



AGENDA

PENSION BOARD

Tuesday, 3rd September, 2024, at 10.00 am Ask for: **James Clapson**

Council Chamber, Sessions House, County Hall, Maidstone Telephone **03000 417 387**

Membership

Scheme Employer Representatives (4)

Kent County Council (2)	Mr R Thomas (Chair) and Mr D Jeffrey
District/Medway Council (1)	Cllr R Carnac
Police/Fire & Rescue (1)	Ms A Hartley

Scheme Member Representatives (4)

Active Scheme Member Representative	Ms K King, Kent County Council
Active Scheme Member Representative	Mr J Parsons, Medway Council (Vice-Chair)
Pensioner Representatives	Mrs A Mings, Mr G Ward

UNRESTRICTED ITEMS

(During these items the meeting is likely to be open to the public)

1. Apologies and Substitutes
2. Declarations of Interest by Board members on items on the agenda for this meeting
3. Minutes of the meeting held on 11 June 2024 (Pages 1 - 6)
4. Update from the Chairman of the Pension Fund Committee
5. Governance Update (Pages 7 - 16)

6. Pensions Administration (Pages 17 - 30)
7. Investment Update (Pages 31 - 52)

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)

8. The Pensions Regulator's General Code (Pages 53 - 100)
9. Actuarial Valuation Planning (Pages 101 - 120)
10. Cyber Security Update (Pages 121 - 124)
11. Pension Fund Risk Register (Pages 125 - 158)
12. Employer Governance Matters (Pages 159 - 210)
13. ACCESS Pooling Update (Pages 211 - 214)
14. McCloud & Data Rectification Update (Pages 215 - 222)

Benjamin Watts
General Counsel
03000 416814

Friday, 23 August 2024

KENT COUNTY COUNCIL

PENSION BOARD

MINUTES of a meeting of the Pension Board held in the Council Chamber, Sessions House, County Hall, Maidstone on Tuesday, 11 June 2024.

PRESENT: Mr R J Thomas (Chair), Mr D Jeffrey, Mrs A Mings, Mr J Parsons and Mr G Ward

ALSO PRESENT: Mr C Simkins

IN ATTENDANCE: Ms S Surana (Investments, Accounting and Pooling Manager), Mr J Graham (Pension Fund Treasury and Investments Manager), Mrs C Chambers (Pensions Administration Manager), Mr N Buckland (Head of Pensions and Treasury) and Ms J Hilton (Senior Pension Fund Finance Officer)

UNRESTRICTED ITEMS

1. Apologies and Substitutes

(Item 1)

Apologies for absence were received from Cllr Carnac, Ms Hartley and Mrs King.

2. Declarations of Interest by Board members on items on the agenda for this meeting

(Item 2)

No declarations were made.

3. Minutes of the meeting held on 12 March 2024

(Item 3)

RESOLVED that the minutes of the meeting held on 12 March 2024 were correctly recorded and that they be signed by the Chair.

4. Future Meeting Dates

(Item 4)

RESOLVED to note the future meeting dates.

5. Update from the Chairman of the Pension Fund Committee

(Item 5)

1. Mr Simkins, Chairman of the Pension Fund Committee, provided the Board with a verbal update on the work of the Pension Fund Committee. During the update, the following points were noted:
 - a. At its meeting in March the Committee considered the Business Plan and agreed the Budget for 2024/25 to 2026/27. The Member Training Strategy and Communications Strategy were also agreed.

- b. The Committee reviewed investment performance up to 31 December 2024, and noted the factors that had led to below benchmark performance. 2024 performance had shown some improvement, however, the situation would be kept under close review.
- c. The actions flowing out of the Investment Strategy, that was agreed last summer, were nearly complete and there were plans to undertake an asset class review that would initially look at Equity Funds.
- d. Mr Simkins attended the ACCESS meeting on 12 June. They received a presentation from Tavistock who had been appointed as communication consultants, and there had been a good paper about resources detailing the complexity of the ACCESS pool. There would be a review of the ACCESS pool to establish if its objectives had been achieved, and if the governance was correct.
- e. There was concern that the Government did not fully understand how the Pool operated. Efforts would be made to reach out to Government following the General Election.

2. RESOLVED to note the verbal update.

6. Governance Update

(Item 6)

1. Mr Buckland introduced the report detailing the Business Plan and Budget Update with key tasks, and an update on a number of polices. During consideration of the item the following points were noted:
 - a. A three year Business Plan was agreed by the Pension Fund Committee in March 2024.
 - b. The budget for 2023/24 was underspent by just under £3million. The underspend was largely due to investment management costs being less than expected. Administration costs showed an overspend mainly because of a correction to an accrual in 2022/23 amounting to £0.2million.
 - c. The Fund commissioned Barnett Waddingham to undertake an assessment of how well the Fund meet the requirements of the General Code. The Code was issued by the Pension Regulator in January 2024. The exercise was due to be complete by the end of June 2024, and the results would be reported back to the Board.
 - d. A letter regarding efficiencies within Local Government Pension Schemes had been received from the Local Government Minister Simon Hoare. A response would be submitted by the 19 July deadline.

2. RESOLVED to note the report.

7. Kent Pension Fund Audit Plan

(Item 7)

1. Ms Surana introduced the item noting that Grant Thornton UK LLP (GT) had been award the contract to audit the Fund for the next 5 years.
2. Mr Williams, Key Audit Partner - GT, provided the Board with a presentation detailing the indicative Audit Plan for the year ending 31 March 2024. The

Plan had been agreed with Managers and by the Governance and Audit Committee. During consideration of the item, the following points were noted:

- a. GT would commence the final accounts audit imminently and intended to complete the task in September 2024.
- b. The audit fee had increased in line with the Public Sector Audit Appointments' scale of fees set for 2023/24.
- c. The Plan did not include an audit of net zero carbon emission commitments; however, this may form part of GT's audit remit in the future.
- d. GT was fully resourced to undertake the work. The Pension Fund Audit was prioritised in recognition that it was a key audit. A separate GT team would undertake the audit of the Council's main accounts which were planned for completion by the end of October 2024.

3. RESOLVED to note the report.

8. Pensions Administration

(Item 8)

1. Mrs Chambers introduced the report noting some of the key areas of progress. During consideration of the item, the following points were noted:

- a. Reporting of the Key Performance Indicators was going well. The Report had been updated to make it easier to identify where improvements were required.
- b. The recruitment process was ongoing and had provided opportunities for career progression within the existing teams.
- c. The My Pension Online self-service system was now live, and a new telephony system would go live in July 2024.
- d. Users were encouraged the use of the self-service system as this would enable staff to focus on more complicated, higher priority cases.
- e. Staff were thanked for their efforts that had resulted in just nine outstanding returns for the year end exercise.
- f. The roll-out of the iConnect system had the potential to generate significant workload efficiencies. It was intended that all employers would be using the iConnect system by the end of 2025.
- g. In the past there had been some variation in how staff designated cases. This had led to some inaccuracies in case work performance reporting, which had now been addressed through a change in reporting.
- h. The Chairman drew Member's attention to the new Pension Overpayment and Write Off Policy that was included as an annex to the report.

2. RESOLVED to note the report.

9. Investment Update

(Item 9)

1. Mr Graham introduced the report which updated the Board on the investment activities and performance of the Fund since the last meeting. He noted that:

- a. A significant amount of due diligence was undertaken as part of the transition of assets to Emerging Markets Equities.

- b. The new strategic asset allocation had now been implemented, and there would now be a review of the underlying portfolio composition within each asset class.
 - c. Work had been underway to develop the Responsible Investment Policy. The Policy had been drafted with input from the Responsible Investment Working Group (RIWG) and any comments from the Board were welcome.
 - d. RIWG now had formal Terms of Reference and the Board was asked to nominate a representative to observe the Group.
2. During consideration of the item, it was noted that:
 - a. Mr Parsons had attended the RIWG in the past.
 - b. Mr Buckland agreed to speak to the RIWG Chairman about the potential to allow Board Members to substitute for their nominated observer.
 - c. Over the long term, equity protection had proved itself to be a successful strategy to reduce risk, however, it had contributed to the below benchmark performance of the Fund over the last year.
3. RESOLVED to note the report and nominate Mr Parsons as the Board's observer on the Responsible Investment Working Group.

Motion to Exclude the Press and Public

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

EXEMPT ITEMS

(Open access to minutes)

10. Cyber Security

(Item 10)

1. Mr Perera, Mercer, provided the Board with a presentation about cyber security. He gave some recent examples of cyber attacks on pension schemes and provided an overview of cyber security legislation. The final element of the presentation explained what the Kent Pension Fund was doing to prepare and protect itself.
2. During consideration of the item the following points were noted:
 - a. Mercer had assisted the officers to produce a draft Cyber Security Policy and Incident Response Plan.
 - b. A statement could be placed on the website to advise employers and members of what the Fund was doing to promote cyber security and remind users of their own responsibilities.
 - c. The Fund would help to protect its members by having strong cyber controls, such as multistep verification when accessing accounts.
 - d. A cyber attack was the highest scoring risk on the Fund's Risk Register.
 - e. Consideration would be given to the best way of circulating confidential agenda papers to Board Members.

- f. The Chair's email address needed amendment from Rob to Robert on page six of the Incident Response Plan.
 - g. Payroll was managed on behalf of KCC, it was understood that there was a backup of data that could be used if a cyber attack took place. Mr Buckland offered to investigate whether the payer would be liable for the costs incurred to a member as a result of lack of payment due to a cyber attack.
 - h. In the event of a data breach, those affected would be advised in accordance with KCC's guidance and procedures on data breaches.
3. RESOLVED to note Kent Pension Fund Cyber Security Policy and Incident Response Plan, and recommended them to the Pension Fund Committee for approval.

11. Risk Register

(Item 11)

1. Mr Buckland introduced the report noting that it was in a new format that would continue to evolve as it became embedded. He highlighted that 29 key risks had been identified, of which there were no risks with a red rating, 7 risks with an amber rating and 22 risks with a green rating.
2. During consideration of the item the following points were noted:
 - a. Failure to achieve the net zero commitment was currently considered a low risk because there was a plan of action in place. It was expected that the risk level may rise and fall over time and progress would be closely monitored.
 - b. The full Risk Register would continue to be presented to the Board going forwards.
 - c. In future the report would have green and red arrows to indicate changes in risk rating.
 - d. The inclusion of political risk would be considered.
3. RESOLVED to note the Risk Register and the revised format.

12. Employer Governance Matters

(Item 12)

1. Mr Graham introduced the report that comprised of two parts. The first part provided an update on employer admissions, noting that the number of employers had increased by four. The second part provided an update on backdated admissions and noted that there were 33 cases currently outstanding.
2. During consideration of the item, the following points were noted:
 - a. There was regular engagement with employers to try and minimise backdated admissions. A financial incentive may help to encourage employers to focus on good practice.
 - b. It was good for the Board to be able to monitor progress on the number of backdated admissions.

- c. There had been instances when an employee had been impacted due to the backdated admission process. In some cases, a payment could be made that was then adjusted once the process was complete.

3. RESOLVED to note the report.

13. ACCESS Pooling Update

(Item 13)

1. Mr Graham introduced the report summarising the activities of the ACCESS pool. The report provided an overview of the discussions at the ACCESS Joint Committee held in March 24. Mr Graham also noted that Mr Simkins had provided the Board with a brief update from the most recent June ACCESS Joint Committee during his Chairman's update earlier in the agenda.
2. During consideration of the item, the following points were noted:
 - a. The Local Pension Board observer arrangements were due to be reviewed following a year of formal implementation. Any feedback from Board Members could be passed on to the ACCESS Support Unit. The main comments from Members were:
 - i. The room layout led to a difficulty in hearing what was said.
 - ii. Consideration should be given to allowing observers to speak during the meeting, not just at the end.
 - iii. An option to attend virtually would enable more people to attend.
3. RESOLVED to note the report.

14. McCloud & Data Rectification Update

(Item 14)

1. Mrs Chambers introduced the report and noted that ITM were undertaking a significant amount of data cleansing and data validation work. ITM have also been chasing employers who have been slow to comply with data requests.
2. During consideration of the item the following points were noted:
 - a. A tender exercise was underway to find a provider to undertake clearance of the backlog. ITM were unable to carry out the work because they did not have access the Altair system which was owned by Heywood.
 - b. ITM have been issued with a contract change notice.
 - c. The backlog involved a couple of thousand records.
3. RESOLVED to note the report.

To: Kent Pension Board – 3 September 2024

To: Chairman – Kent Pension Board
Interim Corporate Director Finance

Subject: Governance updates

Classification: Unrestricted

Summary:

To provide an update all Governance matters. This includes any updated policies and strategies, and changes in legislation or regulation that will impact on the Fund. The paper considers the latest position in several areas and members are asked to consider and comment on these updates.

Recommendation:

The Board is asked to note and comment upon the report.

FOR INFORMATION

1 Fund Policies

1.1 The table below shows the latest position with the Fund's key policies and strategies. The only policy that needed reviewing this quarter is the Governance policy and compliance statement. This document only formally needs reviewing every three years, however as good practice officers review every year. This review did not require any formal update and so this will be brought back to Committee and Board in 2025 for a formal update and review. The latest version can be found on the Fund's website - [Governance Policy and Compliance Statement \(kentpensionfund.co.uk\)](https://kentpensionfund.co.uk).

Policy	Last reviewed by the Committee	Next update and review due	Responsibility
Funding Strategy Statement (FSS)	March 2023	March 2025	Nick Buckland
Investment Strategy Statement (ISS)	December 2023	December 2026	James Graham
Governance policy and compliance statement	September 2022	September 2024	Nick Buckland

Responsible Investment policy (RI Policy)	June 2024	June 2026	James Graham
Communications policy	March 2024	March 2025	Clare Chambers
Administration Strategy	March 2023	March 2025	Clare Chambers
Conflicts of Interests Policy	December 2022	December 2024	Nick Buckland
Breaches of the Law policy	December 2022	December 2024	Nick Buckland
Discretions policy	December 2022	December 2024	Clare Chambers
Abatements policy	December 2022	December 2024	Clare Chambers
Training Strategy	March 2024	March 2026	Emma Green
Cyber Security policy	June 2024	June 2026	Nick Buckland
Data Quality policy	June 2023	June 2025	Clare Chambers
Overpayments and Write-offs policy	June 2024	June 2026	Clare Chambers
Escalations policy	n/a	New policy, tbc	Clare Chambers
Privacy Notice	n/a	New policy, tbc	Clare Chambers

2 Action Log

- 2.1 In line with the Pension Fund Committee procedure, an Action Log has been added to Board papers to reflect any questions or actions from previous meetings. The table in **Appendix 1** shows any actions noted, and an update on progress made. An updated log will be brought to every meeting to ensure any actions are not lost.

3 The Pensions Regulators General Code

- 3.1 At the last meeting of the Board officers updated on the Pensions Regulators new General Code and the work that was being planned to assess the Kent Pension Fund's compliance with it, where appropriate. Barnett Waddingham have been commissioned to undertake an assessment and this is reported elsewhere on today's agenda.

4 National matters affecting the LGPS

Efficiencies in the LGPS – letter from Local Government Minister

- 4.1 At the last meeting of the Board it was reported that on 15 May 2024, then Local Government Minister Simon Hoare wrote to all LGPS Administering Authorities asking Funds to set out their approach to efficiencies in the management, governance and administration of the LGPS. The response from Kent Pension Fund is attached as **Appendix 2**.

Government - Pensions Review

- 4.2 On 20 July 2024 the Government issued a press release titled: Chancellor vows 'big bang on growth' to boost investment and savings - Landmark pensions review part of Government's mission to 'boost growth and make every part of Britain better off':
<https://www.gov.uk/government/news/chancellor-vows-big-bang-on-growth-to-boost-investment-and-savings>
- 4.3 Following on from this press release on 16 August 2024 it was announced that the Chancellor of the Exchequer had launched the review to "boost investment, increase saver returns and tackle waste in the pensions system." The Government published the Terms of Reference of the review:
<https://www.gov.uk/government/publications/pensions-review-terms-of-reference-phase-one/terms-of-reference>
- 4.4 It is very early in the process to draw any conclusions on the potential impact of this review on the LGPS and the Kent Fund, although it is encouraging that review states that "it is looking for 'co-creation with industry and the Local Government Pension Scheme' as 'an essential part of the review process'", so it is hoped that input from the LGPS will be considered.
- 4.5 It would appear that this review and associated work is likely to progress quickly, and therefore officers will ensure that Board and Committee are updated on a regular basis.

Nick Buckland
Head of Pensions and Treasury
Kent Pension Fund

03000 413984
nick.buckland@kent.gov.uk

September 2024

Kent Pension Board Action Log

Date of Meeting	Agenda Item	Action/Question	Outcome	Complete (Y/N)
28/11/2023	General	Board access to all Committee papers	Nick Buckland confirmed that Democratic services had agreed that the Board would receive all papers as a matter of course in the future	Y
28/11/2023	Administration	More detail about the overpayments	Clare Chambers circulated analysis of overpayments to Board 13/12/2023	Y
28/11/2023	Administration	Can we work with employers to trace frozen refunds	Clare Chambers to investigate and take forward	N
28/11/2023	Administration	Board to support the introduction of new Member Self Service	Clare Chambers to take this forward when needed later in 2024	N
28/11/2023	Investment Update	Request for Board members to join RI Working group	Terms of reference for RIWG agreed and includes one Board observer	Y
28/11/2023	Investment Update	Will the Investment Strategy Statement (ISS) be available soon	ISS was agreed by Committee in December, and is on agenda for Board at March meetings	Y
12/03/2024	Governance	Business Plan – update membership numbers	Updated ahead of presentation to Committee	Y
12/03/2024	Governance	Business Plan – include structure charts?	Updated ahead of presentation to Committee	Y

12/03/2024	Comms Policy	How to promote the LGPS	Working with employers and nationally to develop approach. Video has been produced by LGPS pool.	Ongoing
12/03/2024	Training policy	Induction plans for new members after elections in 2025	Working on training plans ahead of election	Ongoing
12/03/2024	Training Policy	LGA Fundamentals and other external training availability	Relevant training will be offered to members	Y
12/03/2024	Employer Governance	Provide detail of backdated Admission Agreements	Report presented to June meeting	Y
12/03/2024	CEM Benchmarking	Ensure planning for 2024 reports starts early to include missing data	Planning has started	Y
11/06/2024	Pensions Administration	Include update on i-connect employer progress to future Board meetings	This will now be included as a standing item in future reporting	Y
11/06/2024	Investment update – RI Working group	Confirmation of whether a substitute can attend RIWG meetings if Joe Parsons unavailable	This has been agreed	Y
11/06/2024	Investment update – RI Working group	Dates of future meetings to be circulated to Board	Meetings have now been agreed and will be circulated	N
11/06/2024	Cyber Security	Concern of security of non KCC email addresses for Board and Committee members	Officers to investigate with KCC colleagues	N
11/06/2024	Cyber Security	Query over ability of pensioner payroll to be able to operate in the case of a cyber attack	Response received and emailed to Board members in June 2024	Y
11/06/2024	Access update	Feedback from Chair and Vice Chair on format of Access Join Committee meetings	Officers fed back to Access Support Unit and informed a paper to be	Y

			presented to Joint Committee in September.	
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17th July 2024

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

Michelle Warbis,
Deputy Director
Ministry for Housing, Communities and Local Government
2 Marsham Street
London
SW1P 4DF

Cc: Teresa Clay
email: lgpensions@levellingup.gov.uk

Dear Ms Warbis

Efficiencies in Local Government and the management of Local Government Pension Scheme (LGPS) funds

We are writing in response to the letter sent by former Minister for Local Government Simon Hoare to LGPS Funds on 15th May 2024, asking for responses on asset pooling and efficiency, including in relation to governance and benefits of greater scale. Authority to respond to the letter was delegated by the Kent Pension Fund Committee to the Head of Pensions and Treasury and the Committee Chairman.

Background

The Kent Pension Fund is administered by Kent County Council and has more than 150,000 members, with assets of circa £8.2 Billion. Kent is a founding member of the ACCESS pool and has been integral to its development over recent years.

We are grateful for the opportunity to offer our thoughts, and have looked to address the specific questions asked in the following paragraphs:

- 1. How we will complete the process of pension asset pooling to deliver the benefits of scale.**

Pooling progress

- As at 31 March 2024 the Kent Pension Fund has £3.7 Billion invested via ACCESS. This represents 60% of the Fund's listed assets and 45% of total assets. The Fund recently concluded a full review of Investment strategy at an asset class level and is now reviewing the make-up of each asset class. The conclusions of



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this review are likely to lead to additional listed assets transitioning to ACCESS over the coming twelve months.

- At present the Fund has a strategic allocation of 25% to unlisted assets, including direct property. The Direct property portfolio is unlikely to be pooled due to characteristics of the asset class, and the award winning performance over the long term ([MSCI awards](#)). The Fund also invests in Private Equity and Infrastructure, and ACCESS is developing solutions in this area. Whilst it will take time to transition assets in this area, the Fund plans to allocate to the solutions once available.

Investment Advice

- The ACCESS pool does not have the ability to offer advice on Investment strategy, and the Kent Pension Fund does not believe that it should. It is our view that it is important that setting Investment Strategy remains a local decision, taking appropriate advice that is specific to the Fund, and its underlying demographics and liability profile. It is key that this advice is bespoke to the Fund and avoids any conflict of interest by being provided by an investment pool. In addition, we were unhappy with the use of the phrase “waste and duplication” in the question, as the inference can be seen as offensive.
- The Fund believes in ensuring that we take proper regulated investment advice, as specified in legislation, when setting investment strategy. We are careful to ensure that the advice is appropriate and bespoke to the Kent Pension Fund, and only commissioned when necessary. Over the last three years the Kent Pension Fund spent an average of £210,000 per annum on investment advice, which equates to less than 0.003% of assets over which advice is being taken.

Pool Governance

- The ACCESS Governance structure both necessitates and promotes engagement by stakeholders throughout Authorities. Building on commonalities and dialogue ACCESS Authorities made the strategic choice to use an independent, third party FCA regulated ACS operator, third party Investment Manager for passive investments and a third-party Implementation Adviser for non-listed assets. For all of these suppliers, ACCESS has the option to retest the market and re-procure at regular intervals.
- In turn these strategic partners have delivered a full range of active listed sub-funds and passive mandates at a discount to market equating to 9bps along with the establishment of best in class offers across alternatives. This is supplemented by market tested RI and legal advice.
- Use of third parties selected and re-procured at regular intervals for these functions is an effective and modern approach to pool governance and oversight with a number of distinct advantages relative to the “built” pool model. For example:
 - Third parties can be market tested and reprocured at regular intervals to ensure service, performance, risk management, business continuity provisions, systems and processes for regulatory oversight of suppliers (e.g.



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investment managers, custodian and fund administration) remain best in class over time;

- This model avoids conflicts of concern to the FCA. For example, one role of the operator is due diligence and ongoing monitoring and oversight of investment managers appointed to the ACS sub-funds. Investment managers (in the private and public sectors) with in-house operator functions face conflicts in this regulatory function since the operator is responsible for the appointment and firing of investment managers for reasons of underperformance or other ongoing due diligence concerns. An independent operator using third party managers does not face these conflicts.
- The day-to-day operational activity undertaken by the ASU is overseen by the subject matter experts of the Officer Working Group who meet monthly and support the s151 Officers Group and the Joint Committee who meet around six times a year with special meetings, as necessary. It is a cohesive structure that delegates tactical matters, ensures timely and effective decision making and enables Authorities appropriate monitoring and oversight of the delivery by strategic partners.
- In 2023, the ACCESS pool commissioned an independent review of all aspects of its governance. The recommendations of the review are now being implemented. It is expected that the pool will repeat this exercise periodically to ensure that its governance structure remains effective and modern.

2. How do we ensure our LGPS fund is efficiently run, including consideration of governance and the benefits of greater scale

- In 2021 the Kent Pension Fund undertook a comprehensive independent review of its governance and since then have addressed all of the findings. The review included assessment against the recommendations of the Scheme Advisory Board's Good Governance review, and so we feel well placed for future challenges, and able to ensure we are holding providers to account effectively.
- In addition to this the Fund has invested in its Administration service in the last two years to ensure that we remain fit for the future and able to deliver the high-quality service that the 150,000 members should be able to expect. This investment has included some additional resource, but also increasing the use of technology to support the service.
- Implementing the changes needed for McCloud remedy is proving financially very costly, even if the impact on liabilities has not been significant. Administering an increasingly complex and changing scheme and remains a significant challenge.
- To ensure that the Fund is focussing on the critical areas we joined the CEM benchmarking group to assess the cost and quality of the service we were providing to members as at 31 March 2023. This assessment supported our view that work needed doing, and that the investment we were making would bring us closer to the best in class, which is our overall ambition. Despite this investment our cost per member remains lower than the peer group median. The analysis supported and complemented the work that we had already commenced in transforming the service. The work continues.



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- Given the above we believe that the most impactful thing that the Department could do to improve the efficient and effective managing of the scheme would be to continue, without delay, the implementation of the Scheme Advisory Board's Good Governance recommendations. The necessary policy discussions have already taken place, and this could be implemented within a matter of months.
- Given the Kent Fund is one of the largest LGPS funds in the country we do not believe that we could achieve significant efficiencies by merging with other Funds. However, we do always believe that they are opportunities for collaboration and efficiencies by working closely with LGPS colleagues, and have been doing this for many years, and will continue to do so.
- Any ambition for the achievement of long-term savings and efficiencies through consolidation does not come without significant operational risks, particularly affecting scheme members but also employers. These risks need to be properly understood and appropriately managed. We would welcome an open discussion about the possible benefits - and limitations - of scale, and the role of local accountability in the management of the scheme.

Yours sincerely

Nick Buckland
Head of Kent Pension Fund

Councillor Charlie Simkins
Chairman – Kent Pension Fund Committee

From: Chairman – Kent Local Pension Board
Acting Corporate Director of Finance

To: Kent Local Pension Board – 3 September 2024

Subject: Pensions Administration

Classification: Unrestricted

Summary:

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

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

Recommendations:

The Board is recommended to note the report.

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

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

2. **Recruitment**

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

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

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

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

3. **Complaints, Compliments and Comments**

3.1 For the period 1 May to 31 July 2024 a total of 4 complaints, 10 compliments and 22 comments were received into the corporate system called iCasework. These have been summarised below:

Month	Complaints	Compliments	Comments
May	2 – Poor Communication	6 – Good Communication (x5), Helpful Staff (x1)	14 – Poor Communication (x13), Disagreement with Decisions or Policies Made (x1)
June	2 – Poor Communication	2 – Good Communication	1 – Poor Communication
July	0	2 – Good Communication & Helpful Staff	7 – Poor Communication

4. **Project Updates**

4.1 **Insights** – is a new reporting tool from Heywood’s being used to redesign the KPI reports, work is continuing to build the reports so that complete and accurate data can be extracted from them.

4.2 **Voice of the Customer** – this project relates to gathering customer feedback on various aspects of work carried out by KPF. The first survey issued is for Employers to gather their feedback on how they find the overall service KPF has provided to them. Planned surveys for telephony once the new system is in place, and member experience of various administration processes to follow later in the year. Results from the surveys will be included in the new Performance Dashboard that is being developed.

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

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

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

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

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

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

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

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

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

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

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

Impact on the Pensions team:

- With more colleagues on the phones during the day, the management team have been monitoring the impact on completing daily casework.

Previously the administration team would have been on the phones for 2 hours in a day, which would be very busy on with constant calls. This would wipe out 2 hours of the working day and management would get updates that work was not completed due to “busy phones”. As the team have only been working with the new system for 8 days (at the time of writing this update) and colleagues are adapting to the new system and a new way of working. However, so far there has been no detrimental impact on the volume of casework.

- By having a more sophisticated system the team have been able to ensure that calls are spread out more evenly and are able to tweak as they go to ensure no one individual is overwhelmed by calls.

- 4.5 **Service Improvement Plan** - a service improvement plan is being developed to document where the Fund is, how it has changed over the last 10 years, and where the Fund aim to be in the future, so that the digital by default ethos is fully adopted.
- 4.6 **Performance Dashboard** - By refining the ways performance data is collected and pooling this into a single Business Intelligence system, this project aims to gather meaningful insights into performance across several areas and produce a single dashboard from which all elements can be tracked. The project was put on hold whilst the telephony system was being tested, as the new system is now in place, work will recommence in August.
- 4.7 **Enhanced Admin to Pay and Immediate Payments** – this project automates benefit payments and the calculation of pension arrears, streamlining processes. Implementation and user acceptance testing (UAT) was delayed due to year end and telephony projects. A planning meeting has been arranged for August for a potential Autumn implementation and UAT.
- 4.8 **Process Improvements and Automations in Altair** – there are plans to investigate automating the new starter process and the team have contacted Heywood’s for support so that work can begin on this shortly.
- 4.9 **Overseas Proof of Life Verification** – 795 proof of life verifications have been completed. Of which, only 98 were paper submissions. There are 44 overseas pensioners still to complete the proof of life verification, and their pensions remain suspended.

5. ***Pension Overpayment Write Offs***

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

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

6. **Communications and Support (C&S) Update**

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

Since the last board meeting, the following employers have been onboarded onto iConnect:

- Ashford Borough Council,
- Folkestone & Hythe D C
- Tonbridge and Malling Borough Council
- Suez Recycling & Recovery UK
- Herne Bay High School (Academy)
- Beyond Schools Trust. This trust includes:
 - Thomas Aveling
 - Fort Pitt Grammar
 - Robert Napier
 - Phoenix Academy
 - Balfour Juniors
 - Beyond Schools Trust Central
- RMET – Rainham Mark Education Trust. This trust includes:
 - Rainham Mark Grammar School
 - Twydall Primary School
 - Riverside Primary School
 - Rainham Mark Central

The team are still working with other employers to onboard mid-year. Now that year end has finished, the project is planned to increase in pace. Other members of the C&S team are being trained to increase the team numbers.

This will enable the team to have capacity to onboard a greater number of employers simultaneously.

- 6.2 ITM are still contacting employers requesting any missing **McCloud** data. The team are still experiencing a few employers contacting them as a result of ITM requesting data and are assisting with any queries. The team are in close contact with ITM who are assisting very quickly and efficiently when needed.
- 6.3 The number of **MyPension Online (MPO)** queries received remain fairly high, but this is likely to be due to the recent webinars and the Deferred Benefit Statements being issued. The current sign-up number to MPO is over 10,000 since the launch in May.

Since the launch of MPO, the team have:

- answered 1,680 registration queries
- sent out 838 activation code letters
- input 1,803 personal e-mail addresses
- seen 24,619 visitors to the MPO page on the Kent Pension Fund website

As at 31 July migration to MPO statistics are:

- Total registered via key – 388
- Total registered via e-mail – 1,364
- Total members migrated – 7,865
- Total on MPO – 9,617

- 6.4 The team is continuing to offer and deliver **training** to employers and their payroll providers.
- 6.5 There are 4 out of the 562-year **end** returns left to process. The team are in close communication with these employers. The team are now working on year-end tidying up projects.
- 6.6 The '**Remuneration Comparison**' project is ongoing, and the team is working on the responses received from the employers.
- 6.7 The team have now started working on the **No Care Pay** project which involves investigating why active members of the scheme do not have Care Pay figure ending on 31 March 2024. It could be that the member left the scheme/employment, and the team were not advised, or a casual member who did not work. Investigations are required to ensure that the Annual Benefit Statement is correct.
- 6.8 The **Employers Forum** was held on 13 June. This was an online event and was attended by 80 people. The feedback received from employers has been positive.
- 6.9 A series of [member webinars](#) on various subjects have been arranged, and they are advertised on the website. Since the previous Board meeting, the

team have delivered 1 webinar a month for June, July and August. Total number of members attending 474.

- 6.10 The [Deferred Member newsletter](#) has been published and is available online. Paper copies are being sent to those members that requested to opt out of digital communications (x123). The **Active Member** newsletter is in final review and will be published to coincide with the Annual Benefit Statement publication.
- 6.11 The team have received a few enquiries regarding the **Teacher Excess Service** Project but no submissions of data to date.
- 6.12 Preparations are underway for the **Pension Awareness week** in September (webinars and visits to employers).

7. Technical and Training Updates

- 7.1 **McCloud Remedy** - While the final data for the McCloud remedy is awaited, the Technical Team are dealing with manual calculations to ensure compliance with the remedy. This is primarily around calculations for pension transfer values.
- 7.2 **Process Reviews** – Legal advice has been received regarding payments of Death Grants to minors. This will feed into the process review in this area of work.
- 7.3 **Abolition of the Lifetime Allowance (LTA)** - The Government has opened a short consultation on amendments to the legislation around the abolition of the LTA. While it is not expected any significant work will be caused by this, the team are monitoring the outcome as part of plans to meet the disclosure requirements from 2025, of which plans are currently in progress.
- 7.4 **Annual Allowance exercise** - The Technical Team are continuing to work on the Annual Allowance exercise for 2023/24.

Due to changes to the tax limits, it is expected that less members will exceed the limit this year, which should make the exercise shorter.
- 7.5 **Pension Transfer Referrals** - During the last quarter, the Technical Team have experienced a higher volume of technical referrals relating to the transfer out of benefits. This has been caused by manual calculations required for the McCloud remedy. In addition, the ongoing requirements around pension scam checks have also increased the complexity of the information that must be requested before authorising a transfer. These checks have the effect of slowing down transfers as there is often a back and forth of information between the scheme member and the team.
- 7.6 **Training and Development** – Training figures for the period 01/04/2024 – 30/06/2024:

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

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

7.8 2 Members of staff have commenced the pilot intake of students for the PMI Award in Pensions Essentials (level 2). The Award in Pensions Essentials (APE) is a level 2 qualification aimed at those new to pensions. Level 2 qualifications are equivalent to GCSE. The qualification is delivered by Barnett Waddingham. They will provide online learning materials for each unit and the examinations. The course is 12 months duration.

Clare Chambers – Pensions Administration Manager – Kent Pension Fund

T: 03000 414773

E: clare.chambers@kent.gov.uk

September 2024

Appendix 1 – May to July 2024 Performance Report

Appendix 2 – iConnect Onboarded Employers and Active Member Numbers

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

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

01/04/23	Kent Schools - Capita	00500	4139
01/04/21	Kent County Council	00600	8784
01/04/19	Pathways to Independence Ltd	00655	1
01/04/23	Jubilee Primary School	00667	14
01/04/19	Great Chart and Singleton Parish Council	00743	2
01/04/19	Chiddingstone Parish Council	00749	1
01/04/19	New Romney Town Council	00754	7
01/04/19	Swingfield Parish Council	00756	1
01/04/19	Meopham Parish Council	00766	2
01/04/19	Westbere Parish Council	00768	1
01/04/19	Smeeth Parish Council	00769	1
01/04/19	Harrietsham Parish Council	00770	3
01/04/19	Walmer Town Council	00774	4
01/04/19	Platt Parish Council	00775	1
01/04/19	Lydd Town Council	00776	1
01/04/19	Barham Parish Council	00813	1
01/04/23	Invicta Law	00815	34
01/04/19	Hever Parish Council	00835	1
01/04/19	Westgate-on-Sea Town Council	00857	1
01/04/23	Cantium Business Solutions Limited	00858	100
01/04/23	EDSECo Ltd	00862	204
01/04/22	Leybourne Parish Council	00957	1
01/08/21	Town & Country Cleaners- Stour	00964	1
01/04/23	Shears Green Inf Academy – HAT	00968	28
01/04/23	Sports and Leisure Management	00985	7
01/09/23	Ash Cum Ridley Parish Council	AA103	3
01/04/24	Ashford Borough Council	00002	506
24/03/24	Suez Recycling & Recovery UK	AA104	4
01/04/24	Herne Bay High School (Academy)	00322	97
01/04/24	Folkestone & Hythe District Council	00011	443
01/04/24	Tonbridge & Malling Borough Council	00014	247
01/04/24	Herne Bay Junior School - KCC	00170	58
01/04/24	Thomas Aveling Academy - BST	00351	113
01/04/24	Fort Pitt Grammar Academy - BST	00414	47
01/04/24	The Robert Napier School Academy - BST	00459	75
01/04/24	Phoenix Academy - BST	00460	44
01/04/24	Balfour Junior Academy - BST	00773	34
01/04/24	Beyond Schs Trust Central - BST	00880	26
01/04/24	Rainham Mark Grammar School (Academy) - RMET	00370	56
01/04/24	Twydall Primary Academy - RMET	00739	31
01/04/24	Riverside Primary Academy - RMET	00811	41

Total active members -

17928

From:	Chairman Kent Pension Board Interim Corporate Director - Finance
To:	Kent Pension Board – 03 September 2024
Subject:	Investment Update (30 June 2024)
Classification:	Unrestricted

Summary:

To provide a summary of the Fund's investment strategy, asset allocation, performance, and responsible investment activity.

Recommendation:

The Board is asked to note the report.

FOR INFORMATION

1. Introduction

1.1 This report provides the Board with an update on the Fund's investment activity and performance, as well as on responsible investment developments that have taken place since the Board's last meeting.

2. Investment Strategy update

2.1 As reported to the Board previously, the Pension Fund Committee completed the implementation of the new strategic asset allocation in Q2 2024.

3. Intra Asset Class Review

3.1 Officers have now commenced stage two of the implementation plan which focuses on reviewing portfolio composition on an asset class by asset class basis. The purpose of this review is to ensure the Fund's mandates remain suitably aligned with the investment objectives as well as to identify opportunities to progress asset pooling. As reported at the Board's last meeting, the review will begin with the equity allocation (which dominates the Fund's risk and return profile). This work will be followed by a review of the fixed income mandates and will then conclude with the alternative asset classes.

3.2 At its last meeting, the Committee received a report on the initial findings of the equity allocation review from the Investment Consultant, Mercer, which provided an opportunity for the Committee to provide feedback for developing the final proposals.

3.3 Officers and the Investment Consultant will use the initial findings and the Committee's feedback to finalise recommendations for the future equity portfolio

and a final report will be brought to the Committee at its meeting in September, for decision.

4. Infrastructure

4.1 At its meeting in June, the Committee received an update on infrastructure allocation planning. The findings of a commitment analysis carried out by officers together with advice from the Investment Consultant indicated that no additional commitment was required immediately, though this position would be kept under review through routine portfolio monitoring.

5. Property

5.1. The Committee was also informed that the Fund, via its overarching property manager, DTZ, had submitted a request to redeem the Fund's outstanding investment in the Fidelity UK Real Estate Fund following concerns over outflows and the outlook for the strategy. This action was taken to help protect the pension fund from a potential position where it is left with an investment in relatively poor assets after redemption requests from other Fidelity investors are honoured.

5.2. Fidelity has since suspended dealing in the FIREF, an outcome that DTZ and officers had anticipated. Fidelity is now exploring options with investors for the continuation of the fund as well considering how redemption requests can be fulfilled. Fidelity is hopeful that they will be able to meet Kent's redemption request by the end of 2025.

6 Fund value and asset allocation

6.1 As of 30 June 2024 (the latest available data), the Fund's value was £8.25bn compared to £8.07bn as at 30 April 2024, the position previously reported to the Board. The table below sets out the current asset allocation versus the Fund's strategic asset allocation and its rebalancing policy.

Asset Class	Strategic Asset Allocation (%)	Tolerance Band (%)	Current Asset Allocation (%)	Variance	Status
Equities	53	+/- 10	55	2	In range
UK Equities	10	+/- 2.5	10	0	In range
Global Equities	38	+/- 5	40	2	In range
Emerging Market Equities	5	+/- 2.5	5	0	In range
Fixed Income	22	+/- 5	21	-1	In range
Credit	15	+/- 5	15	0	In range
RMF (Index Linked Gilts)	7	-	6	-1	N/A
Alternatives	25	+/- 10	23	-2	In range
Absolute Return	5	-	5	0	N/A
Infrastructure	5	-	4	-1	N/A

Private Equity	5	-	4	-1	N/A
Property	10	-	9	-1	N/A
Cash	0	5	1	1	In range
Total	100		100		

6.2 The current asset allocation is broadly aligned with the new strategic asset allocation, allowing for approved tolerance bands. Global equities are marginally overweight and conversely private equity, infrastructure and the risk management framework are slightly underweight. Given the current asset allocation is within tolerance, officers will not be recommending to the Committee that any rebalancing is undertaken at its meeting in September.

7 Investment performance: quarter to 30 June 2024

7.1 The Fund's investments returned 1.4% in the three months to 30 June 2024, compared to the benchmark return of 1.9%.

7.2 **UK equities** generated higher returns compared to the global index with the FTSE All Share index gaining 3.4% over the quarter. The Fund's UK equity manager, Schroders, outperformed the benchmark during the quarter with a return of 3.4%.

7.3 **Global equities** performance was positive over the quarter, with the MSCI All Countries World Index returning 2.8%. Performance was driven by large cap, US stocks that are regarded as beneficiaries of AI, where the Pension Fund is underweight. Indeed, market breadth was extremely narrow especially in the US where almost three quarters of the index's constituent stocks lagged the index, the highest proportion since the 1990s. European equities declined amidst political uncertainty, but UK stocks rose to an all-time high driven by financials, health care and resources. Emerging markets equities returned 5.8% in sterling terms and outpaced developed markets, reflecting anticipated interest rate cuts in the US (emerging markets are sensitive to changes in the US monetary policy) as well as other favorable factors affecting the China, India and South Africa markets.

7.4 Global equity manager Baillie Gifford's returns of 0.1% were below its fixed weight regional benchmark of 1.5%. Impax, and the Schroders Active Value Fund underperformed the MSCI benchmark of 2.8% this quarter with returns of -4.6% and 0.1%, respectively. Sarasin and M&G outperformed the benchmark with 3.1% and 4.0% returns, respectively. Therefore, collectively, the Fund's global equity mandates delivered a return of 2.0% during the quarter.

7.5 After taking into account the impact of the equity protection programme, this gain was slightly reduced to 1.8%: the increase in the global equity valuations meant that the value of the Fund's equity protection assets decreased by £9.6m during the quarter.

7.6 **Emerging market equities:** As the Fund's emerging market equities allocation was only invested in April 2024, quarterly and longer-term returns are not available on these mandates as of 30 June.

7.7 **Fixed income.** Bonds delivered positive returns following positive news on inflation. The Fund's credit-focused (CQS and M&G) produce higher returns than Schroders and Goldmans Sachs (who additionally use views on the

direction of interest rates to drive returns) with CQS outperforming the benchmark of 2.2% with a return of 2.5%. M&G Alpha Opportunities marginally underperformed the same benchmark with a return of 2.0%.

- 7.8 The newly established index linked gilts portfolio, which is part of the Risk Management Framework (RMF) managed by Insight, detracted with a -4.2% return.
- 7.9 **Property** total returns were 1.2% in this quarter with increased investment activity leading to positive capital returns. On a sectoral basis, retail, hotel and residential sector returns were 2.0% whilst the office sector recorded negative total returns of -0.2%. The direct property portfolio, managed by DTZ, and which comprises the majority of the property allocation, outperformed the benchmark with a return of 2.0% (versus 1.7%) whilst the indirect property mandates each underperformed in the quarter.
- 7.10 Amongst the two **absolute return** mandates, Pырford and Ruffer achieved absolute returns of 0.6% and 0.1%, respective - underperforming the RPI + 5% benchmark of 1.1%.
- 7.11 The **private equity** and infrastructure managers underperformed the cash benchmark 1.3% over the quarter.

8 Longer term performance

- 8.1 For the year ended 31 March 2024, the Fund achieved a return of 6.7% against a benchmark return of 10.7%, an underperformance of 4.0%.
- 8.2 Against a backdrop of gradual disinflation and renewed expectations of interest rate cuts, bonds have performed well over the last year. All the Fund's bond managers have significantly outperformed the cash benchmark in the 1-year period. CQS were the best performing manager with a return of 13.4% against a benchmark of 9.4%, followed by the M&G Alpha Opportunities fund, which returned 11.8%.
- 8.3 Equities have also rallied with several major indices reaching record highs. However, the Fund's active managers have underperformed the benchmark. Much of this underperformance can be attributed to an underweight holding of the "Magnificent-7" tech stocks, which have driven the concentrated rally in global equities recently, (although the rally has become broader based in the most recent quarter with commodities benefiting from the improved economic backdrop). Given the rally in global equities over the past 12 months, the equity protection programme has detracted from overall Fund returns.
- 8.4 Relative performance from the absolute return managers against their inflation plus 5% target over the past 12 months has been mixed. Ruffer detracted with a return of 0.5% whilst Pырford has outperformed the benchmark with 7.3%. Property as an asset class has had a challenging year with benchmark returns being close to zero (0.1%), and the Fund's property managers have all produced negative returns. The DTZ directly managed portfolio returned 0.3% against a bespoke benchmark of 0.6% over the year. Under the expanded mandate DTZ will have discretion over remodelling the property portfolio over the longer term to improve performance.

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

9 Responsible Investment Update

- 9.1 In June the Pension Fund Committee approved the Responsible Investment (RI) Policy which had been reviewed by the Responsible Investment Working Group (RIWG).
- 9.2 Officers also completed the submission of the PRI survey for 2023. The annual PRI reporting exercise which helps the Fund assess and benchmark the Fund's RI policies and practices against peers and best practice. Results of the survey will be shared with the Board and Committee when available.
- 9.3 The Responsible Investment Working Group (RIWG) has met twice since the last Board meeting, on 20 June and 25 July.
- 9.4 At its June meeting the RIWG received a presentation from the Local Authority Pension Fund Forum (LAPFF). LAPFF is a voluntary association of 87 LGPS funds and 7 LGPS Pools who collectively have assets under management of £350bn.
- 9.5 Keith Bray from LAPFF gave an overview of the profile and activities of the LAPFF which mainly includes:
- facilitating commissioning of research into and by engagement with investee companies where ESG concerns have been identified.
 - issuing occasional voting alerts for members to discuss with their fund managers.

- facilitating collaboration with other institutional investors both nationally and internationally
- 9.6 The presentation also highlighted the engagements undertaken by the LAPFF which covered topics such as
- Climate change
 - Mining
 - Human rights of Indigenous communities
 - Environmental risks
 - Finance and accounting
 - Board composition
- 9.7 Officers informed the RIWG that they have been sharing the voting alerts issued by the LAPFF with the Fund's investment managers to make them aware of the issues to be considered when exercising their voting rights on behalf of the Fund.
- 9.8 At its meeting on 25 July 2024, the RIWG received a presentation from the IIGCC, an investor network focused on accelerating climate action by facilitating knowledge exchange and providing resources, of which the Kent Pension Fund is a member.
- 9.9 The IIGCC presented an overview of its tools and resources, most notably the Net Zero Investment Framework which supports both for companies and asset owners in setting of carbon reduction targets with clear action plans and implementing and managing the action plans through portfolio construction engagement with companies and investment solutions.
- 9.10 The IIGCC also provided an overview of the current regulatory landscape and direction of travel which will affect the reporting by asset managers as well as investors/asset owners.
- 9.11 Officers will be reviewing how the tools can be utilised to make progress on the implementation of the Fund's net zero target and reporting obligations.

Appendices

Appendix 1 – Quarterly Performance Report (30 June 2024)

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

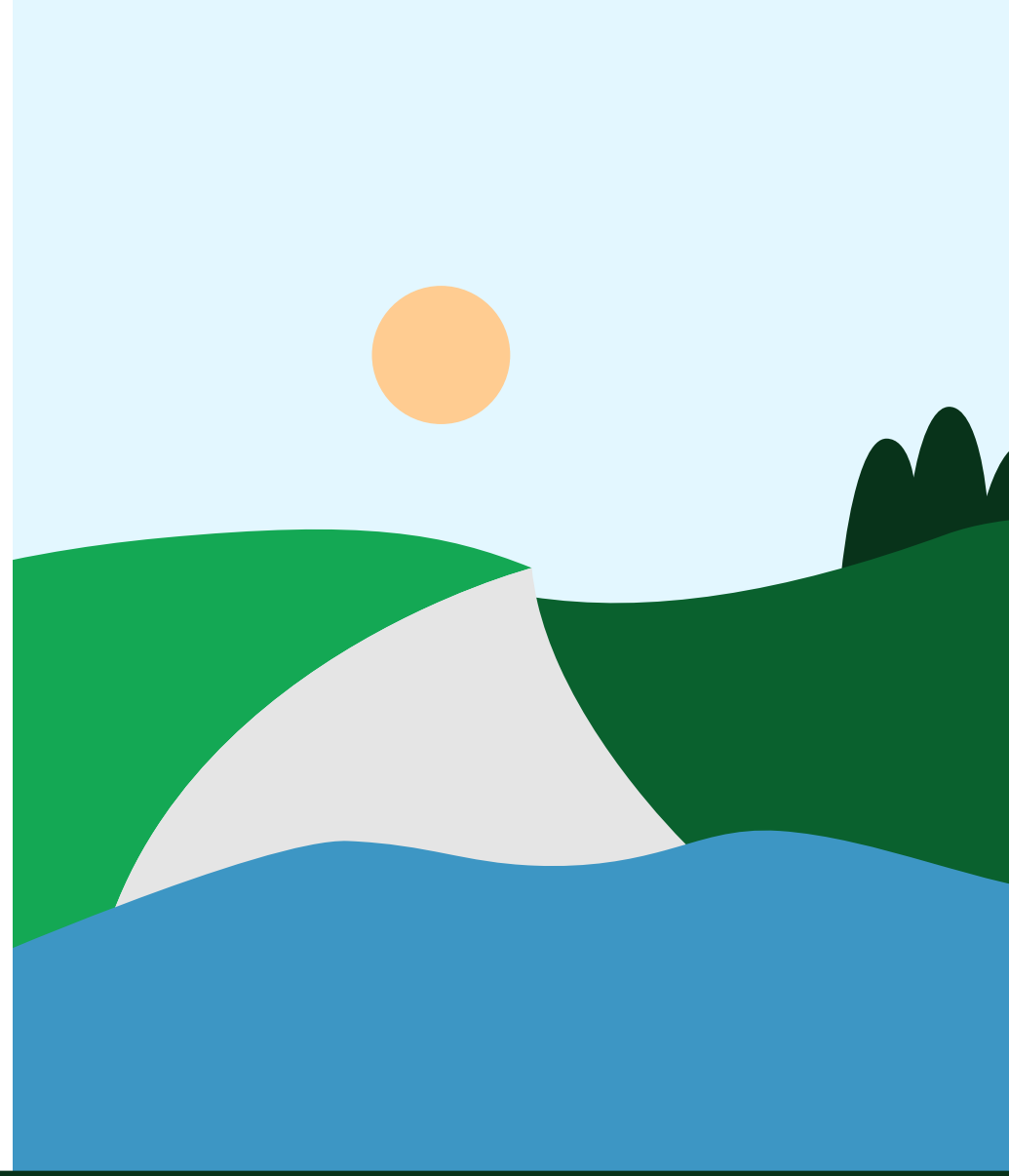
Sangeeta Surana (Investments, Accounting and Pooling Manager)

T: 03000 416290 / 03000 416738

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

20 August 2024

Kent Pension Fund **Q2 2024 Fund Performance**



Market Commentary

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

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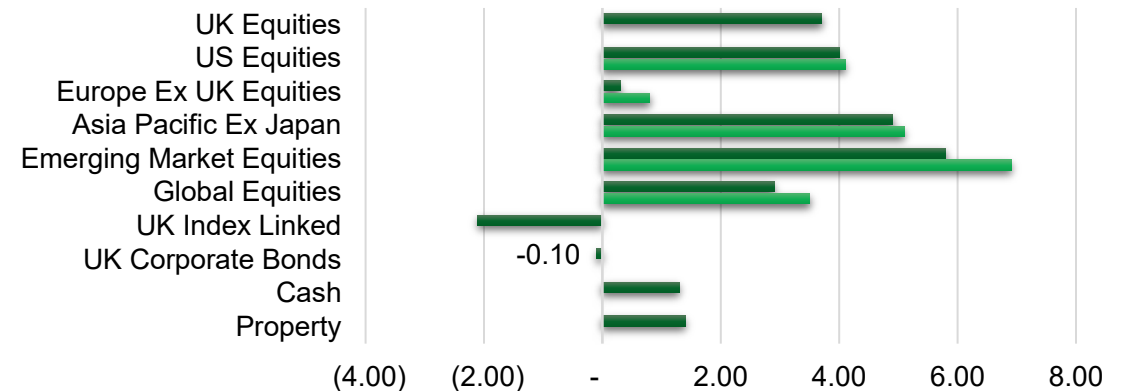
Q1 GDP in Japan declined 2.9% (quarter-on-quarter annualized), down from an earlier estimate of a 1.8% contraction. This contraction was largely due to a safety scandal at a large automaker which led to a factory shut down.

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

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

Source: Mercer LLC

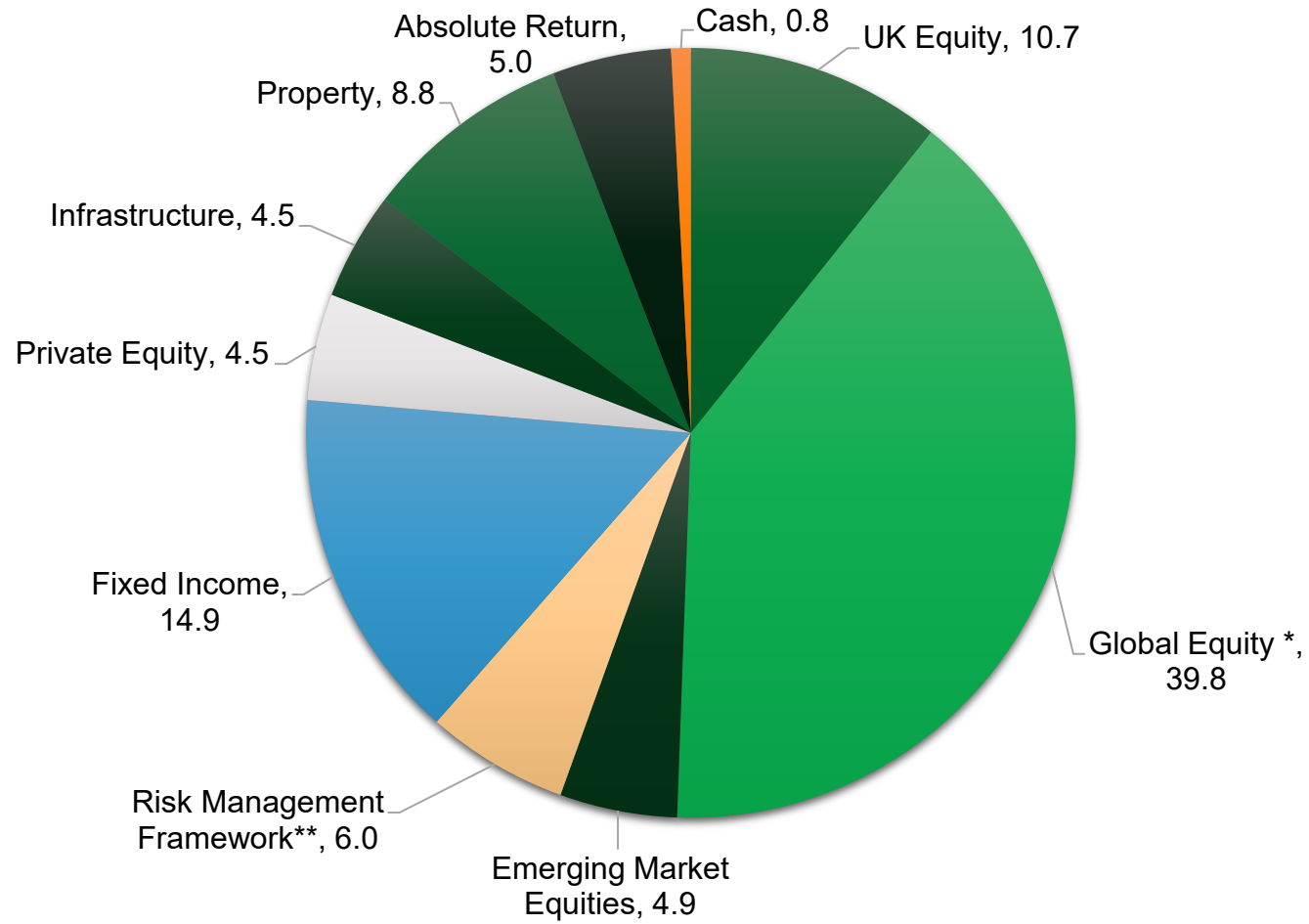
Market Returns (%)



Source: Mercer LLC, Refinitiv and Schroders



Asset Allocation – 30 June 2024



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

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

Source: Northern Trust, RADAR Reporting



Fund Manager Summary

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

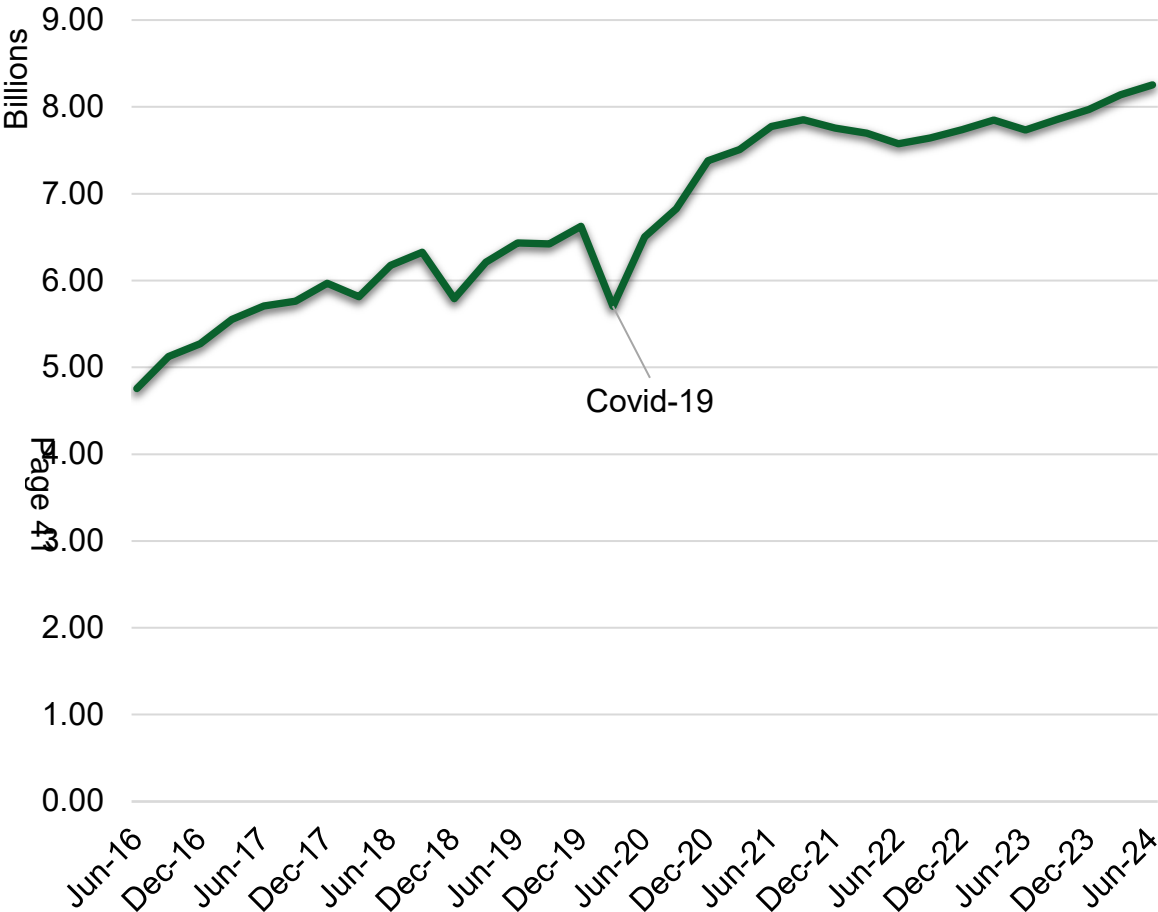
Please note, as a result of the Fund's Investment Strategy, £400m was transferred out of Schroders UK Equity, during the quarter, in order to bring the UK Equity allocation down to 10%. This was equally distributed between the Fund's new Emerging Market Equity funds, Robeco and Columbia Threadneedle.

Source: Northern Trust, RADAR Reporting

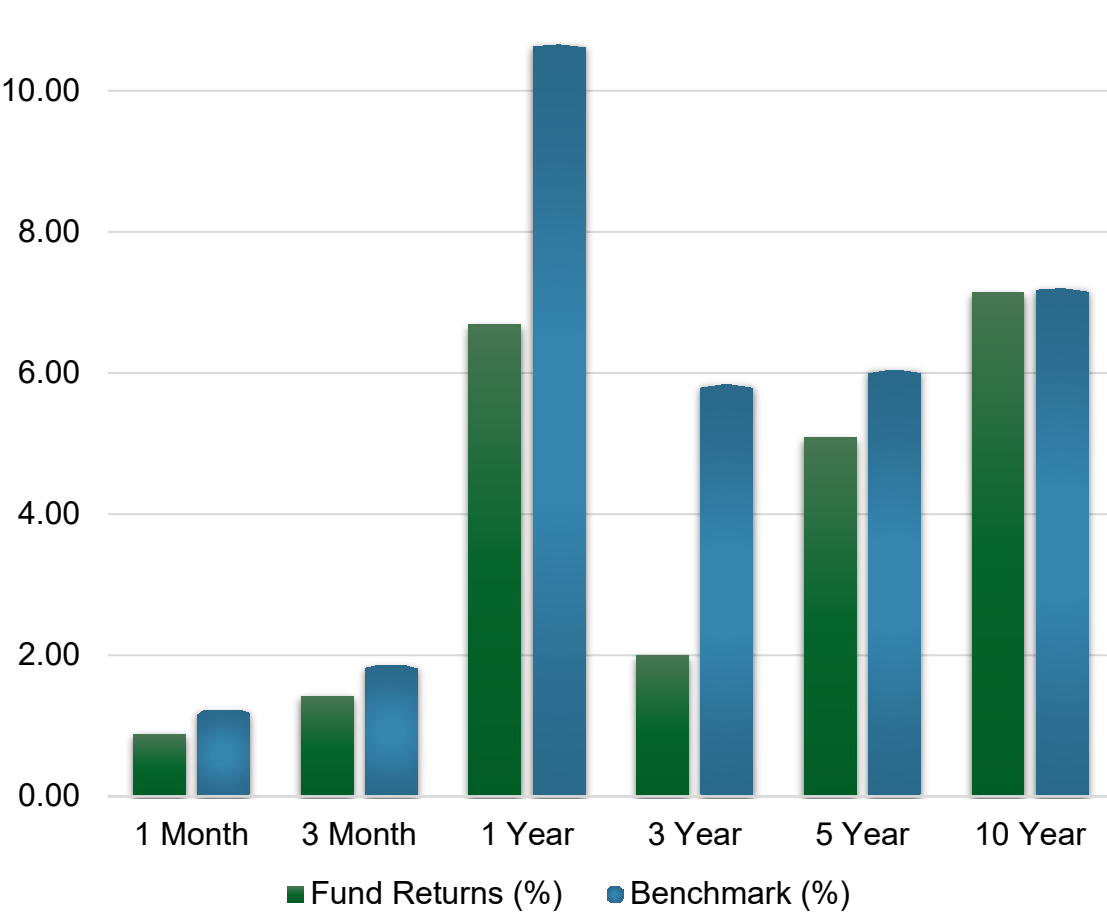


Historical Performance

Total Fund Value (£Bn)



Total Fund Performance vs Benchmark

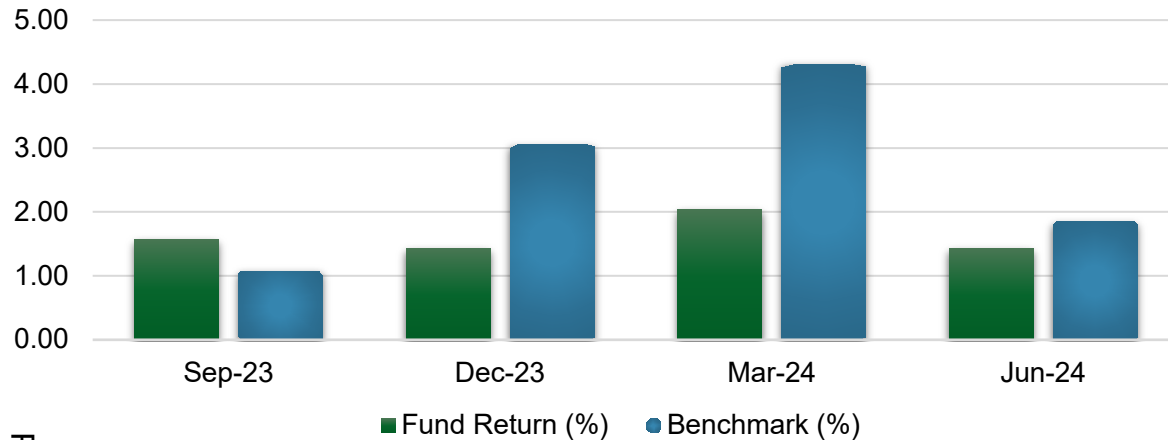


Source: Northern Trust, RADAR Reporting



Discrete Performance

Quarterly Returns

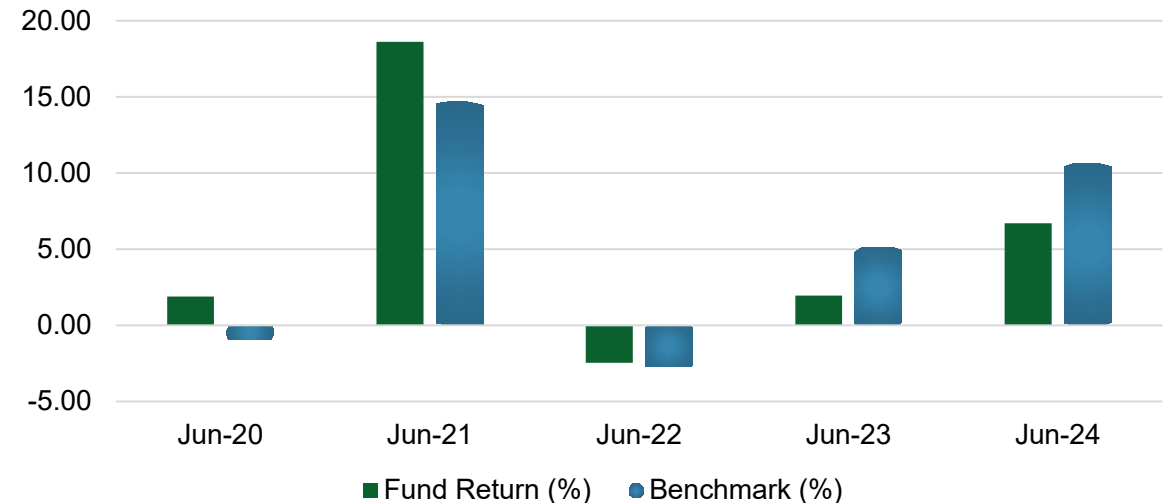


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- The Fund demonstrated positive performance in three of the past five years, outperforming the benchmark in June 2020, 2021, and 2022, driven by strategic allocations in high-growth assets.
- The past two years has seen the Fund underperform the benchmarks,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

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

Annual Returns (last 5 years)

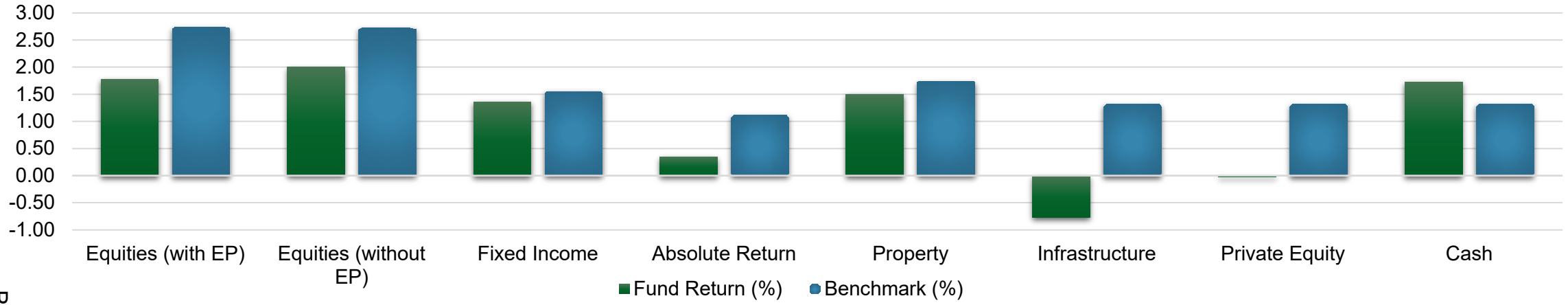


Source: Northern Trust, RADAR Reporting

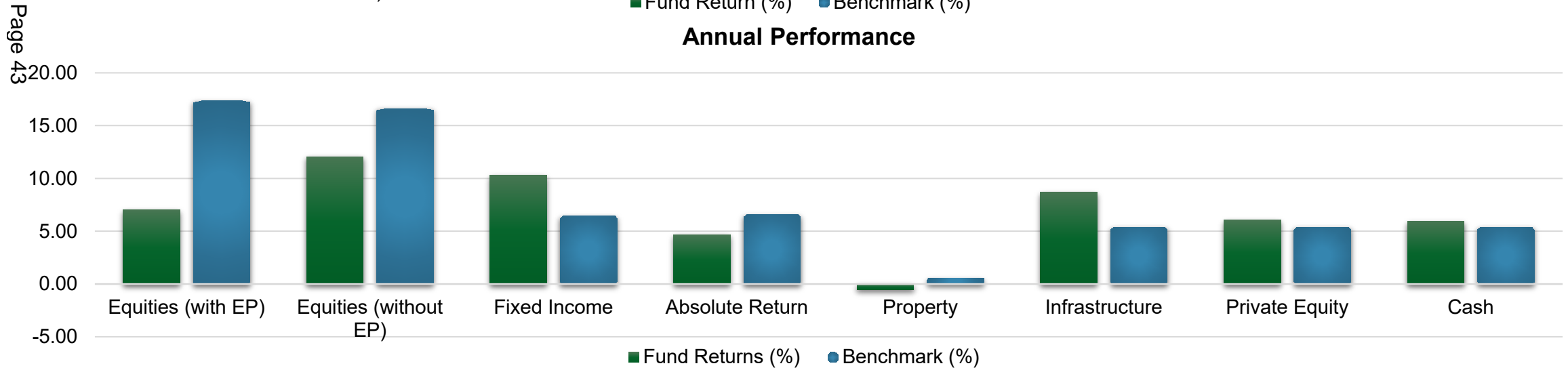


Asset Class Performance

Quarterly Performance



Annual Performance

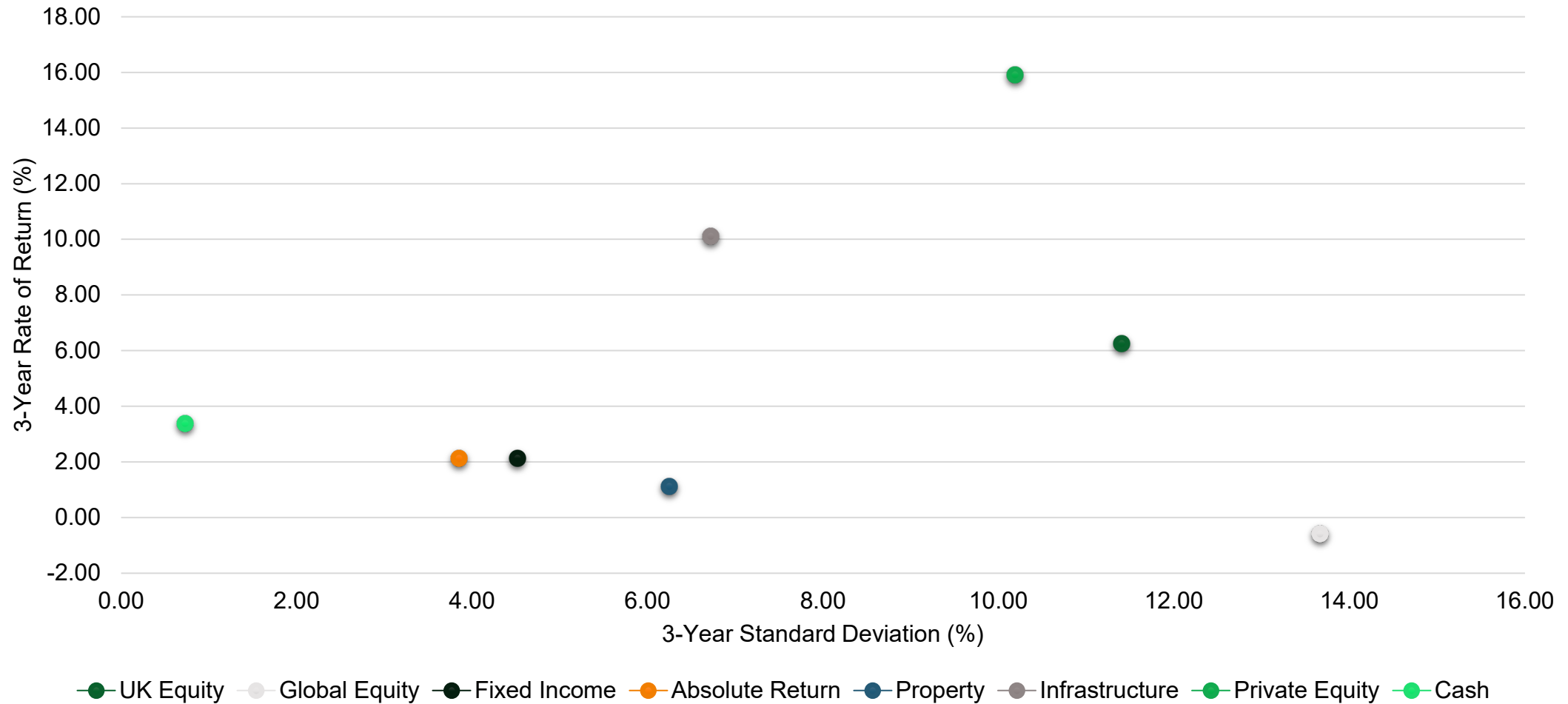


Source: Northern Trust, RADAR Reporting



Risk vs Return – Asset Class Level

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Source: Northern Trust, RADAR Reporting

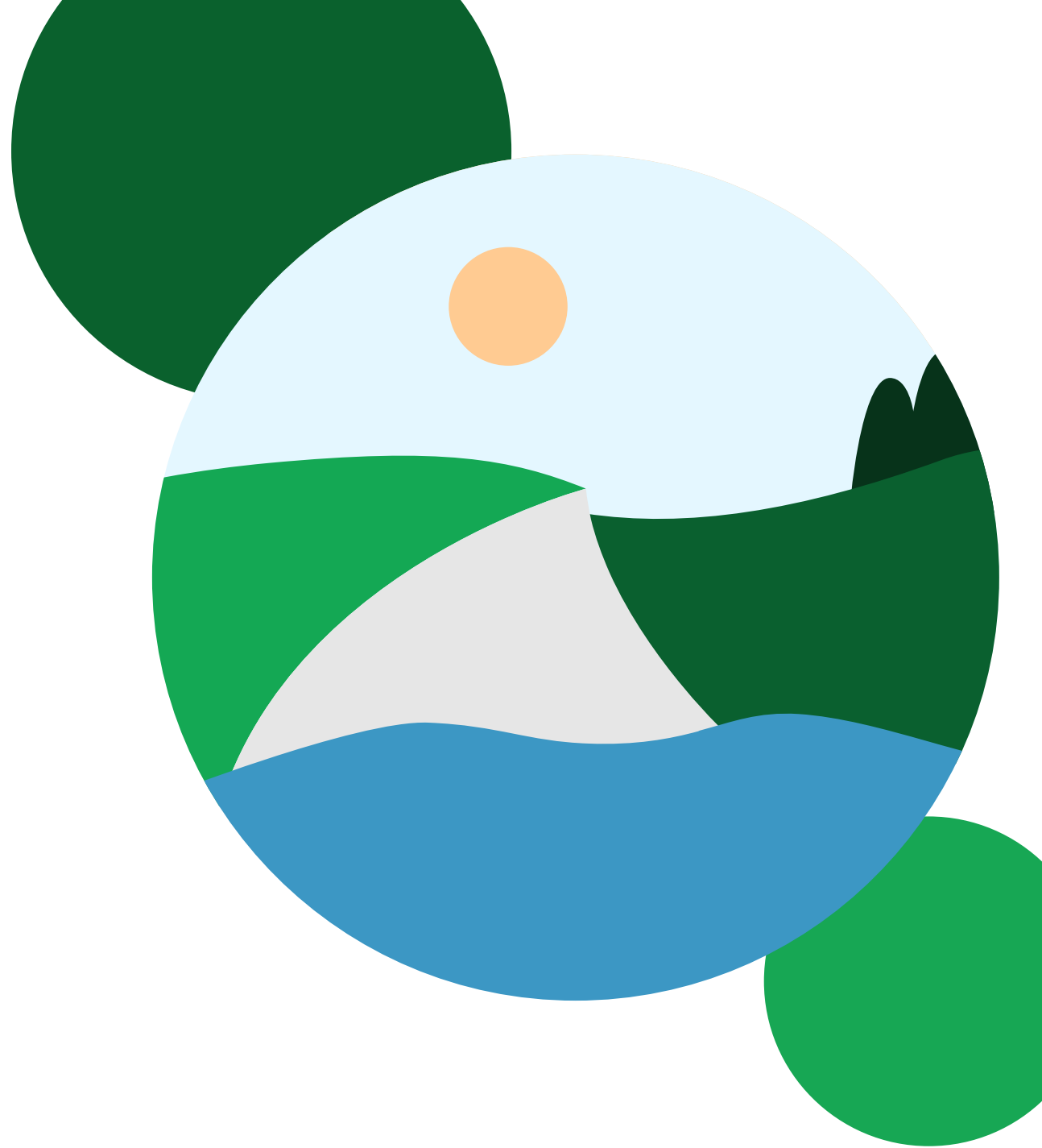


Detailed Performance by Manager

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



Appendix



Benchmarks and Targets

Appendix A

Asset Class / Manager	Performance Benchmark	Performance Target
UK Equities:		
Schroders - WS ACCESS UK Equity Fund	MSCI UK IMI	+1.5% pa over rolling 3 years
Woodford	FTSE All Share	Unconstrained
Global Equities:		
Baillie Gifford - WS ACCESS Global Equity Core Fund	Customised	+1.5% pa over rolling 3 years
Sarasin	MSCI AC World Index NDR	+2.5% over rolling 3 - 5 years
M&G - WS ACCESS Global Dividend Fund	MSCI AC World Index GDR	+3% pa
Schroders - WS ACCESS Global Active Value Fund	MSCI AC World Index NDR	+3% - 4% pa over rolling 3 years
Impax	MSCI AC World Index NDR	+2% pa over rolling 3 years
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	ICE BofA Sterling 3-month Gov Bill Index + 4%	ICE BofA Sterling 3-month Gov Bill Index + 4%
M&G Alpha Opprtunities	ICE BofA Sterling 3-month Gov Bill Index + 4%	ICE BofA Sterling 3-month Gov Bill Index + 4%
Property:		
DTZ	IPD Pension Fund Index	≥ 3 year rolling average of benchmark returns
Fidelity	IPD UK PF Property Fund Index	
DTZ (Kames)	IPD UK PF Property Fund Index	
M&G Property	IPD UK PF Property Fund Index	
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	

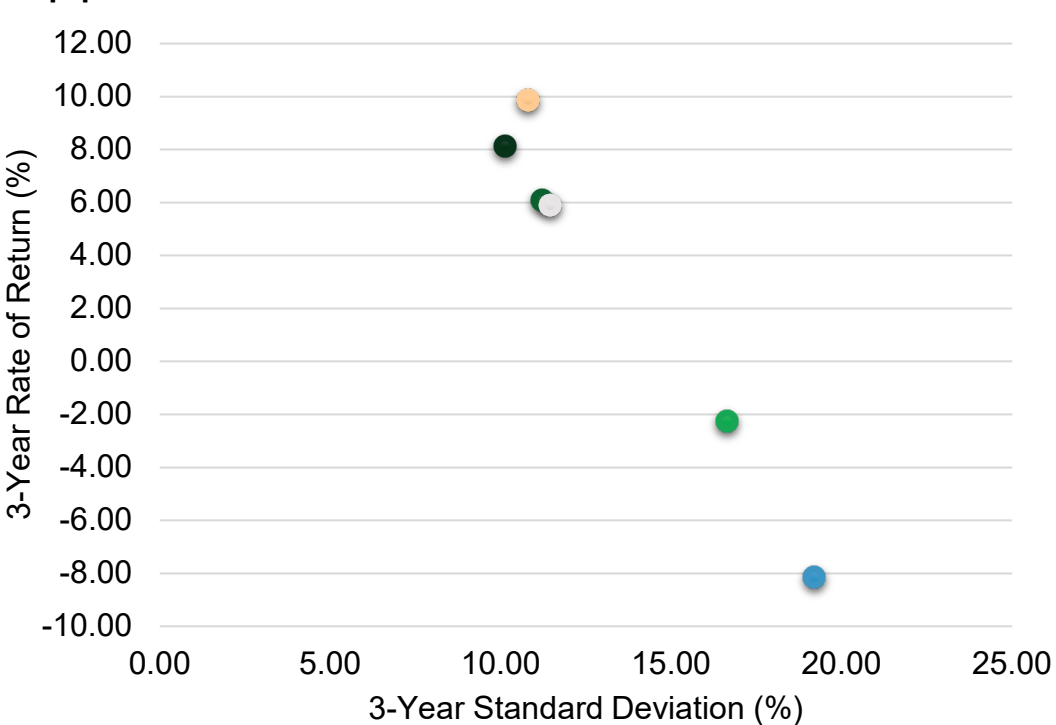
Source: Northern Trust, RADAR Reporting; Manager reports



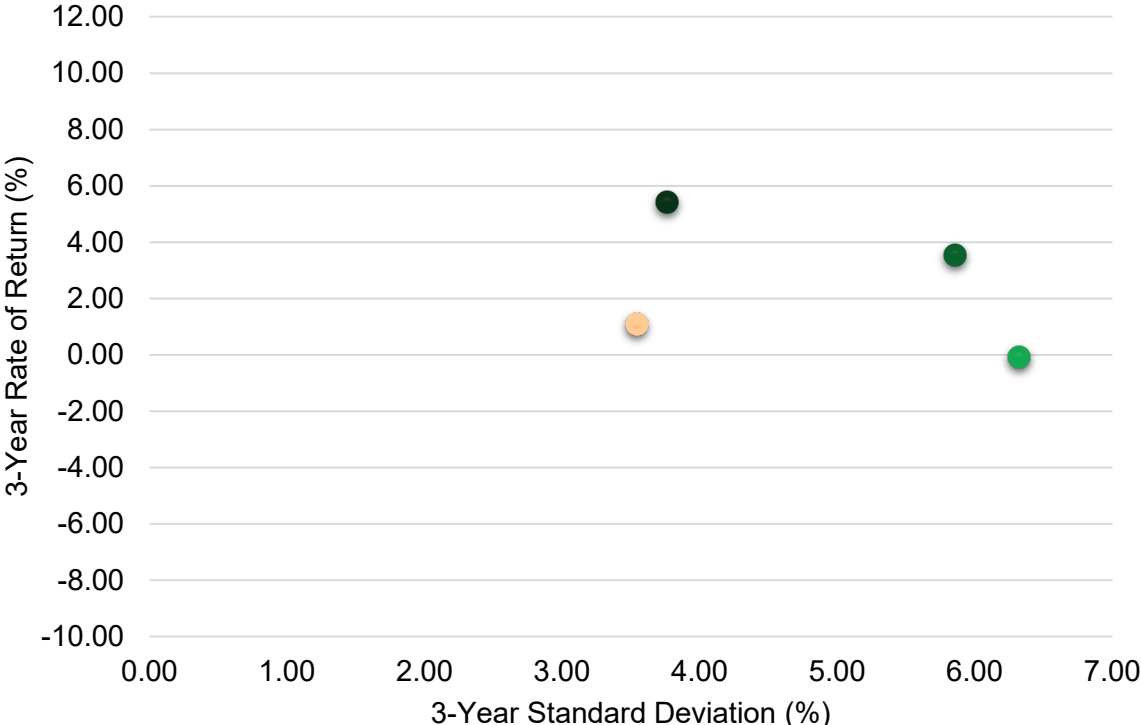
Risk vs Return – Equities and Fixed Income

Appendix B

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



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

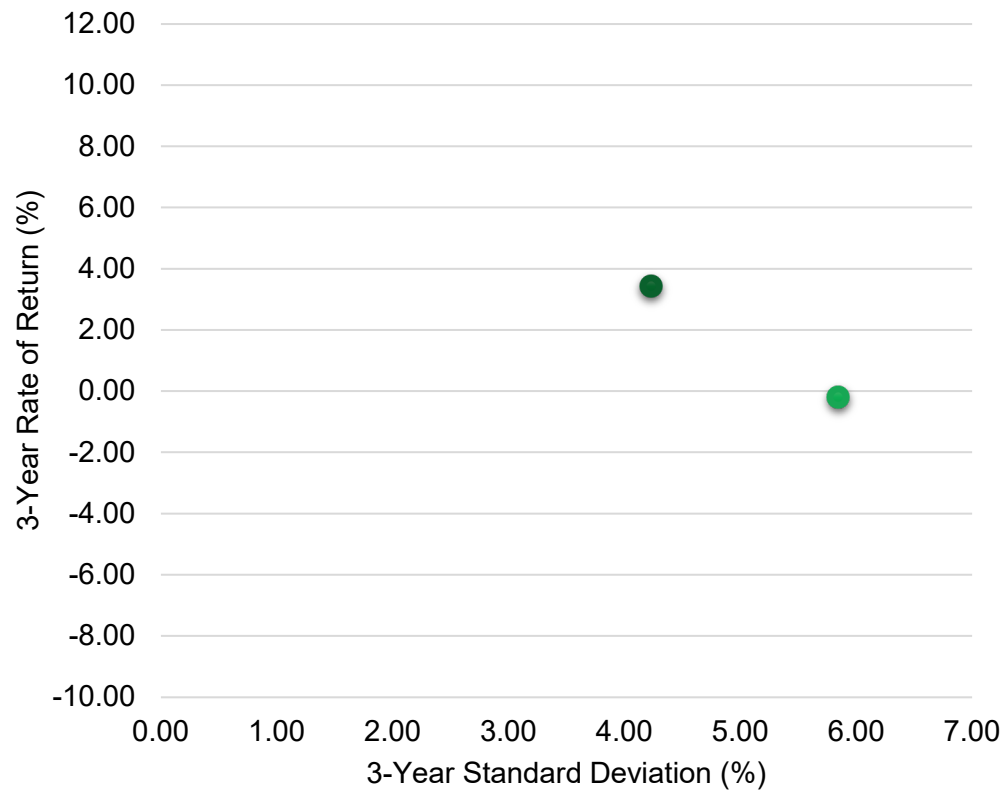
Source: Northern Trust, RADAR Reporting



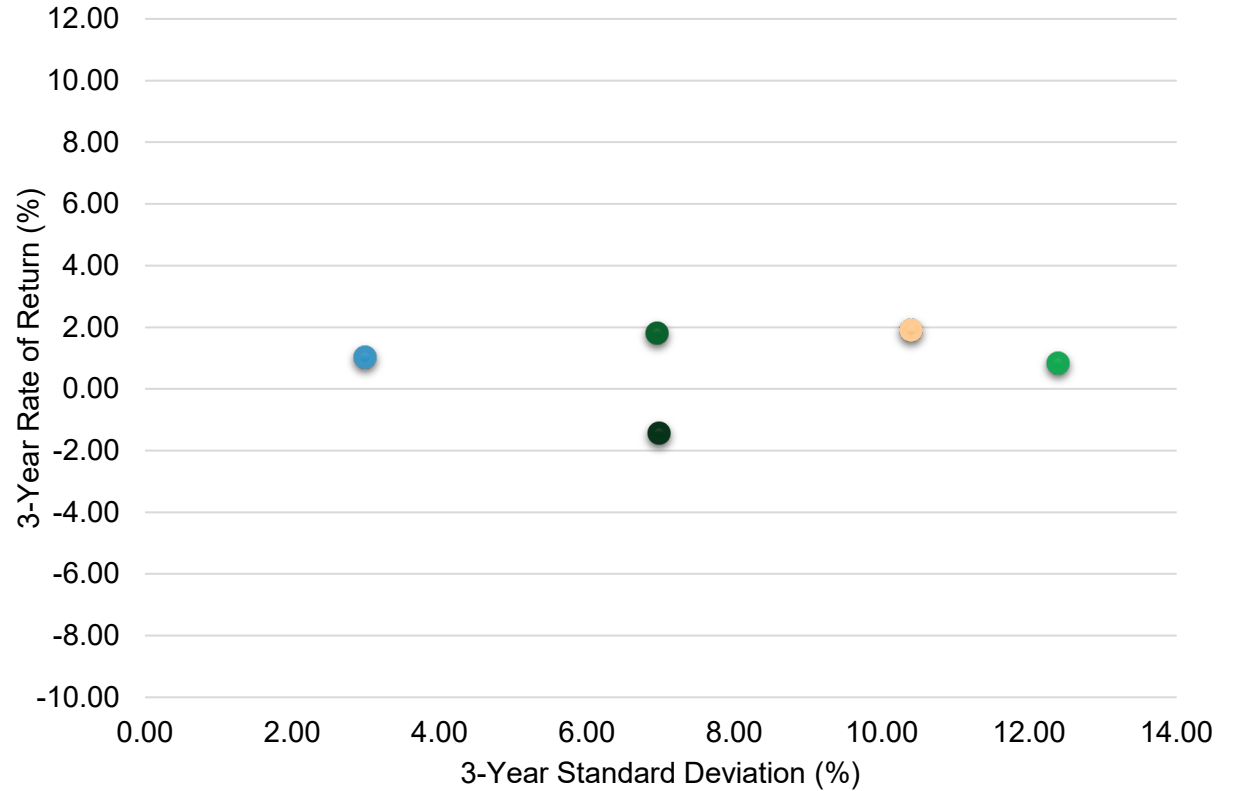
Risk vs Return – Absolute Return and Property

Appendix C

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● Pyrford International ● Ruffer



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

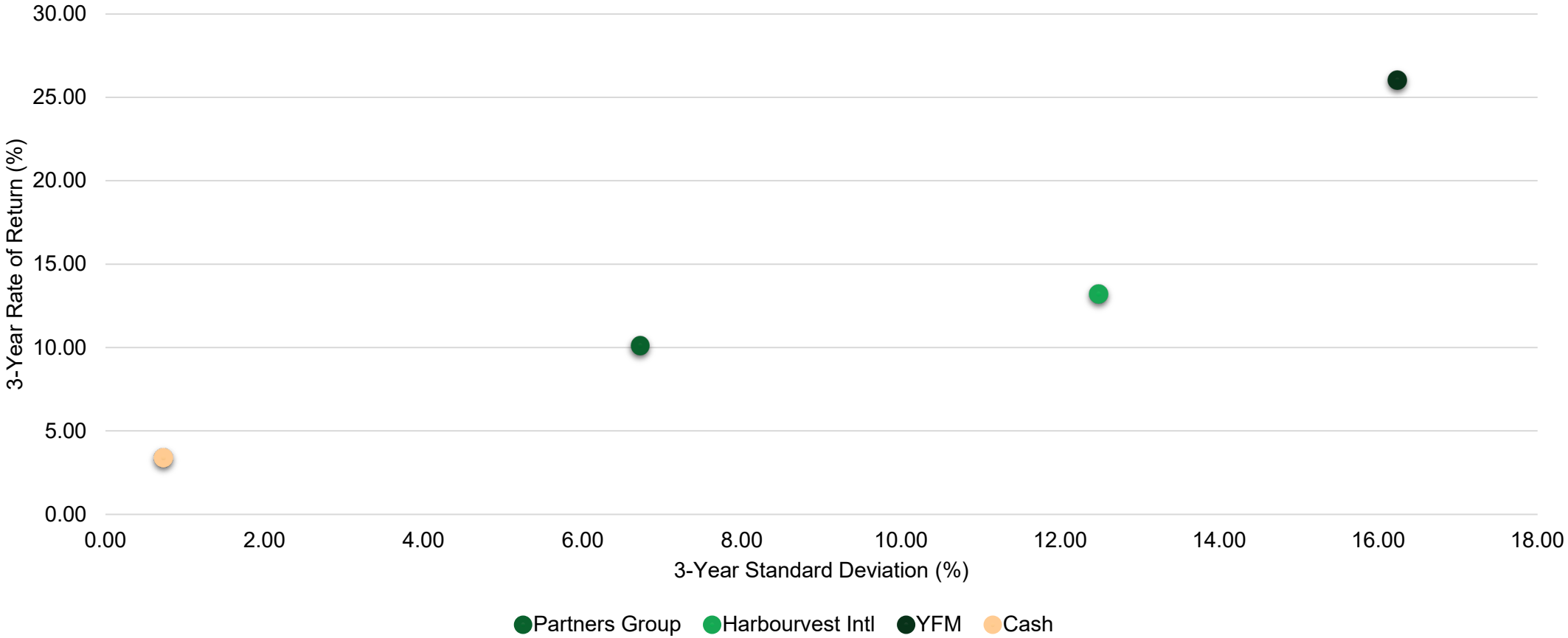
Source: Northern Trust, RADAR Reporting



Risk vs Return - Alternatives

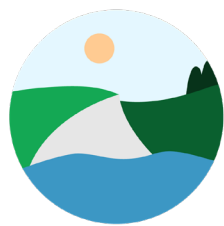
Appendix D

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Source: Northern Trust, RADAR Reporting





Kent Pension Fund

For more information, please visit

www.kentpensionfund.co.uk

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Agenda Item 9

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Agenda Item 10

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