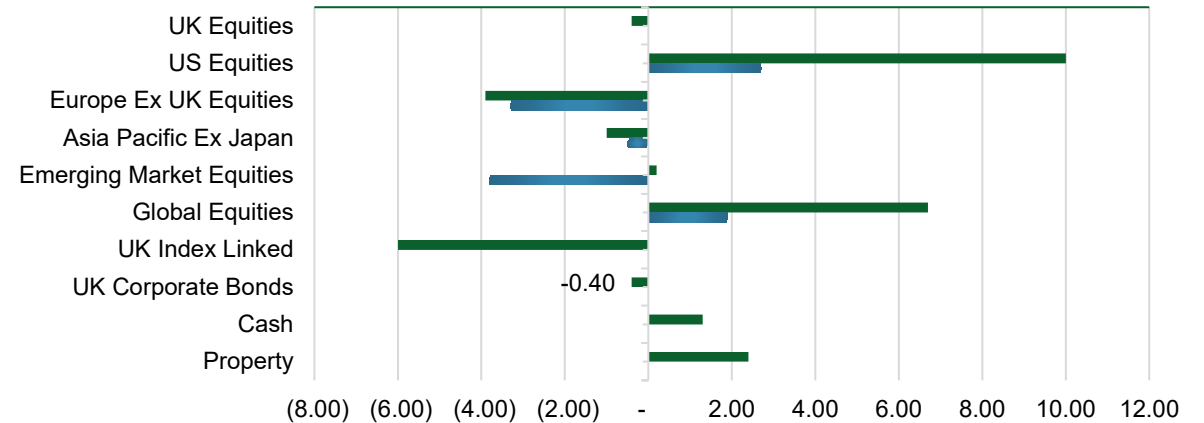
- In the fourth quarter of 2024, developed market (“DM”) central banks continued to cut interest rates. In the US, although the US Federal Reserve (“Fed”) cut rates, a still-resilient macro backdrop prompted the FOMC to project fewer cuts in 2025 and 2026. Meanwhile, the European Central Bank (“ECB”) and Bank of England (“BOE”) maintained a cautious tone in their rate cutting approach. Surprisingly, the Bank of Japan (“BOJ”) kept interest rates unchanged through the quarter on uncertainty over future wage negotiations and the US economy. Market sentiment continued to be driven by the soft-landing narrative in the US, despite uncertainty around policies under a Donald Trump-led presidency. Overall, bond yields rose across DM economies, while equities outperformed in response to rate cuts.
- US real GDP increased at an annual rate of 3.1% in Q3 2024 against an increase of 3.0% in Q2 2024. The upward trends in consumer spending were partly offset by a downturn in private inventory investment. Headline US inflation rose slightly over Q4 2024, increasing to 2.7% in November from 2.4% at the end of September. Core US inflation remained unchanged since September at 3.3%. The Federal Reserve, at its December meeting, decided to cut interest rates by 0.25%, lowering the target range of the fed funds to 4.25%-4.50% down from its previous target range of 4.5%-4.75%. The median dot in the Summary of Economic Projections (SEP) anticipates two rate cuts in 2025. The central bank projects that the federal funds rate may sit at median level of 3.9% by the end of 2025.
- Chinese GDP grew 4.6% (year-on-year) in Q3 2024, slightly lower than 4.7% in Q2 2024 but has been better than consensus forecasts, partly due to a stronger than expected rebound in September data. The impact of a slowing manufacturing sector was offset by an uptick in the services sector. China’s central bank announced a major package of measures aimed at supporting economy’s recovery. The People’s Bank of China (PBoC) kept its one-year policy loan rate, known as the medium-term lending facility (MLF), unchanged at 2.0%.

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- Japan's GDP expanded by an annualized 1.2% in the third quarter from the previous three months due stronger than expected pickup in private consumption. The Bank of Japan in December kept its key interest rate unchanged at 0.25%. In Q3 2024, seasonally adjusted GDP increased by 0.4% in the euro area. Ireland (+3.5%) recorded the highest increase of GDP compared to the previous quarter. The ECB reduced interest rates following their December meeting to 3.0% for the deposit facility. Headline inflation in the eurozone rose to 2.2% in November from 1.7% in September.
- UK GDP saw no growth in Q3 (quarter-on-quarter) and lower than the 0.4% growth in Q2. Headline inflation in the UK rose to 2.6% in November from 1.7% in September – the highest in eight months. Higher prices for motor fuels and clothing pushed inflation up. In its November meeting, the BoE cut interest rates to 4.75% from 5%.

Source: Mercer LLC

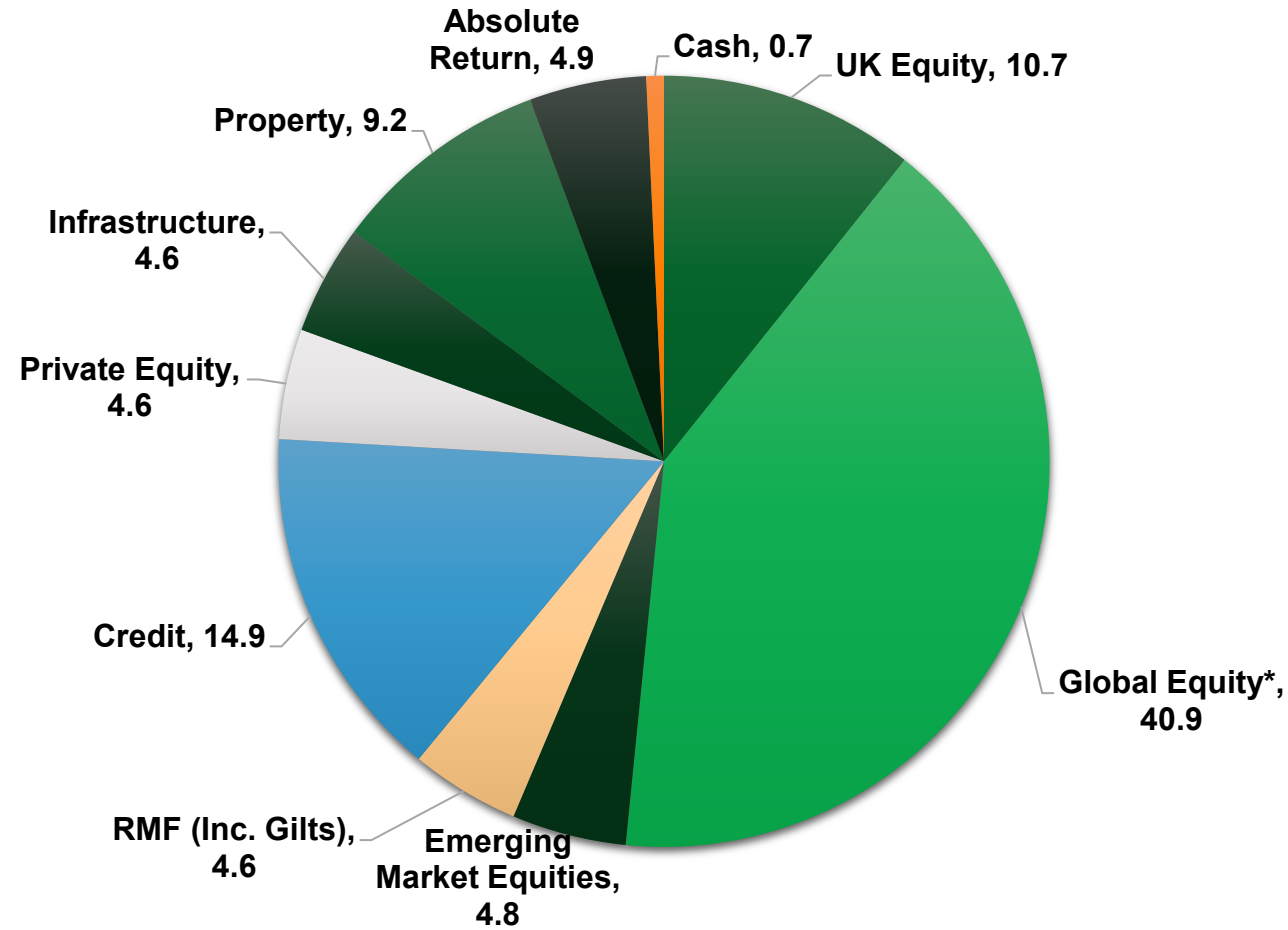
Market Returns (%)



Source: Mercer LLC, Refinitiv and Schroders



Asset Allocation – 31 December 2024



*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 31 December	Market Value as at 30 September	Change in MV (£m)	% of Total
		2024 (£m)	2024 (£m)		
UK Equity	Schroders UK Equity	913	917	-4	10.7
	Woodford Equity	2	2	-	0.0
Global Equity	Impax	71	75	-4	0.8
	Sarasin	457	434	23	5.4
	Baillie Gifford	1,156	1,230	-74	13.5
	Robeco Global Stars	115	-	115	1.4
	Schroders Global Active Value	493	481	13	5.8
	M&G Global Dividend Fund	685	643	41	8.0
	Insight (Synthetic Equity Exposure)	510	472	37	6.0
	Emerging Markets Equity	Columbia Threadneedle	214	207	7
	Robeco	195	203	-7	2.3
Risk Management Framework (inc. Gilts)	Insight	391	478	-86	4.6
Credit	CQS	277	271	6	3.2
	Goldman Sachs	433	435	-1	5.1
	Schroders Strategic Bond Fund	271	273	-2	3.2
	M&G Alpha Opportunities	294	288	6	3.4
Absolute Return	Ruffer	180	186	-5	2.1
	Pyrford	238	240	-2	2.8
Property	DTZ	472	467	5	5.5
	DTZ Pooled Property	108	106	2	1.3
	DTZ (previously Aegon)	26	27	-0	0.3
	M&G Residential Property	35	35	0	0.4
	Fidelity	147	143	4	1.7
Infrastructure	Partners Group	392	384	8	4.6
Private Equity	HarbourVest	320	290	29	3.7
	YFM	74	74	1	0.9
Cash	Internal Cash	63	27	36	0.7
Total		8,533	8,385	148	100.0

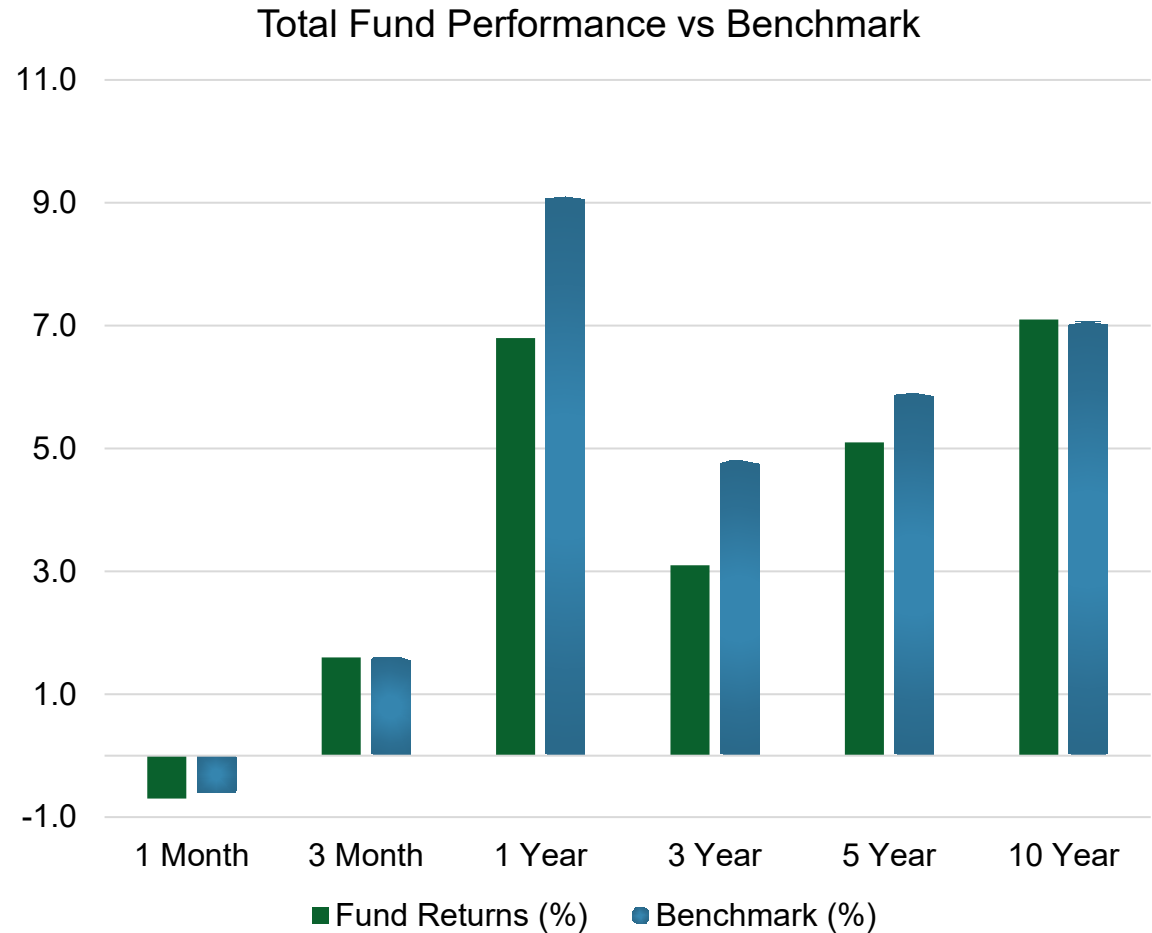
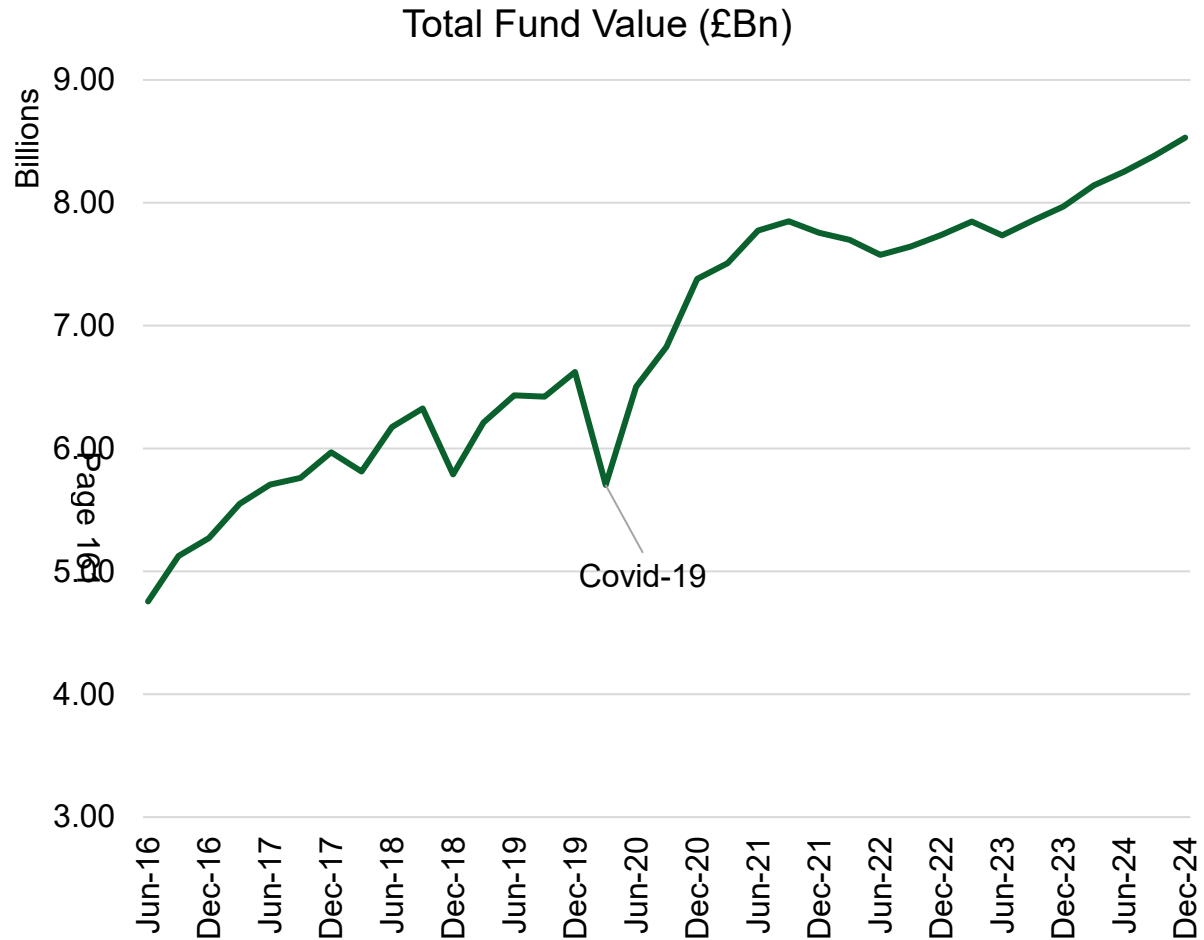
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Source: Northern Trust, RADAR Reporting



Kent Pension Fund

Historical Performance

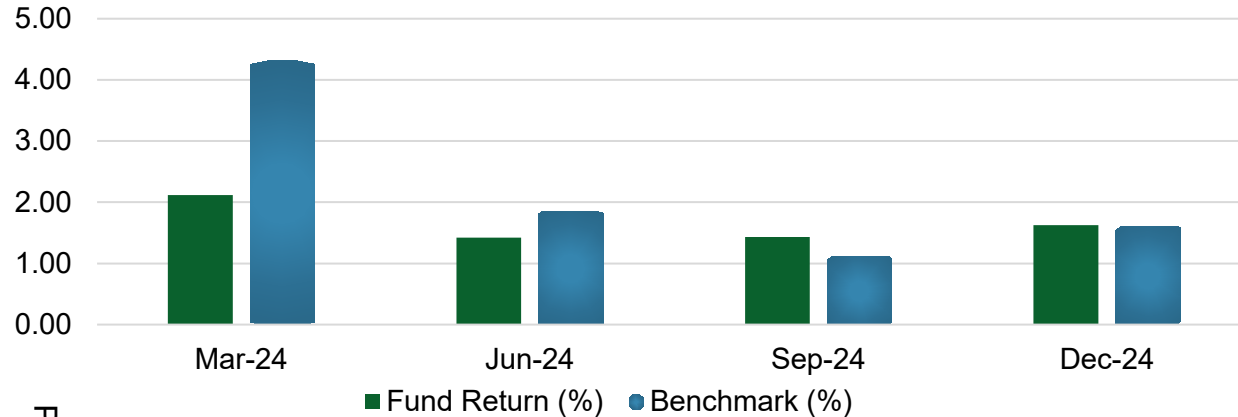


Source: Northern Trust, RADAR Reporting



Discrete Performance

Quarterly Returns



In the quarter ending 31 December 2024, the Fund achieved a return in line with the benchmark. This performance was highly influenced by strong results in the alternative assets. Private equity delivered an impressive return of 7.1%, significantly outperforming its benchmark of 1.2% with infrastructure investments also contributing positively, exceeding the benchmark by 1.5%.

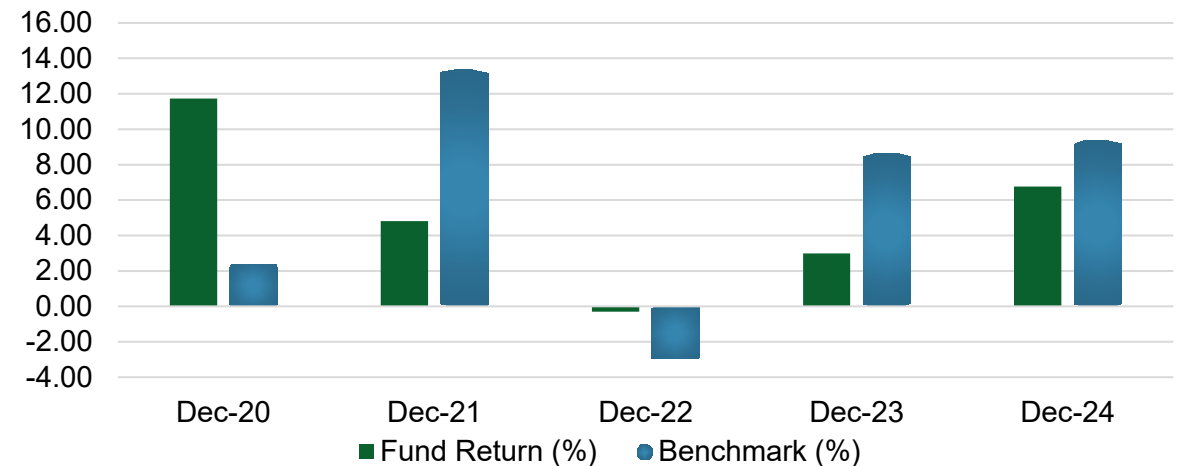
However, the Fund's global equities allocation under-performed, returning 4.0% vs a benchmark of 6.0%. This under-performance can be attributed to the Fund's underweight exposure to AI and technology. Absolute return and property also lagged the benchmark.

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In the year ending 31 December 2024, the Fund delivered an annual return of 6.8%, trailing the benchmark of 9.1%. This under-performance was, in large part, due to significant under-performance of the Fund's global equities allocation. Largely, this was due to an underweight allocation to technology stocks and those with exposure to AI, with value focused investors missing out on these gains and over two-thirds of the US equity stocks under-performing. The Fund's property portfolio also faced challenges as a result of persistently high-interest rate environment.

On the other hand, UK equities performed well during 2024, largely driven by positive sentiment toward major UK-listed companies with US exposure.

Annual Returns (last 5 years)

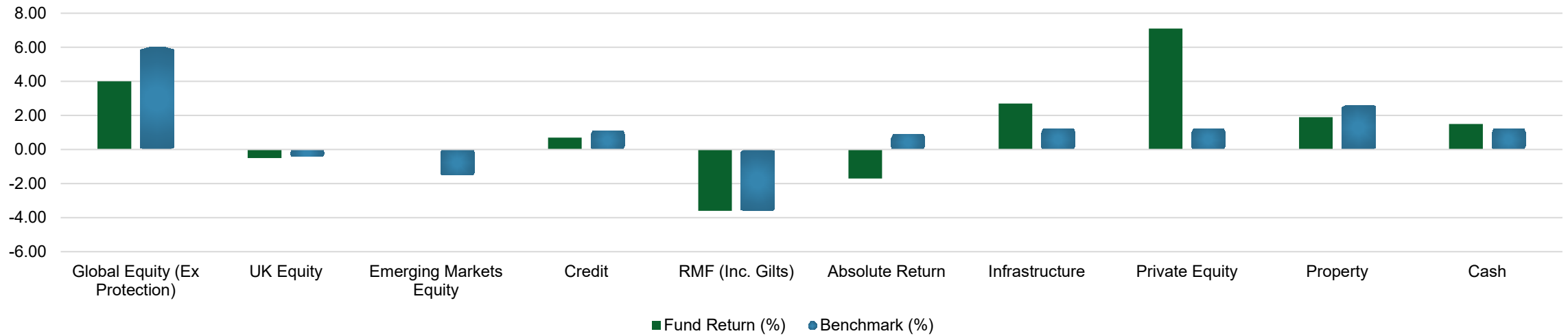


Source: Northern Trust, RADAR Reporting



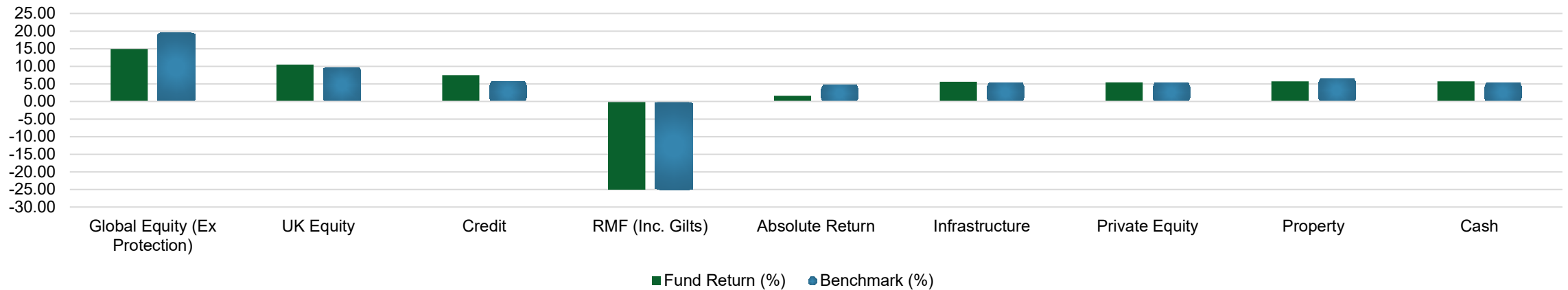
Asset Class Performance

Quarterly Performance



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Annual Performance

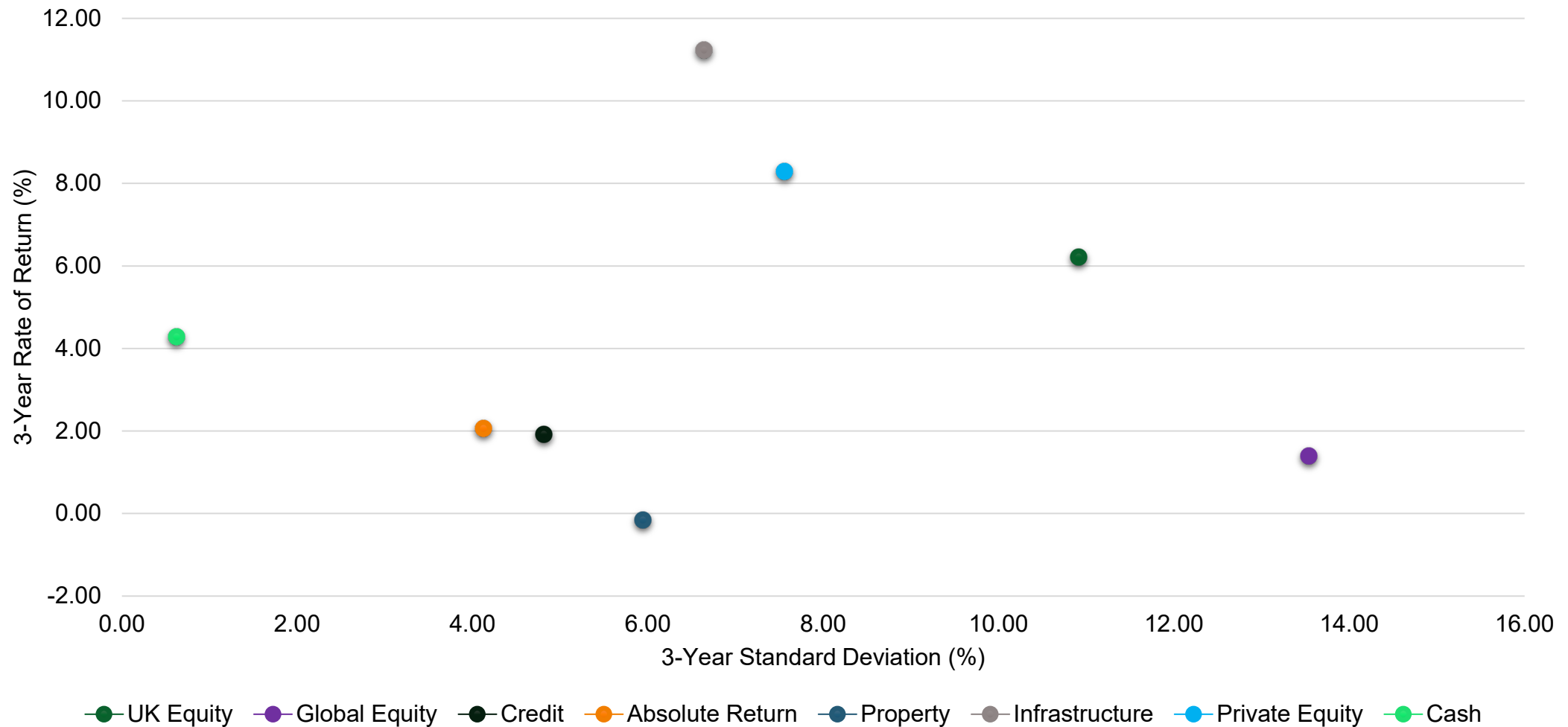


Source: Northern Trust, RADAR Reporting



Risk vs Return – Asset Class Level

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Source: Northern Trust, RADAR Reporting



Detailed Performance by Manager

	Quarter		1 Year		3 Year (p.a.)	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
Total Fund	1.6	1.6	6.8	9.1	3.1	4.8
UK Equity						
Schroders - WS ACCESS UK Equity Fund	-0.4	-0.4	9.5	9.5	6.1	5.8
Global Equity						
Baillie Gifford - WS ACCESS Global Equity Core Fund	3.3	1.8	12.3	12.2	-4.9	6.1
Sarasin	5.4	6.0	16.9	19.6	5.0	8.2
Schroders - WS ACCESS Global Active Value Fund	2.7	6.0	13.5	19.6	7.8	8.2
Impax	-5.0	6.0	-1.9	19.6	-4.5	8.2
M&G - WS ACCESS Global Dividend Fund	6.4	6.0	21.9	19.6	11.5	8.2
EM Equity						
Columbia Threadneedle – WS ACCESS EM Equity Fund	3.4	-1.5	--	--	--	--
Robeco – WS ACCESS EM Equity Fund	-3.6	-1.5	--	--	--	--
Credit						
Goldman Sachs	-0.3	0.9	4.5	3.5	0.8	3.5
Schroders Fixed Income	-0.6	1.2	6.0	5.2	2.8	3.7
CQS	2.2	1.2	11.4	7.5	4.9	7.1
M&G Alpha Opportunities	2.2	1.2	10.2	7.5	6.8	7.1
Property						
DTZ	1.8	2.6	6.0	6.5	0.0	-1.7
Fidelity	2.8	2.4	7.1	5.4	-2.6	-2.0
DTZ (Kames)	0.8	2.4	0.3	5.4	1.7	-2.0
M&G Property	1.3	2.4	2.2	5.4	1.4	-2.0
Private Equity						
HarbourVest	8.6	1.2	7.5	5.3	6.9	3.8
YFM	1.2	1.2	-1.6	5.3	13.1	3.8
Infrastructure						
Partners Group	2.7	1.2	5.6	5.3	11.2	3.8
Absolute Return						
Pyrford	-0.9	0.9	3.4	4.7	3.6	6.5
Ruffer - WS ACCESS Absolute Return Fund	-2.9	0.9	-0.5	4.7	-0.7	6.5



Alternatives Performance

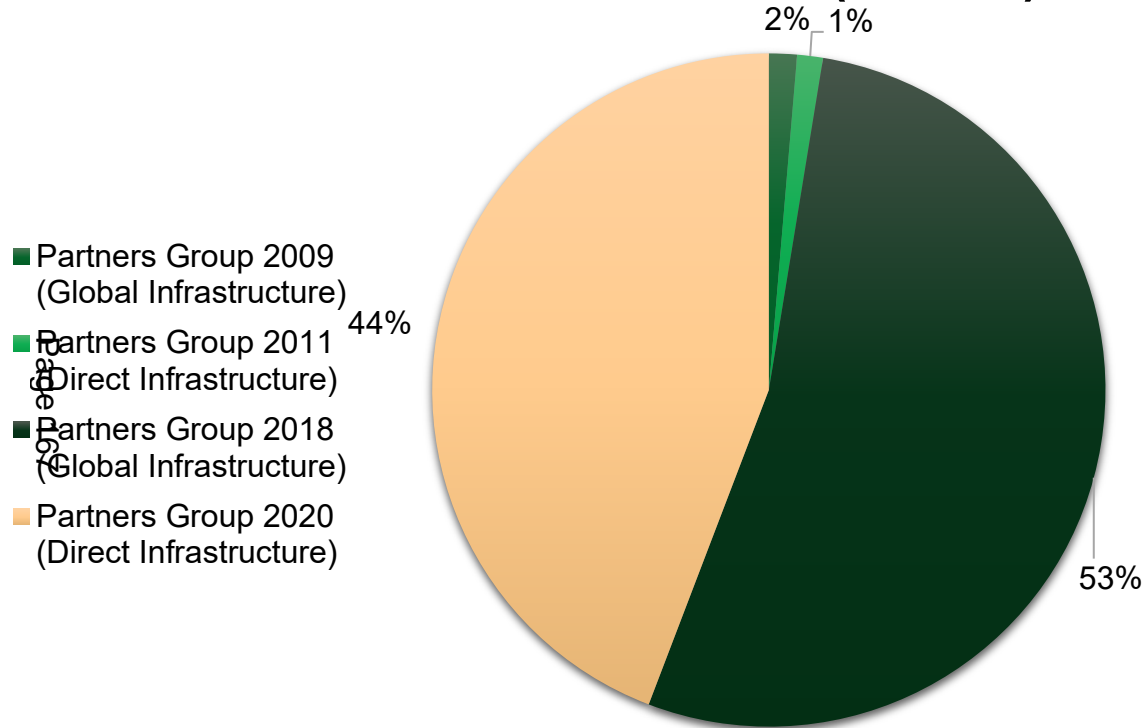
AS AT 31 DECEMBER 2024							
Name of Fund	Value of commitment (£m)	Date of original commitment	Cumulative contributions made (£m)	Distributions received (£m)	Net Asset Value at 31/12/2024 (£m)	IRR	TVPI
HIPEP VI-Cayman Partnership Fund L.P.	31	Oct-10	28.8	53.6	9.7	13.5%	2.19
HarbourVest Partners IX L.P.	53	Oct-10	40.9	85.2	26.3	17.5%	2.72
HarbourVest 2018 Global Feeder AIF L.P.	57	Oct-18	47.1	28.4	62.7	18.5%	1.93
HarbourVest 2019 Global Feeder AIF SCSp	57	Mar-19	43.0	10.6	62.1	19.4%	1.69
HarbourVest 2020 Global Feeder AIF SCSp	57	Mar-20	48.8	5.4	57.7	11.1%	1.29
HarbourVest 2021 Global Feeder AIF SCSp	57	Mar-21	39.6	1.8	44.4	10.3%	1.17
HarbourVest 2022 Global Feeder AIF SCSp	57	Dec-21	25.6	0.7	32.9	32.4%	1.31
HarbourVest 2023 Global Feeder AIF SCSp	57	Dec-23	16.2	-	19.0		1.17
HarbourVest 2024 Global Feeder AIF SCSp	123	Jun-24	5.1	-	5.1		1.00
Partners Group Direct Infrastructure 2011 S.C.A., SICAR	19	Oct-10	16.5	20.5	4.9	7.3%	1.53
Partners Group Global Infrastructure 2009 S.C.A., SICAR	50	Oct-10	43.3	57.7	5.3	7.1%	1.46
Partners Group Global Infrastructure 2018 L.P. INC	222	Oct-18	180.5	18.1	208.8	9.7%	1.26
Partners Group Direct Infrastructure 2020 LP SICAV RAIF	222	Nov-19	152.9	11.3	173.4	13.6%	1.21
Chandos	6	Oct-07	6.0	6.7	0.0		1.12
YFM Equity Partners Growth Fund 1	10	Oct-14	10.0	16.1	11.2		2.73
YFM Equity Partners Buyout Fund 1	20	Mar-16	18.3	32.6	18.8		2.81
YFM Equity Partners Growth Fund 2	10	Oct-18	10.4	0.4	12.9		1.28
YFM Equity Partners Buyout Fund 2	20	Oct-18	16.0	18.1	11.7		1.87
YFM Equity Partners Growth Fund 3	10	Jun-21	8.5	0.9	9.5		1.23
YFM Equity Partners Buyout Fund 3	20	Sep-23	10.2	-	10.3		1.01

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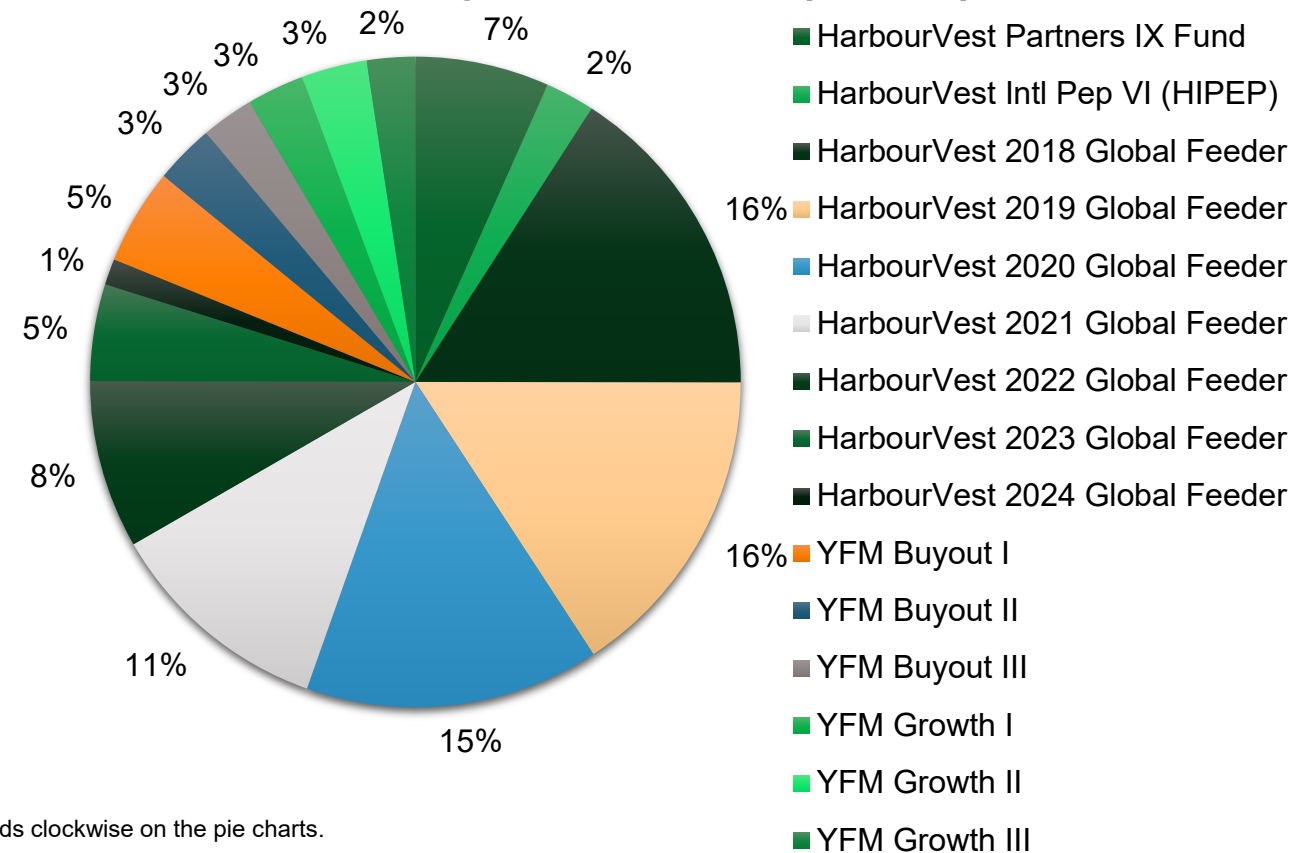


Alternatives Breakdown

Infrastructure Allocation (£392m)



Private Equity Allocation (394m)

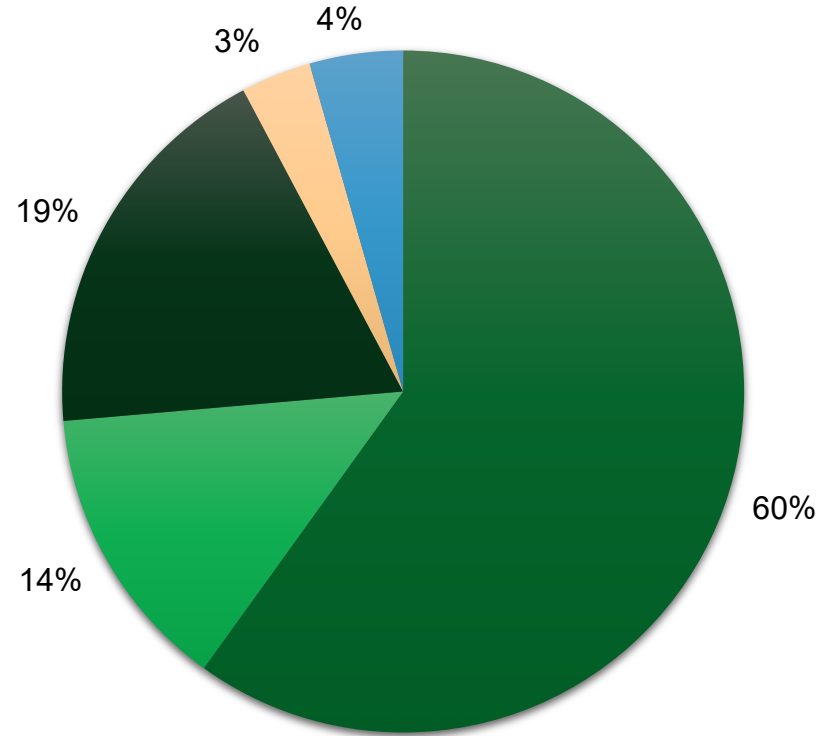


Note: The legend reads clockwise on the pie charts.



Property Breakdown

Property Allocation (£788m)

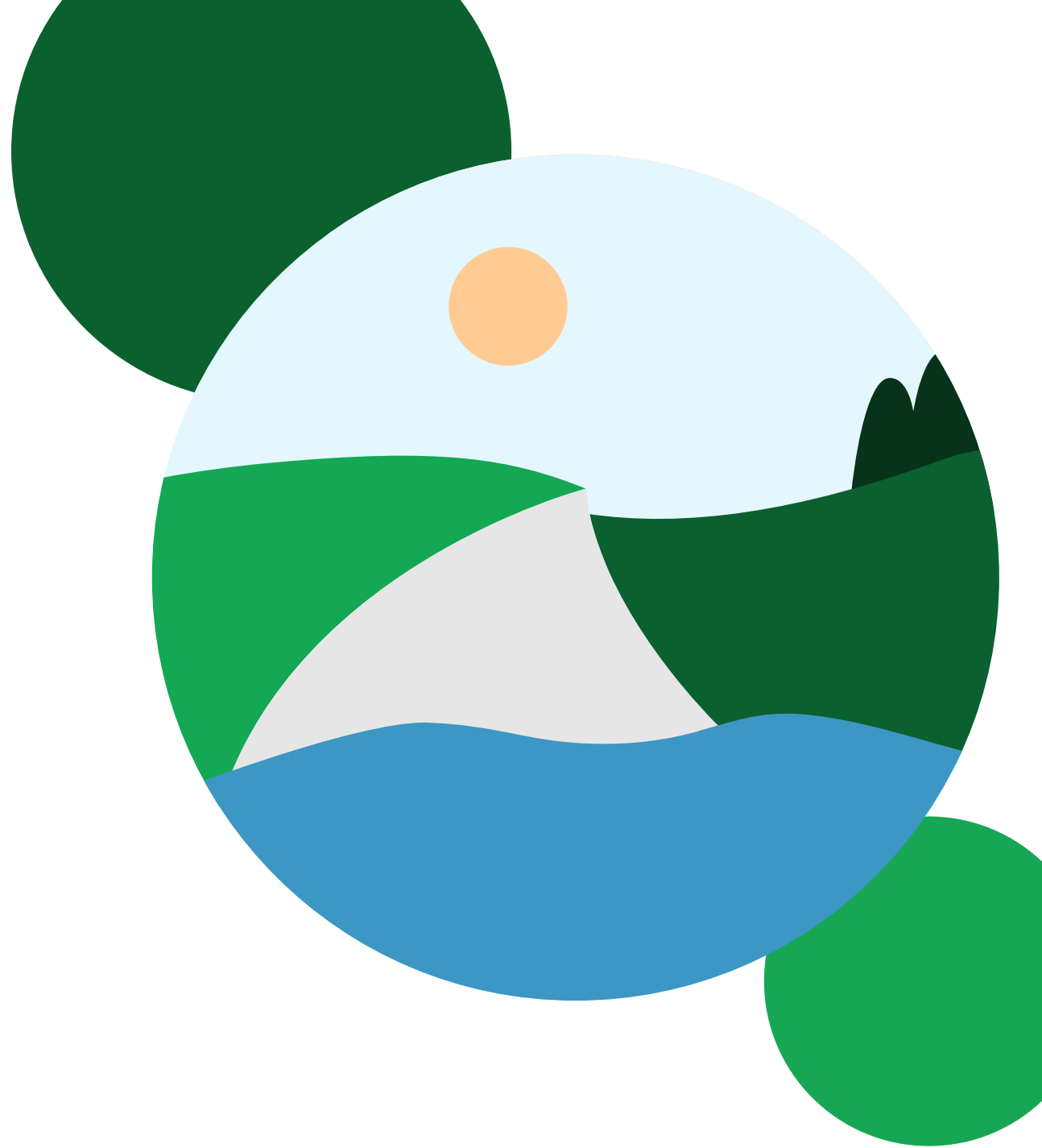


■ DTZ Direct Property ■ DTZ Pooled Property ■ Fidelity PUT ■ DTZ UKAV PUT (formerly Kames) ■ M&G Residential PUT

Note: The legend reads clockwise on the pie chart.



Appendix



Benchmarks and Targets

Appendix A

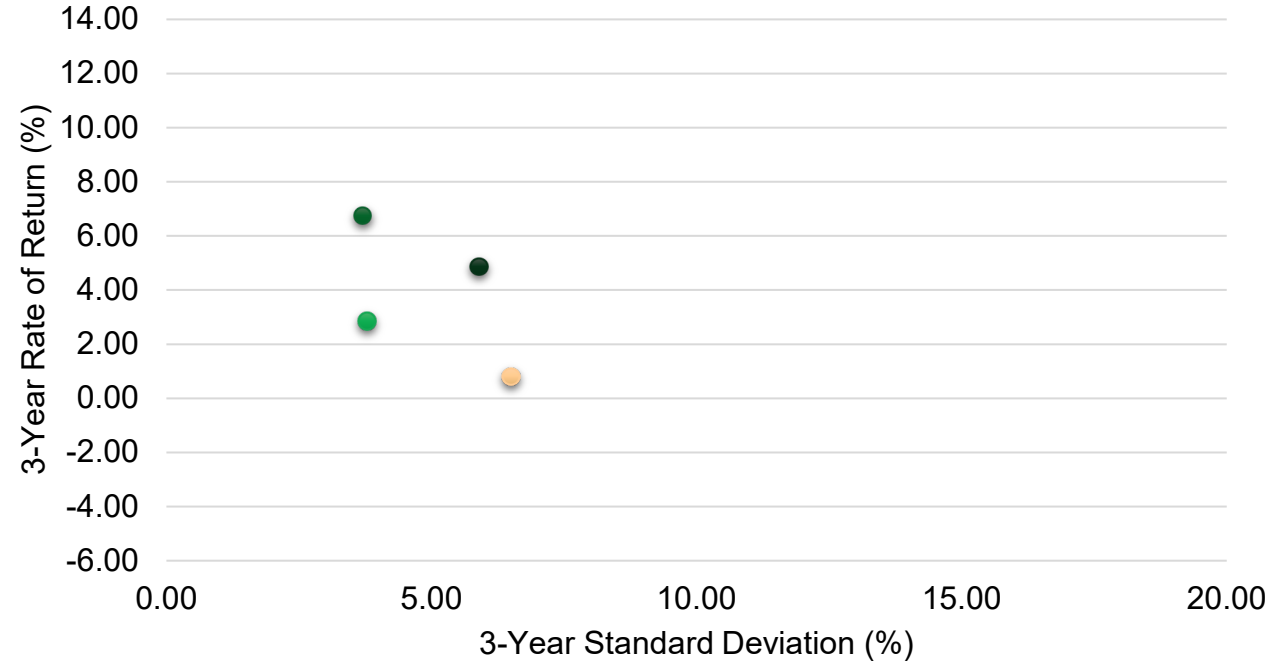
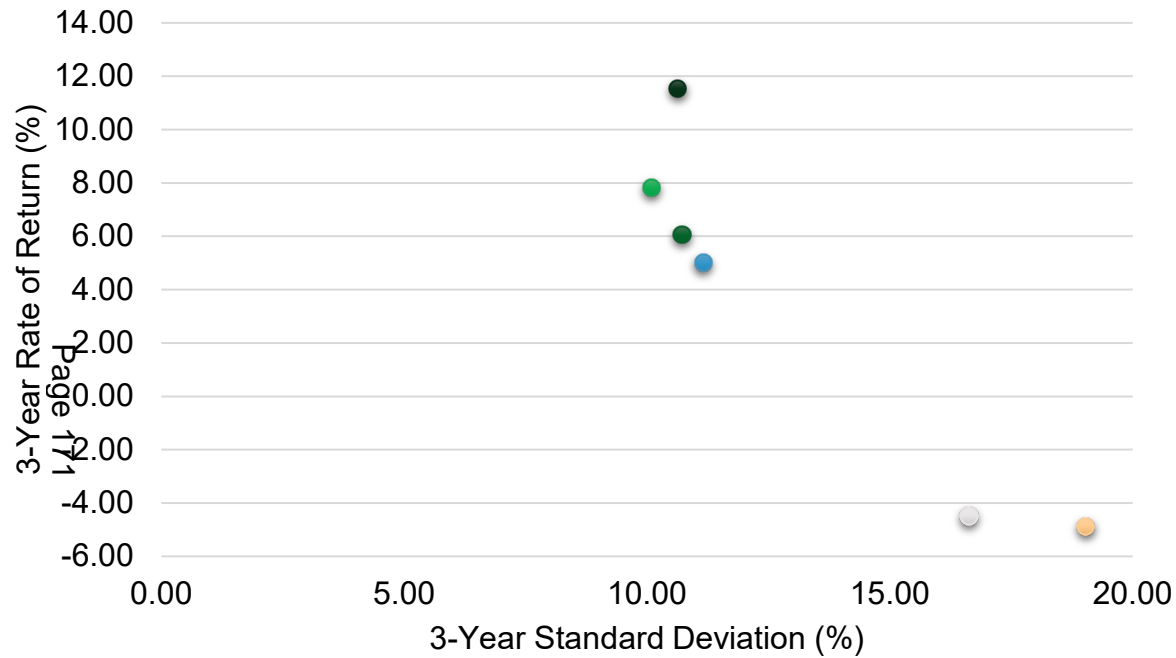
Asset Class / Manager	Performance Benchmark	Performance Target
UK Equities:		
Schroders - WS ACCESS UK Equity Fund	FTSE All Share	+1.5% pa over rolling 3 years
Woodford	FTSE All Share	Unconstrained
Global Equities:		
Baillie Gifford - WS ACCESS Global Equity Core Fund	Regional	+1.5% pa over rolling 3 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



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

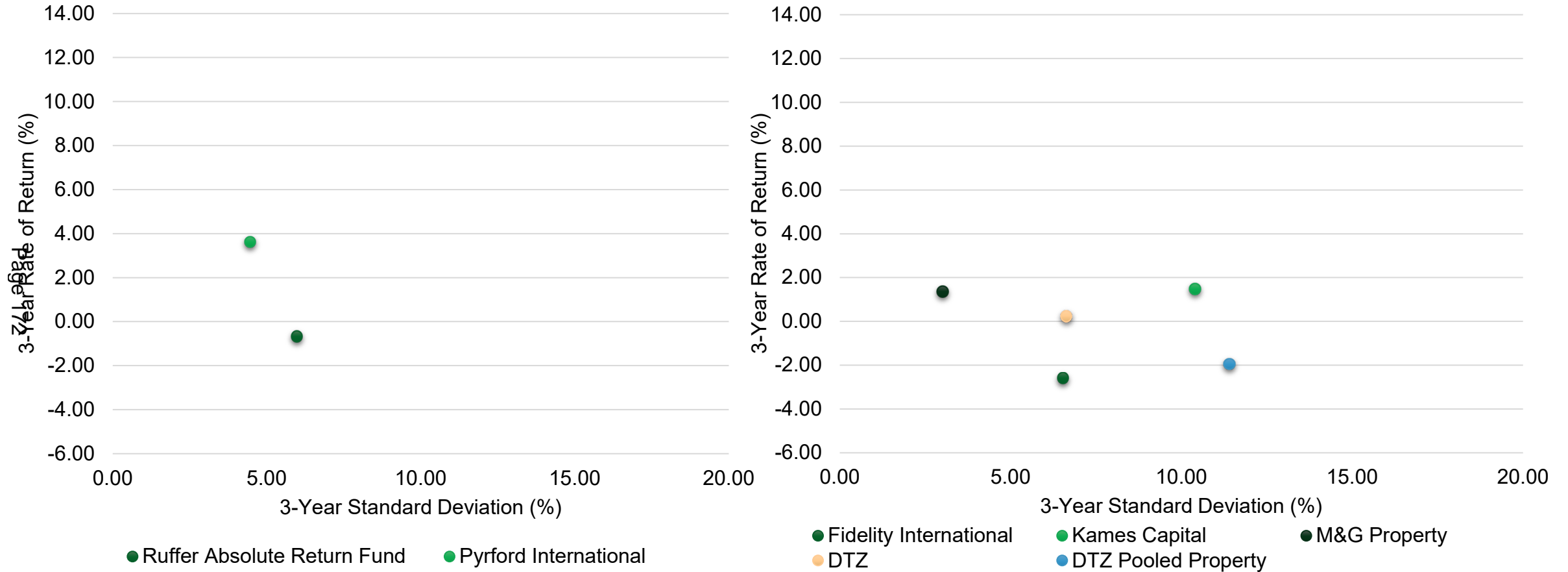
- M&G Alpha Opp Fund
- CQS Investment
- Schroders Fixed Income
- Goldman Sachs

Source: Northern Trust, RADAR Reporting



Risk vs Return – Absolute Return and Property

Appendix C

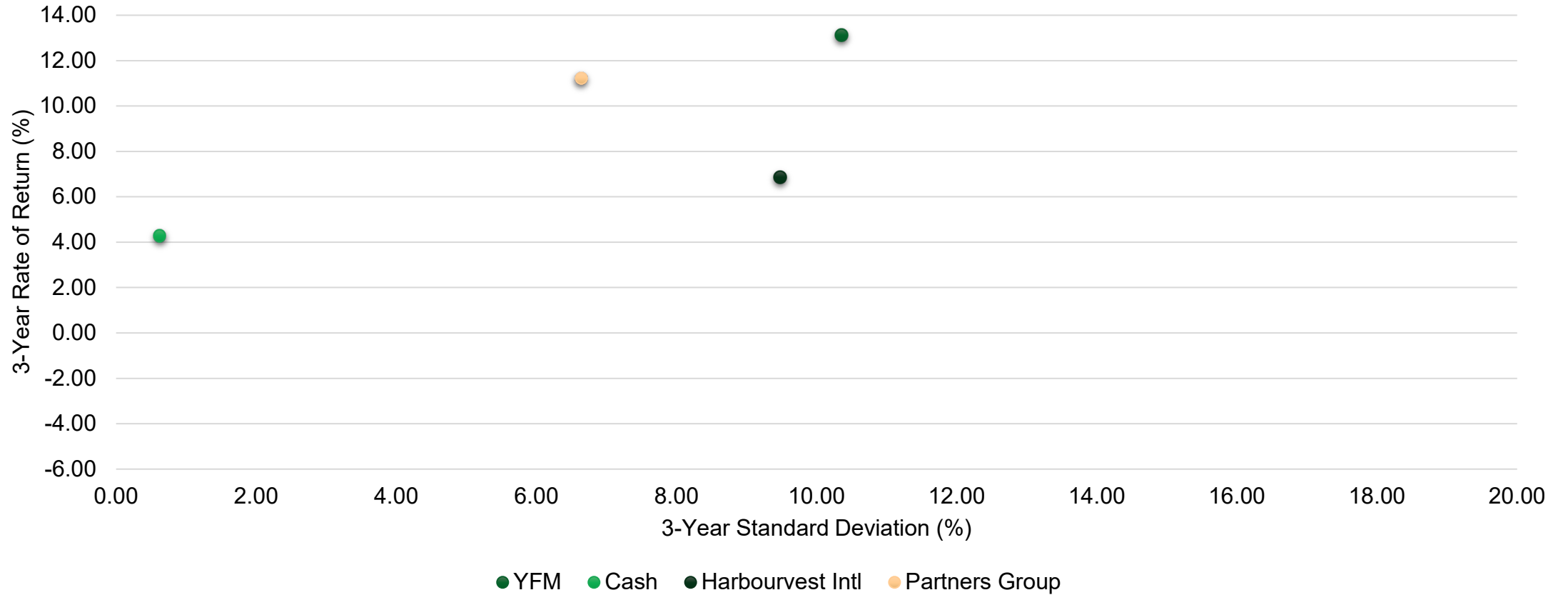


Source: Northern Trust, RADAR Reporting



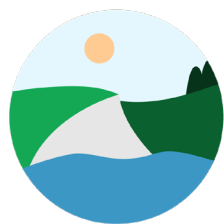
Risk vs Return - *Alternatives*

Appendix D



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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