AGENDA

PENSION BOARD

Thursday, 21st November, 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 3 September 2024 (Pages 1 - 6)

4. Future Meeting Dates

16/1/2025
27/2/2025
25/6/2025

5. Chairman of the Pension Fund Committee Update

6. Governance Update

Report to follow.

7. Pensions Administration (Pages 7 - 34)

8. Investment Update (Pages 35 - 60)

9. Annual Report (Pages 61 - 132)

Motion to exclude the press and public for exempt business

That, under Section 100A of the Local Government Act 1972, the press and public be excluded from the meeting for the following business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of part 1 of Schedule 12A of the Act.

Paragraph 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information)

EXEMPT ITEMS

(During these items the meeting is likely NOT to be open to the press and public)

10. Projects Update (Pages 133 - 138)

11. Risk Register (Pages 139 - 174)

12. Employer Governance Matters (Pages 175 - 180)

13. ACCESS Update (Pages 181 - 184)

14. Government Pensions Review - Presentation

Benjamin Watts
General Counsel
03000 416814

Wednesday, 13 November 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, 3 September 2024.

PRESENT: Mr R J Thomas (Chair), Ms K King, Mrs A Mings and Mr J Parsons

IN ATTENDANCE: Ms L Savage (Pensions Administration Performance and Operations Manager), Mr J Graham (Pension Fund Treasury and Investments Manager), Mrs C Chambers (Pensions Administration Manager), Mr N Buckland (Head of Pensions and Treasury), Mrs E Green (Senior Pensions Programme Manager) and Mr J Clapson (Democratic Services Officer)

UNRESTRICTED ITEMS

1. Apologies and Substitutes
(Item 1)

Apologies were received from Mr Jeffrey, Ms Hartley, Cllr Carnac and Mr Ward.

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

Mr Thomas declared that he was a trustee of Active Life Ltd.

3. Minutes of the meeting held on 11 June 2024
(Item 3)

RESOLVED that the minutes of the meeting held on 11 June 2024 were correctly recorded and that they be signed by the Chair.

4. Update from the Chairman of the Pension Fund Committee
(Item 4)

1. Mr Buckland provided the Board with and update on behalf of the Committee Chairman who was unable to attend the meeting. He briefly detailed some of the items considered by the Committee at the last meeting. This included the Responsible Investment Policy, that was now published on the Council's website, and the response to the letter received from the former Minister for Local Government, Simon Hoare, regarding the efficiency of Local Government Pension Funds.

2. RESOLVED to note the verbal update.

5. Governance Update
(Item 5)

1. Mr Buckland and Clare Chambers introduced the report.

2. During consideration of the item the following points were noted:
    a. It was good practice to review the Governance Policy and Compliance Statement each year. They would be considered by the Board and Committee around the beginning of 2025.
    b. The Escalations Policy detailed the process of escalating matters when engagement with an employer was poor. It would be shared at the next meeting and was awaiting formal adoption.
    c. A significant proportion of the backlog involved frozen funds. Once a provider was in place to work through the backlog, employers would be encouraged to chase frozen fund members.
    d. Consideration would be given to the most appropriate method of sharing confidential agenda to the Board and Committee.
    e. The future meeting dates of the Responsible Investment Working Party would be shared with the Board to allow Members to plan for substitutions if required.

3. RESOLVED to note the report.

6. Pensions Administration
(Item 6)

1. Mrs Chambers introduced the report noting some of the key areas of progress.

2. During consideration of the item, the following points were noted:
    a. Although service delivery times had increased, there had not been a drop in customer satisfaction and plans were in place to overcome the issues that led to this drop in performance.
    b. The My Pension Online self-service system was live. There had been a lot of communication with members to encourage uptake of the online system.
    c. The new telephony system was now live and provided a better service to members through the better management of calls.
    d. Members offered their congratulations to the officer who had recently achieved a Chartered Institute of Payroll Professionals qualification in Pensions Administration.
    e. Work was underway on the performance dashboard. It would provide a more easily digestible summary of performance. If available, the dashboard would be brought to the next meeting for the Board to consider.
    f. In the past there had been some variation in how staff designated cases. This had led to some inconsistency in case work performance reporting, that has been addressed through a change in reporting processes.
    g. After the meeting, Members would be provided with more detail about the number and percentage of employers and members who were not yet signed up to the iConnect system.

3. RESOLVED to note the report.

7. Investment Update
(Item 7)

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

2. During consideration of the item, it was noted that:
    a. Following completion of the strategic asset allocation review, work was now underway to review of the portfolio by asset class. This was stage two of the Implementation Plan and would start with equity as it was the largest area. An update would be provided at the next meeting.
    b. It was too early to tell what impact the implementation of the new Investment Strategy would have on performance. However, performance was regularly reviewed, and the Strategy would be updated at least once every three years.
    c. There would be a review of asset managers. It would look at how they had performed in the past and how they were expected to perform in the future.
    d. The Responsible Investment policy set out guidelines for decision making and helped to focus the work of the investment managers.

3. RESOLVED to note the report and nominate Mr Parsons as the Board's observer of 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)

8. The Pensions Regulator's General Code

(Item 8)

1. Ms Green introduced the report.

2. Mr Paul, Barnett Waddingham, provided the Board with a presentation about the Pension Regulators General Code. He began by setting out the background, then detailed that the code was split in 53 modules and advised that the Fund was found to comply well with the Code.

3. During consideration of the item the following points were noted:
    a. The analysis had been very useful. The Board would be kept up to date on the impact of any Government reviews.
    b. The regulator worked collaboratively with employers and funds. Fines were rare and were only issued as a last resort.
    c. The code was mainly aimed to bring small funds and schemes who had poor governance, up to a reasonable standard. The Kent Fund had no key failures.

4. RESOLVED to note the report.

9. Actuarial Valuation Planning
(Item 9)

1. Mr Buckland introduced the report that planned for the valuation scheduled to take place in 2025.

2. Ms McGuire and Mr Muir, Barnett Waddingham, provided the following update:
    a. Work had been underway with officers to plan for the valuation. There would also be meetings with stakeholders and engagement with employers.
    b. Further training would be offered to Members as part of the process. Enlighten was a program that offered bitesize training videos for Members and contained specific information about the 2025 valuation.
    c. The valuation was like a health check of the Fund. It would start on 31 March 2025 and be completed by 31 March 2026.
    d. The overall aim was to keep contribution rates stable and affordable for employers.

3. During consideration of the item the following points were noted:
    a. Climate risk would be incorporated into the valuation for the first time.
    b. It was intended that McCloud data would be included in valuation.
    c. There would be more engagement with employers than in previous valuations.
    d. Thanks were offered to Barnett Waddingham for their work so far.

4. RESOLVED to note the report.

10. Cyber Security Update
(Item 10)

1. Ms Green introduced the report and advised that the next major step would involve a crisis test.

2. During consideration of the item, the following points were noted:
    a. Work had been underway with the KCC Counter Fraud team to implement two factor authentication when members log in to their accounts.
    b. The Board would continue to receive progress updates at future meetings.

RESOLVED to note the report

11. Pension Fund Risk Register
(Item 11)

1. Mr Buckland introduced the report noting that there were 29 risks. 21 of the risks received a green rating and 8 received an amber rating.

2. During consideration of the item the following points were noted:

   a. The governance risk was in relation to the KCC Election in 2025. It was possible that experienced Members who sat on the Committee might not be re-elected and there needed to be appropriate induction and training in place to ensure that new Members were able to contribute effectively within their role.
   b. Consideration would be given to training a pool of substitute Members for the Board and Committee.
   c. It was good to see that the risk register was regularly updated.

3. RESOLVED to note the report.

12. Employer Governance Matters
(Item 12)

1. Mr Graham introduced the report that provided an update on the following areas:
   a. The fund employers.
   b. Backdated admissions and employer risk analysis.
   c. The outcome of the Government Actuary Department's Section 13 review of the 2022 Triennial Valuation.
   d. Confirmation of employer matters agreed by the Pension Fund Committee at the meeting on 27 June 2024.

2. During consideration of the item the following points were noted:
   a. Member contributions were set a national level, and employer contributions were set locally.
   b. Some employers were required to have a bond or guarantor to enter the scheme, it could be beneficial for employers to have a guarantor as it reduced their liability.
   c. Contribution receipts had increased compared to last year and was largely due to wage growth but could also be caused by an increase in staff numbers and rate changes.
   d. It was likely that there would be a review of employer costs as part of the expected Government review.

3. RESOLVED to note the report.

13. ACCESS Pooling Update
(Item 13)

1. Mr Graham introduced the report that provided a summary of the activities of the ACCESS pool and an update on the Fund's current position with respect to pooling.

2. During consideration of the item the following points were noted:
   a. The Committee would be asked to agree the appointment of a new operator at its meeting on 19 September.
   b. In relation to the Third Party Review, ACCESS Members felt that an Independent Chair was not required and agreed to recruit to four posts within the ACCESS Support Unit.
   c. The Board had the opportunity to send an observer the ACCESS meeting scheduled for 2 December.

d. The Terms of Reference of the Pension Review had been released and more information was expected to be announced in the October budget.

3. RESOLVED to note the report.

14. McCloud & Data Rectification Update
(Item 14)

1. Ms Green introduced the report.

2. During consideration of the item the following points were noted:
   a. Work had continued with ITM who have been liaising with employers to collect, cleanse and verify data.
   b. The Ministry for Housing, Communities and Local Government made regulations before the 31 August 2024 deadline that removed the requirement to include McCloud information in 2023/24 Annual Benefit Statements.
   c. Guidance had been released recommending public sector pension schemes connect to the National Dashboard by 31 October 2025. The legal deadline for connection was 31 October 2026.

3. RESOLVED to note the report.

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

To: Kent Local Pension Board – 21 November 2024

Subject: Pensions Administration

Classification: Unrestricted

Summary:

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

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

Recommendations:
The Board is recommended to:

i. Note and comment on the report; and
ii. Review and commend the revised Overpayment and Write-off Policy to the Pension Fund Committee.

Executive Summary:

	Key Highlights	*Matters to be closely monitored*
Casework Performance	*Increase in number of cases completed* *Increase in overall SLA performance*	*Performance on Survivor Benefits and Death Grant Payments* *Lack of progress on Deferred Benefits and Transfers/Interfunds Out could be affecting number of Undecided Leaver (status 2) records*
Recruitment	*13 roles filled – combination of external candidates and internal secondments*	*Follow up recruitment campaign for 2025 dependant on success of secondments*
Complaints, Compliments and Comments	*2 official complaints received*	*37 comments all expressed dissatisfaction with communication*
Overpayment Recovery and Write Off Limits	*Total value of overpayments written off = £6,250.05*	*Overpayments Write Off Policy updated – to be approved by Pension Fund Committee*

Communications and Support Update	*Annual Benefit Statements published/issued by statutory deadline* *9 new employers onboarded to iConnect*	*Triennial Valuation preparations – data cleansing and backlog clearance vital* *Preparations for Employer Forum in December*
Technical and Training Updates	*Additional guidance on McCloud implementation received* *Further legislation expected regarding the abolition of the Lifetime Allowance* *All Annual Allowance statements issued by statutory deadline*	*Additional complexity and demand on the team as a result of legislative changes* *Ensuring processes are updated and training provided*

FOR INFORMATION

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1. Casework Performance

1.1 Details of the administration casework performance can be found at **Appendix 1.**

1.2 During the period 1 August to 31 October 2024 a total of 11,378 cases were completed. This is an increase of 349 cases completed from the previous period. The average performance across all casework has increased from 78% to 79%. Performance has been categorised into red (below 80% SLA), amber (80-90% SLA) and green (above 90% SLA) in order to help Members and Officers identify where performance improvements are required.

2. Recruitment

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

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

2.2 The Summer recruitment campaign was highly successful in that all vacancies advertised were filled. The calibre of candidates at each level was high. Except for three of the entry-level vacancies, all posts were filled by internal promotions via secondment. The Fund is delighted to be able to offer these career opportunities to existing members of the team.

2.3 Also during this period, one colleague from Pensions Administration commenced a six-month secondment within Treasury & Investments Team to cover long-term sickness. Another colleague from Pension Administration is due to retire at the end of November 2024.

2.4 A follow-up recruitment campaign in 2025 for backfilling is likely to be required, subject to the above secondments being successful and offered as permanent positions. In addition to these potential backfills, all three departments continue to carry vacancies (Pension Administration, Technical & Training and Communication & Support). A decision was made not to advertise all vacancies in the Summer 2024 campaign due to business continuity and having limited training resource available to support promotions. The vacancies that were advertised in Summer 2024 were considered to be a priority to fill. No further recruitment has been scheduled in 2024 to allow a period of consolidation.

3. Complaints, Compliments and Comments

3.1 For the period 1 August to 31 October 2024 a total of 2 complaints, 15 compliments and 37 comments were received into the corporate system called iCasework. These have been summarised below:

Month	Complaints	Compliments	Comments
Aug	0	6 (x4 good communication, x2 helpful staff)	8 (all poor communication)
Sep	1 (disagreement with decisions or policies made)	3 (all good communication)	11 (all poor communication)
Oct	1 (disagreement with decisions or policies made)	6 (all good communication)	18 (all poor communication)

4. Pension Overpayment Write Offs

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

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

4.2 The Pension Overpayment and Write Off Policy (**Appendix 2**) has been updated to set out the process which is followed when an overseas pensioner fails to complete the existence check, and delegation for approving overpayment write offs has been expanded to include the Operations and Performance Lead Manager, Technical and Compliance Lead Manager, and Communications and Support Lead Manager, in the absence of the Pensions Administration Manager. The Board is asked to review and commend to the Committee for their approval at their meeting on 3 December.

5. Communications and Support (C&S) Update

5.1 The team has organised an extensive promotion of the **Annual Benefit Statement** being published on MyPension Online including information on the website, emails to scheme employers (with the MPO promotional poster to include in their internal communication), information in the employers newsletter, information on Viva engage, KNet and KMail, MPO promotional posters displayed in Invicta House and information about MPO on October and November KCC payslips.

5.2 Six **webinars** have been delivered on Annual Benefit Statements, Understanding your LGPS Pension and MyPension Online in September and October. The first webinar for employers was delivered on the 25 October and more are planned later in the year.

5.3 As part of the **Pension Awareness Week** the team has delivered additional webinars for employees of Kent Police and visited in person the Marlow Trust to present to the members of the LGPS. The first Lunch Time with Pensions has been hosted for KCC employees – an in-person event in Invicta House, where members of the scheme could ask about pensions. Following this event, the team has been invited to join two of KCC teams' meetings to help share the knowledge about the LGPS and MyPension Online. Three further visits to employers are planned for November.

5.4 Preparations are underway for the next **Employer Forum** on 4 December.

5.5 In preparation for next year's **triennial valuation**, a 'test' valuation is being run for this year. This will allow the team to investigate and clear any discrepancies based on member data up to 31 March 2024. The purpose of this is to reduce the time to complete the actual valuation next year. The team are also running a project to clear outstanding status 2 (leaver no liability) cases for employers. Dealing with the employers who have the highest percentage of status 2 cases when compared to their total member numbers first. This will assist the valuation process for next year. The longevity report has also been run for the Actuary and the team are working through the discrepancies that have been highlighted.

5.6 Onboarding employers to **iConnect** has continued. Since the last Pension Board meeting, the team have onboarded the following employers:

- Sandling Primary School – KCC
- Kemsing School – KCC
- Thurnham Infant School – KCC
- Riverhead Infants School – KCC
- Simon Langton Girls School – KCC
- Mitie PFI Limited
- Ton & Mall Leisure Trust (LIMBC)
- Kyndi Limited
- Sodexo Catering

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

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

6. Technical and Training Updates

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Clare Chambers – Pensions Administration Manager – Kent Pension Fund

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November 2024

Appendix 1 – August to October 2024 Performance Report
Appendix 2 – Pension Overpayment and Write Off Policy – 2024 – v5 DRAFT

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

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KENT COUNTY COUNCIL

ADMINISTERING AUTHORITY FOR KENT PENSION FUND

PENSION OVERPAYMENT AND WRITE OFF POLICY 2024

MAY 2024

CONTENTS

1 INTRODUCTION

1.1 This is the Pension Overpayment and Write Off Policy for the Kent Pension Fund, which is managed by Kent County Council (the Administering Authority).

1.2 Pension overpayments can occur for a variety of reasons. It is important that the Fund has a clear policy on how pension overpayments are managed once they are identified.

1.3 Kent Pension Fund recognises the need to take a pro-active approach to identifying potentially fraudulent activity and overpayments.

2 POLICY OBJECTIVES

2.1 The policy objectives aim to ensure the Fund:

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

3 PURPOSE OF THE POLICY

3.1 The policy is designed to provide assurance to the Fund's stakeholders that:

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

4 EFFECTIVE DATE AND REVIEWS

4.1

Version	Policy effective date
1 – draft	

4.2 This policy will be reviewed every three years, and if necessary, more frequently to ensure it remains accurate and relevant.

5 SCOPE

5.1 The policy applies to:

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

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

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

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

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

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

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

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

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

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

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

8.2 Overpayments that are greater than £200.00 in value will generally be recovered through the scheme member's ongoing pension as this allows for the appropriate adjustment for tax. The pension will be reduced to the correct level for the next available monthly pension payment after a 6 week notice period. The scheme member will be notified in writing of the error and the course of action to be taken.

8.3 Where there is no ongoing pension from which to deduct the overpaid amount, repayment will be requested by the Fund to recover any overpayment which is greater than £200.00 in value.

8.4 Where an overpayment of the lump sum has occurred following inaccurate information provided by the employer, a letter requesting repayment will be sent by the Fund to recover any overpayment which is over £200.00 in value.

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

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

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

9.2 If the scheme member has been notified of the correct rate of pension and/or lump sum in writing and is receiving/ has received a higher amount, it can be said that the member can reasonably be aware that they are being/ have been overpaid as the scheme member has been notified of the correct rate in writing.

9.3 The Fund will therefore generally seek to recover monies that are greater than £200.00 gross in value unless there are legal reasons and/or other circumstances which mean that the overpayment may not, in practice, be able to be recovered (in whole or in part). A value of £200.00 or less has been deemed by the Fund as uneconomical to pursue due to the administrative time involved.

9.4 The amount of overpaid pension will generally be recovered from the scheme member's ongoing pension as this allows for the appropriate adjustment for tax. The pension will also be reduced to the correct level for the next available monthly pension payment after a 6 week notice period and will be notified in writing of the error and the course of action to be taken.

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

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

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

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

10.2 In these circumstances the Fund will generally seek to recover monies that are greater than £200.00 gross in value unless there are legal reasons and/or other circumstances which mean that the overpayment may not, in practice, be able to be recovered (in whole or in part). A value of £200.00 or less has been deemed by the Fund as uneconomical to pursue due to the administrative time involved.

10.3 The amount will be recovered from the scheme member's ongoing pension as this allows for the appropriate adjustment for tax. The pension will also be reduced to the correct level for the next available monthly pension payment after a 6 week notice period. The scheme member will be notified in writing of the error and the course of action to be taken.

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

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

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

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

2	**Incorrect level of GMP being paid**	New information from HMRC or a review of the member's record leads to a revised rate of GMP to be used which, due to the different way cost of living increases are applied to GMP and the excess over GMP, means that, overall, a lower level of pensions increase should have been paid.
3	**GMP not accurately split between pre 88 and post 88**	New information from HMRC or a review of the member's record shows that a GMP has not been apportioned correctly. Due to the different way cost of living increases are applied to pre 88 GMP and post 88 GMP, means that, overall, a lower level of pensions increase should have been paid.

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

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

12 DISCRETION TO WRITE OFF OVERPAYMENTS

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

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

13 RECOVERY

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

13.2 Therefore the Fund will generally seek to recover overpayments that have been discovered within the last 6 years with the relevant postponement applied if applicable in line with the Limitation Act unless there are legal reasons and/or other circumstances which mean that the overpayment may not, in practice, be able to be recovered (in whole or in part).

13.3 Examples of limitation periods and how they operate in relation to overpayments are included in appendix 1 of this policy.

13.4 It should be borne in mind that where the Fund seeks to recover overpayments, there may be arguments raised as to why the overpayment should not be recovered (in whole or in part). These will need to be considered on a case-by-case basis and, if successful, may affect the ability of the Fund to recover the overpayment (in whole or in part).

14 LENGTH OF TIME TO RECOVER OVERPAYMENT

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

15 CLAIMS OF INABILITY TO REPAY OVERPAYMENTS

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

16 MONITORING REPAYMENTS

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

17 AUTHORITY TO WRITE OFF OVERPAYMENTS

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

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

	Technical & Compliance Lead Manager or Communications & Support Lead Manager)
Up to no more than £49,999 (gross)	Head of Pensions & Treasury
£50,000+ (gross)	Director of Corporate Finance/S151 Officer
***Subject to a full evidence-based report produced by Officers of the Fund**	

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

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

18.1 Administering authorities are obliged to correct any error they discover within a reasonable period of time. To do otherwise could render payments unauthorised under Part 2 of the Registered Pension Scheme (Authorised Payments) Regulations 2009. The HM Revenue and Customs have a clear steer with regards to timing, in so much that "*When a scheme discovers an overpayment it immediately becomes unauthorised and is subject to an unauthorised tax charge*".

18.2 Appendix 2 sets out when an error may be regarded as a genuine error under Part 2 of the 2009 Regulations.

18.3 In addition to the above, there is a further exemption where the overpayment is not a 'genuine error', and the aggregate overpayment (paid after 5th April 2006) is less than £200. In such circumstances, if the overpayment is not recovered it remains an unauthorised payment, but it does not have to be reported to HM Revenue and Customs and HM Revenue and Customs will not seek to collect tax charges on it.

18.4 In Appendix 2 of this policy we set out some examples of HM Revenue and Customs 'genuine errors.

18.5 Payments made in the period between notifying the member of an overpayment and the point at which the correction to the right level of pension is made will be regarded under the above legislation as an unauthorised payment. If the total amount of pension paid at the incorrect rate from point of notification to date of reduction to the correct rate is greater than £200 (gross) it would be subject to tax charges 1) and 3) and possibly 2 as set out in paragraph 18.1.

19 PREVENTION

19.1 The Fund has in place processes in order to minimise the risk of overpayments occurring.

19.2 The National Fraud Initiative is conducted every two years; it compares files of pensioners with the Department for Work and Pensions database of the deceased and highlights matches for investigation. Kent Pension Fund actively participates in this initiative.

19.3 Kent Pension Fund participates in overseas life existence checks to ensure only legitimate pensions are being paid and to reduce the likelihood of fraudulent activity. If Pensioners do not complete the existence checks by the deadline given, then their pensions are suspended pending further investigation.

19.4 A report is run periodically on the pension administration system to identify individuals in receipt of a child's pension, further investigations are then carried out for children that are identified as over the age of 18 to ensure they are still entitled to receive a pension.

19.5 Kent Pension Fund includes reminders in its correspondence that the Fund must be advised of changes in circumstances or the death of a scheme member. The Fund also investigates any pension payments returned by banks and building societies to ensure the welfare of the scheme member and to protect payment of the Fund's money.

19.6 Fund officers have a robust system in place for identifying changes to the payroll that need to be processed for a particular payroll month. The process incorporates payroll deadlines and ensures changes are made in a correct and timely manner. This would be in circumstances such as a change from a short-term dependant's pension to a long-term pension.

Scenario	Limitation Period	Overpayment Period which can be claimed*
• 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 *Webber v Department for Education*)	• 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	• 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).
• 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 *Webber*)	• 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	• 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).

Scenario	Limitation Period	Overpayment Period which can be claimed*
• 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 *Webber*)	• 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	• 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).
• 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 Webber)	• 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	• 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*
• 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 *Webber*) •	• 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 Webber 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	• 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, of discovered after this time the overpayment period would be longer).

* 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.

APPENDIX 2 - EXAMPLES OF HM REVENUE AND CUSTOMS ‘GENUINE ERRORS’

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 payments and a 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

GENUINE ERROR - EXAMPLE 1

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

GENUINE ERROR - EXAMPLE 2

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

GENUINE ERROR - EXAMPLE 3

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

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From:	Chairman Kent Pension Board Interim Corporate Director - Finance
To:	Kent Pension Board – 21 November 2024
Subject:	Investment Update (30 September 2024)
Classification:	Unrestricted

Executive Summary:

This report provides a summary of the Fund's investment strategy, asset allocation, performance, and responsible investment activity.

The intra asset class review of the Fund which started with Equities is substantively complete and will be tabled at the Committee for decision. Simultaneously the review of the Fixed Income asset class has been commenced to ensure that the timeline for the review is not materially affected.

The suspension in the dealing of the Fidelity Property Fund has now been lifted by the manager and is reported in section 3.

Section 4 of the report provides an overview of the Fund's current asset allocation compared to the target range and notes that no rebalancing is required at this stage.

The Fund has outperformed its quarterly benchmark and a detailed commentary on the performance by asset class and manager for the quarter as well as longer term is included in sections 5 and 6 of the report.

Finally, the report also includes an overview of the update provided to the Responsible Investment Working Group on the Fund's Net Zero commitment as well as on the activity of the ACCESS ESG sub-group.

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. Intra Asset Class Review

2.1 As the Board is aware, officers had initiated an intra asset class review to ensure that the investments are aligned to achieving the objectives of the investment strategy. The review would start with equities and then cover fixed income and private assets in that order.

2.2 Following the initial report from Mercer on the findings of the equities review and the Committee's feedback in June, the plan was to develop the final proposals and to take recommendations to the September Committee for decision. However, it was felt that further work was required to formulate final recommendations for the Committee, and the decisions would be deferred to the December Committee. It was also agreed that the review of the fixed income asset class would also be commenced to ensure that the review timeline is not materially affected.

2.3 In September the Committee received a progress update on the equity review. It highlighted the work carried out by officers on identifying implementation routes as well as by Mercer who have further developed their proposals having considered options for mitigating unintended underweight bias to the quality style factor and actions for achieving more consistent mandate sizes across the equity allocations.

2.4 Work on the equity allocation review has now been substantively completed by Mercer and the recommendations arising will be tabled at the December Committee meeting for decision, along with initial findings of the fixed income review for the Committee's feedback.

1. Property

1.1. In September we had reported that Fidelity, as the manager of the Fidelity UK Real Estate Fund FIREF had decided to temporarily suspend dealing in the fund. The suspension was implemented after they concluded that redemptions had reached a level whereby a suspension was an appropriate measure intended to protect the interests of all the investors. During the suspension the manager has individually engaged with each investor to provide information about the redemptions pipeline, and to discuss the future and strategic options for the Fund.

1.2. Following the investor engagement Fidelity has lifted the suspension in September. In the meantime, FIREF has been selling properties to meet the queue of existing redemption requests and it is anticipated that they will be able to meet Kent's redemption request by the end of 2025.

4 Fund value and asset allocation

4.1 As of 30 September 2024 (the latest available data), the Fund's value was £8.4bn compared to £8.3bn as at 30 June 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**	**56**	**3**	**In range**
UK Equities	10	+/- 2.5	11	1	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	-	5	0	N/A
Private Equity	5	-	4	-1	N/A
Property	10	-	9	-1	N/A
Cash	**0**	**5**	**0**	**1**	**In range**
Total	**100**		**100**		

4.2 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 is being held to meet liquidity requirements for private equity and infrastructure drawdowns pending formulation of a liquidity waterfall for approval by the Committee. 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 December.

5 Investment performance: quarter to 30 September 2024

5.1 The Fund's investments returned 1.4% in the three months to 30 September 2024, compared to the benchmark return of 1.1%.

5.2 ***UK equities*** continued to generate higher returns compared to the global index with the FTSE All Share index gaining 2.3% over the quarter. Domestically focused mid cap and small cap equities performed better than large cap stocks. The Fund's UK equity manager, Schroders, outperformed the benchmark during the quarter with a return of 3.7%.

5.3 ***Global equities:*** geopolitical tensions, economic backdrop was positive, and returns were positive. Global equity markets returned 5.1% in local currency but due to strengthening of the Pound, the MSCI ACWI returns in sterling were a modest 0.5% over the quarter.

5.4 Amongst the Fund's global equity managers, Baillie Gifford's return of 2.1% was above its fixed weight regional benchmark return of 1.0%. Impax, M&G and the Schroders Active Value Fund all outperformed the MSCI benchmark of 0.5% this quarter with returns of 4.5%, 4.1% and 0.9%, respectively. Sarasin underperformed with -1.2% returns over the quarter. Collectively, the Fund's global equity mandates delivered a return of 1.9% during the quarter.

5.5 After taking into account the impact of the risk management framework, this gain was reduced to 0.7%. The increase in the global equity valuations meant that the value of the Fund's equity protection assets decreased.

5.6 ***Emerging market equities:*** This is the first quarter where the Fund has a full quarter's performance for the emerging market equities. Despite some volatility, emerging market equities ended the quarter with strong returns. The MSCI EM index returned 2.5% in sterling. Both Robeco and Columbia Threadneedle (CT) underperformed the benchmark with 2.1% and -1.1% returns, respectively. CT's performance was particularly affected by its underweight position in Chinese stocks which were boosted by the Chinese government's policy initiatives in September as well as its overweight position in technology stocks which detracted in this quarter.

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

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

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

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

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

6 Longer term performance

6.1 For the year ended 31 September 2024, the Fund achieved a return of 6.5% against a benchmark return of 10.7%, an underperformance of 4.2%.

6.2 Against a backdrop of gradual disinflation and renewed expectations of interest rate cuts, bonds have performed well over the last year. All the Fund's bond managers have significantly outperformed the cash benchmark in the 1-year period. CQS were the best performing manager with a return of 13.6% against a cash +4% benchmark of 8.6%, followed by the M&G Alpha Opportunities fund, which returned 11.1%. Both Schroders and GSAM also performed equally well with 13.0% and 11.1% respectively.

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

6.4 Relative performance from the absolute return managers against their inflation plus 5% target over the past 12 months has been mixed. Ruffer detracted with a return of 4.8% whilst Pyrford has outperformed the benchmark with 9.1%. against the benchmark of 5.2%. Overall, the property portfolio returned 1.8% against a benchmark of 2.4%. Although the DTZ direct property portfolio returned 2.6%, performance detracted due to underperformances by Fidelity, Kames and M&G.

6.5 For the three-year period, the Fund achieved a return of 2.1% compared to its strategic benchmark of 5.6%, an underperformance of 3.5%.

6.6 Benchmark equity returns have been strong during the three-year period with UK and Global equity indices returning 7.4%, and 8.3% respectively. Of the equity managers, M&G and Schroders GAV have outperformed the benchmark over the period with an annualised return of 10.2% and 8.5% respectively whilst the Fund’s growth-style manager, Baillie Gifford, significantly detracted with a return of -7.1% against a regional benchmark return of 6.9%. As noted in section 2 above, a review of the equities portfolio with recommendations to ensure it remains aligned with the Fund’s long term investment objectives will be presented to the Committee in December for decision.

6.7 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.

6.8 The private equity allocations have been the best performers in the three-year period while the absolute return managers have struggled against their inflation-linked benchmarks, given elevated levels of inflation over the performance horizon.

7 Responsible Investment Update

Net Zero Update

7.1 In December 2023, the Kent Pension Fund Committee made a net zero commitment for 2050 for listed equity investments of the Fund.

7.2 In October 2024, officers carried out a review of the progress made by the Fund towards decarbonization in the year since June 2023 which was the last point of assessment included in the underlying analysis supporting the Fund's net zero strategy.

7.3 The review was undertaken based on information obtained from investment managers with respect to the following metrics and information:

- Carbon Footprint of the portfolio
- Science Based Targets initiative (SBTi) alignment of underlying portfolio companies
- Rationale for holding high emitters in the portfolio and engagement activity undertaken to support decarbonization

7.4 Although the carbon footprint data used for the analysis was reported by investment managers, they all confirmed that the source of the data was one of the prominent providers of ESG data, mainly MSCI which was also the source of data used in the ACT analysis by Mercer. Officers further validated the data to ensure consistency of basis.

7.5 Overall, the review found:

a. Good progress in decarbonisation of listed equity portfolios being on track to meet the IPCC curve net zero targets. The reduction achieved as of June '24 brought the carbon footprint down to 76% of the 2020 baseline compared to 92% as at June 2023. Coverage of companies reporting carbon metrics ranged from 97%-99% and therefore provided a high level of confidence.

b. The decarbonisation achieved in the fixed income portfolios was even more significant even though the Fund has not made a formal net zero commitment in relation to these portfolios. These portfolios showed a reduction to 39% of the 2020 baseline at June 2024 compared to 60% at June 2023. We recognize that the coverage of companies reporting carbon metrics is still quite low although improving consistently. There is a possibility that the metrics might reflect an increase in carbon footprint in the short run as more companies' data gets included.

c. Number of underlying companies in the listed equity portfolios with SBTi targets also showed an improvement from 37% to 39%. Companies in fixed income portfolios with SBTi targets improved from 23% to 24%. We recognise that as different companies utilise different ESG frameworks to organize their ESG activities it is difficult to measure progress against a single consistent framework.

d. Most managers provided comprehensive details of engagement undertaken by them with the high emitting companies in their portfolio although decarbonization was not the only focus of their engagement.

7.6 Following on from the above analysis, officers will be continuing to further engage with managers to query the methodology of measurement by the managers as well as the effectiveness of the engagement undertaken by them.

<u>ACCESS RI Update</u>

7.7 Officers updated the Responsible Investment Working Group on two recent and significant developments in ACCESS supported by PIRC, (who is the responsible investment consultant for ACCESS) and agreed by the ACCESS Joint Committee (JC):

a. The ACCESS stewardship code submission – this was due to be submitted to the Financial Reporting Council in October 2024.

b. The updated ACCESS Voting Guidelines – this will be shared with the investment managers who will be asked to report on a comply or explain basis (only by exception).

7.8 The JC also approved procurement of a voting and engagement provider for ACCESS whose role will be to provide voting activity for all ACCESS investments in line with the ACCESS voting guidelines and to focus ACCESS engagement activity with underlying companies in line with ACCESS priorities.

7.9 The ACCESS RI sub-group is currently preparing for the procurement of the voting and engagement provider with the support of Hampshire procurement team with an anticipated completion timeframe of March 2025.

Appendices

Appendix 1 – Quarterly Performance Report (30 September 2024)

Sangeeta Surana (Investments, Accounting and Pooling Manager)

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30 October 2024

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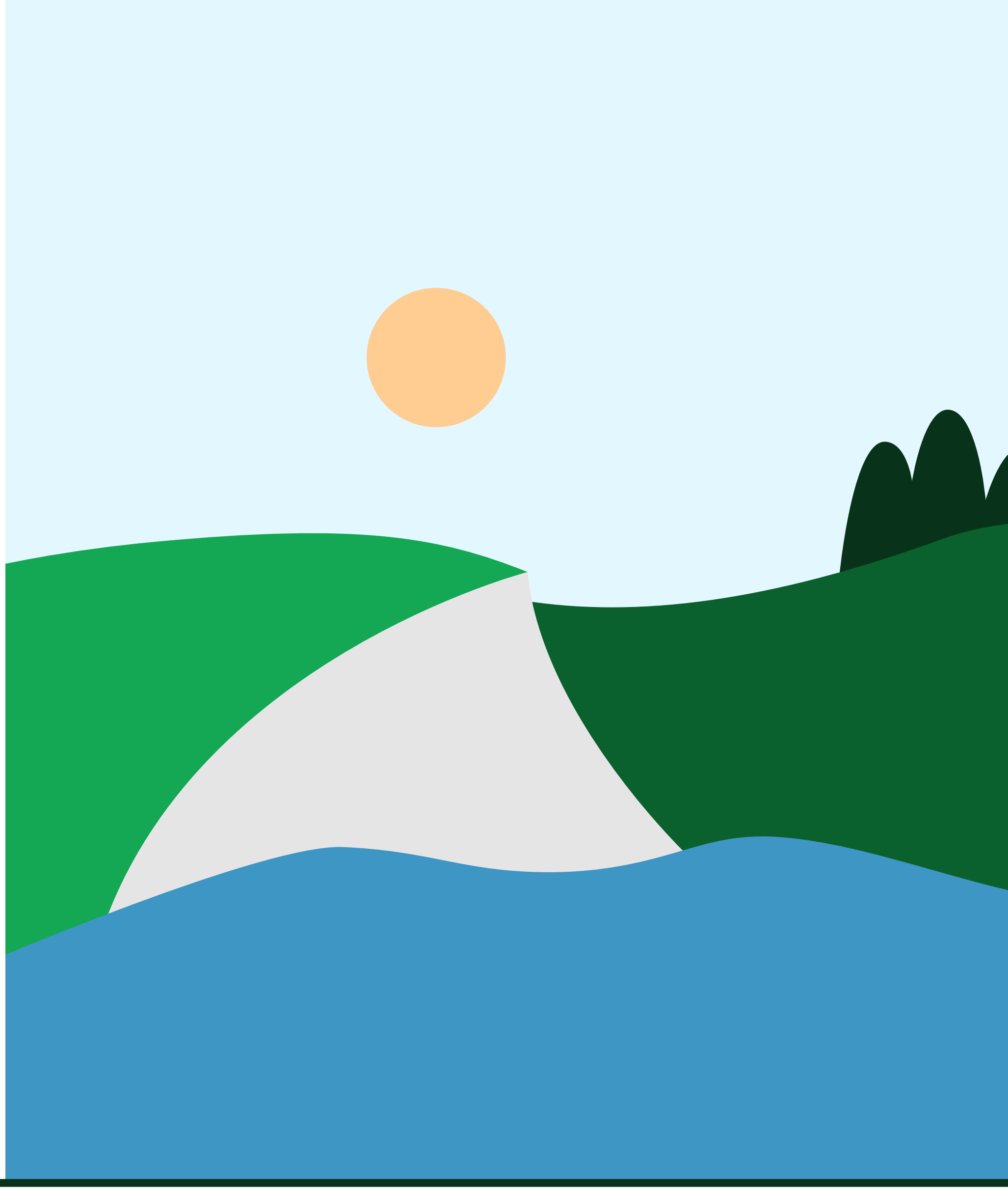
Kent Pension Fund

Q3 2024 Fund Performance



Market Commentary

- In the third quarter of 2024, developed market ("DM") central banks including the US Federal Reserve ("Fed") cut interest rates. DM central banks were prompted to loosen monetary policy amidst the macroeconomic backdrop of cooling inflation, labour markets and slowing wage growth. Notably, the Bank of Japan ("BoJ") diverged from other DM central banks and hiked rates by 0.15% in July given the impact of robust wage negotiations on inflation. Market sentiment over the quarter tilted back towards a soft-landing as fears of a US recession – which gripped markets in early August – quickly subsided. Overall, bond yields declined across DM economies, while equities outperformed in response to rate cuts. That said, uncertainty around the US election and tensions in the Middle East sparked temporary volatility in financial markets.

- US real GDP increased at an annual rate of 3% in Q2 2024 against an increase of 1.6% in Q1 2024. The increase reflects upward revisions to private inventory investment and federal government spending that were offset by downward revisions to non-residential fixed investment and exports. Headline US inflation fell over Q3 2024, decreasing to 2.5% in August from 3% at the end of June. Core US inflation has been declining in recent months. The Federal Reserve, at its September meeting, decided to cut interest rates, lowering the target range of the fed funds to 4.75%-5.0% from 5.25%-5.5%. The median dot in the Summary of Economic Projections (SEP) showed 50bp more cuts in 2024.

- Chinese GDP grew 4.7% (year-on-year) in Q2 2024, lower than 5.3% in Q1 2024, and the weakest yearly advance since Q1 2023, amid a persistent weak property market, subdued domestic demand and falling yuan. China's central bank announced a major package of measures aimed at supporting economy's recovery. The People's Bank of China (PBoC) lowered its one-year policy loan rate, known as the medium-term lending facility (MLF), by 30bps to 2.0% from 2.3%.

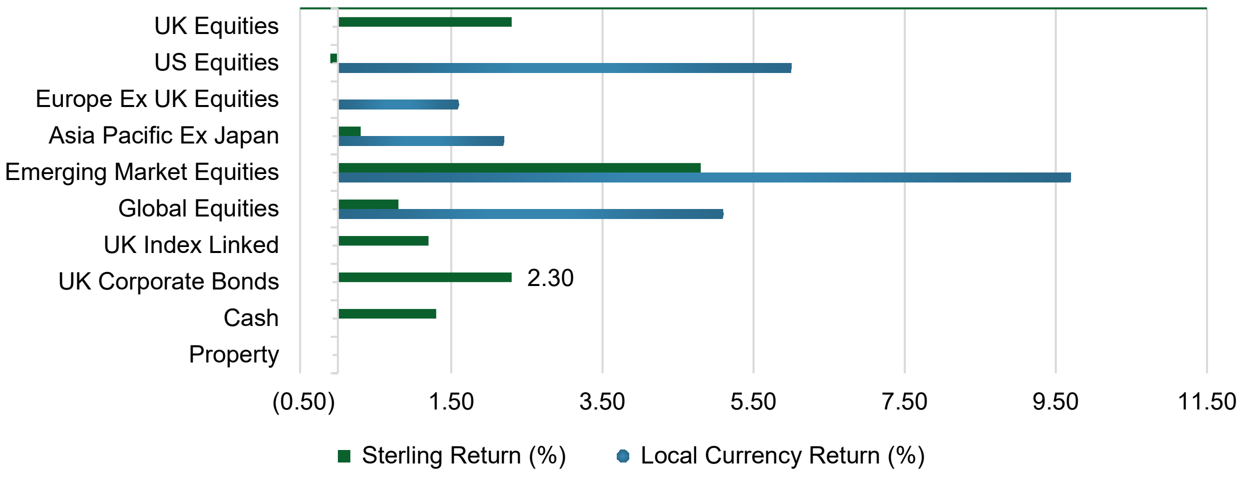
Q2 Japan's GDP expanded by an annualized 2.9% in the second quarter from the previous three months. largely due to downward revisions in corporate and personal spending. The Bank of Japan in July raised its key interest rate to 0.25% from 0-0.1%,

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

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

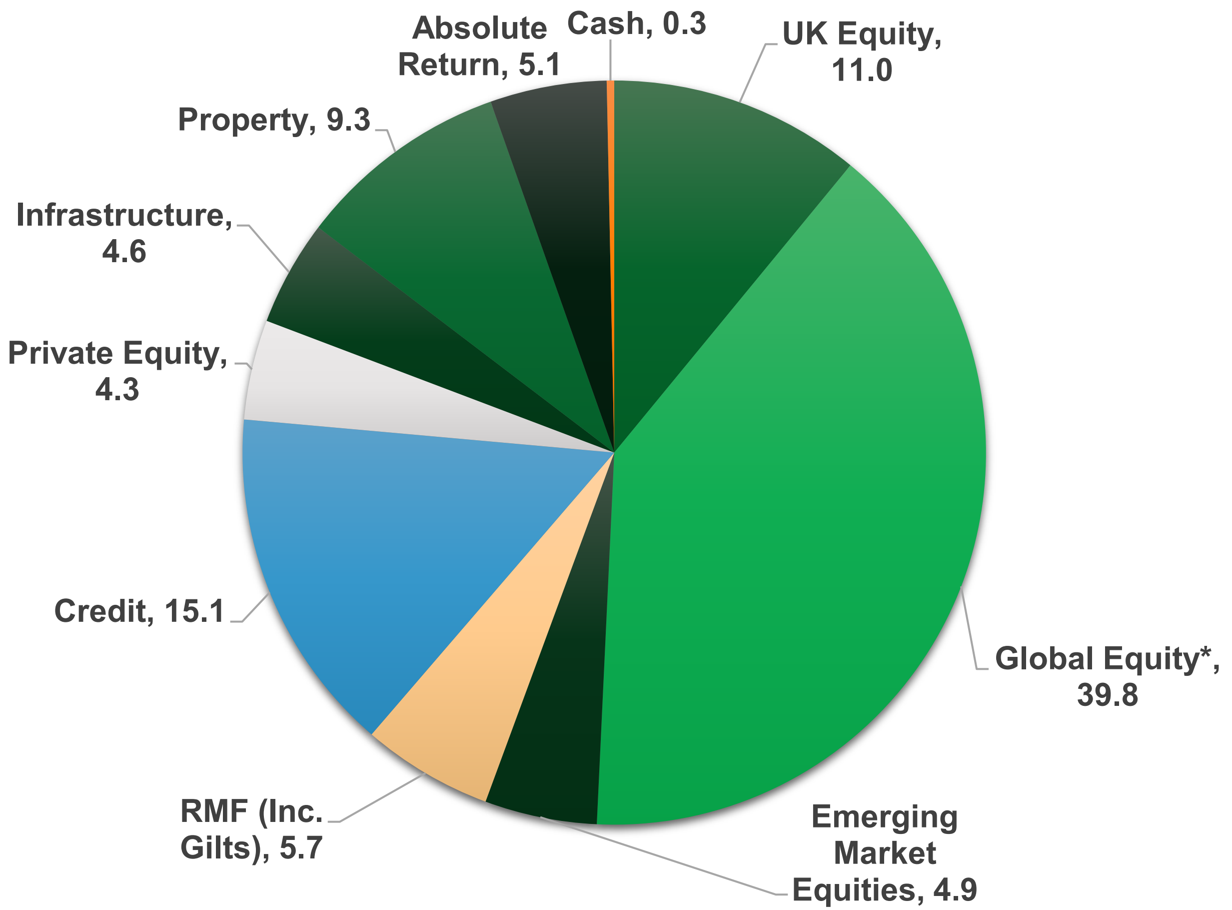
Source: Mercer LLC

Market Returns (%)



Source: Mercer LLC, Refinitiv and Schroders

Asset Allocation – 30 September 2024



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*Synthetic Equity exposure with Insight is included within Global Equity.
**Risk Management Framework is made up of Gilts, as well as Insight IWS contribution and Equity Protection collateral.

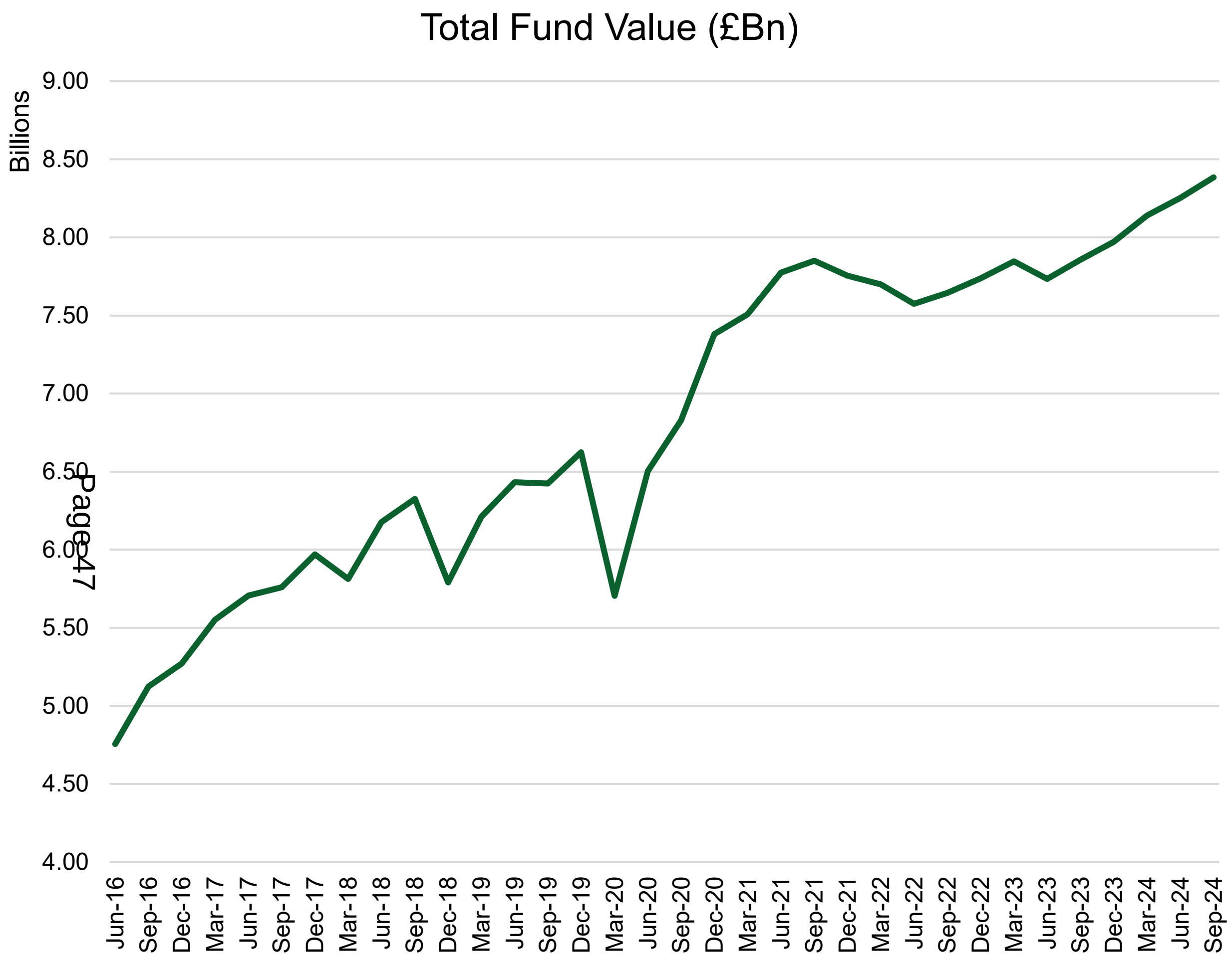
Source: Northern Trust, RADAR Reporting

Fund Manager Summary

Asset Class	Fund Manager	Market Value as at 30 September 2024 (£m)	Market Value as at 30 June 2024 (£m)	Change in MV (£m)	% of Total
UK Equity	Schroders UK Equity	917	884	33	10.9
	Woodford Equity	2	2	0	0.0
Global Equity	Impax	75	71	3	0.9
	Sarasin	434	439	-5	5.2
	Baillie Gifford	1,230	1,205	25	14.7
	Schroders Global Active Value	481	476	4	5.7
	M&G Global Dividend Fund	643	618	25	7.7
	Insight (Synthetic Equity Exposure)	472	478	-5	5.6
Emerging Markets Equity	Columbia Threadneedle	207	209	-2	2.5
	Robeco	203	198	4	2.4
Risk Management Framework (inc. Gilts)	Insight	478	494	-16	5.7
Credit	CQS	271	264	8	3.2
	Goldman Sachs	435	421	14	5.2
	Schroders Strategic Bond Fund	273	262	11	3.3
	M&G Alpha Opportunities	288	282	6	3.4
Absolute Return	Ruffer	186	180	6	2.2
	Pyrford	240	232	7	2.9
Property	DTZ	467	466	1	5.6
	DTZ Pooled Property	106	53	53	1.3
	DTZ (previously Aegon)	27	27	-1	0.3
	M&G Residential Property	35	43	-8	0.4
	Fidelity	143	138	5	1.7
Infrastructure	Partners Group	384	373	11	4.6
Private Equity	HarbourVest	290	305	-15	3.5
	YFM	74	65	9	0.9
Cash	Internal Cash	27	68	-41	0.3
Total		**8,385**	**8,253**	**132**	**100.0**

Source: Northern Trust, RADAR Reporting

Historical Performance



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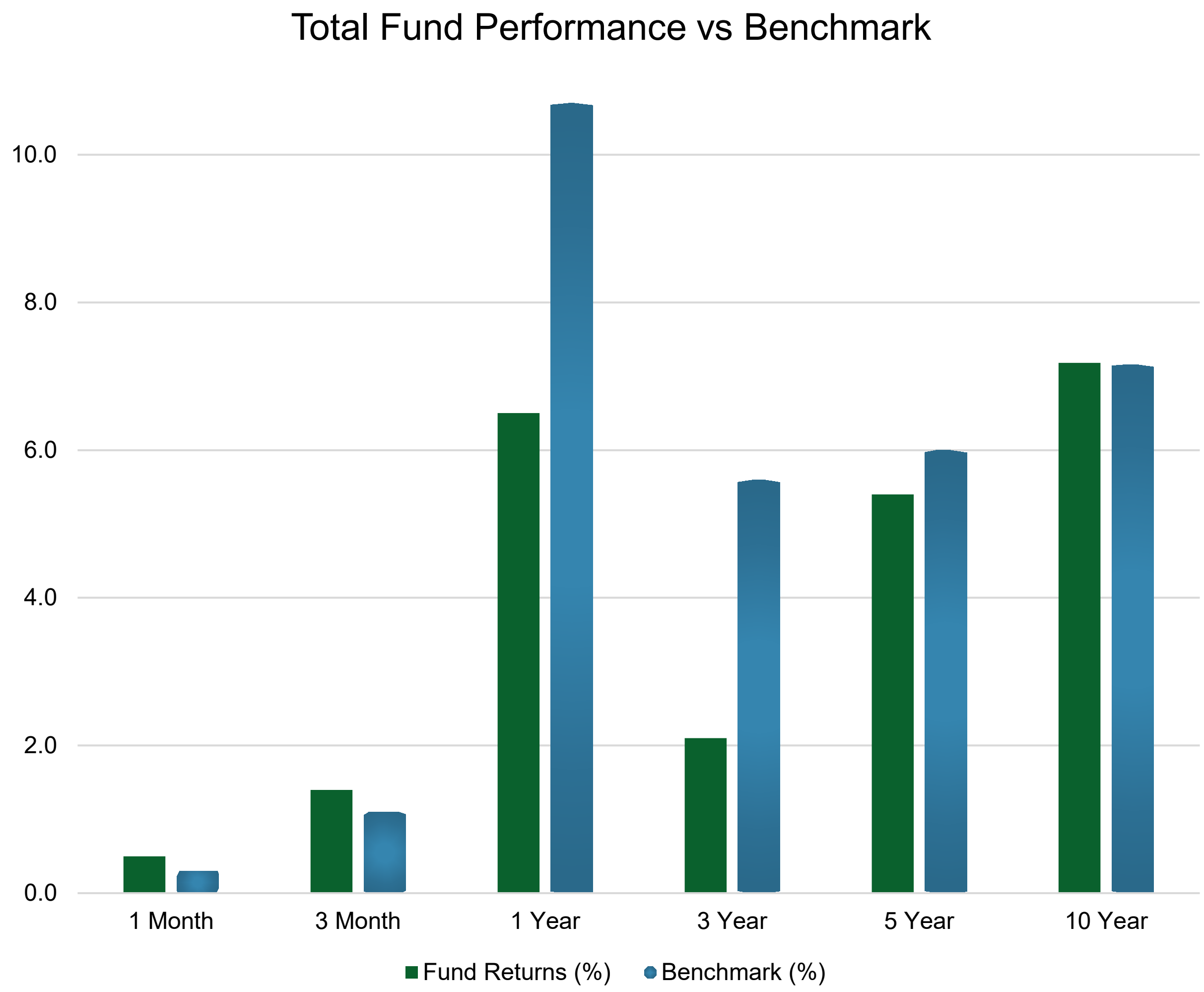
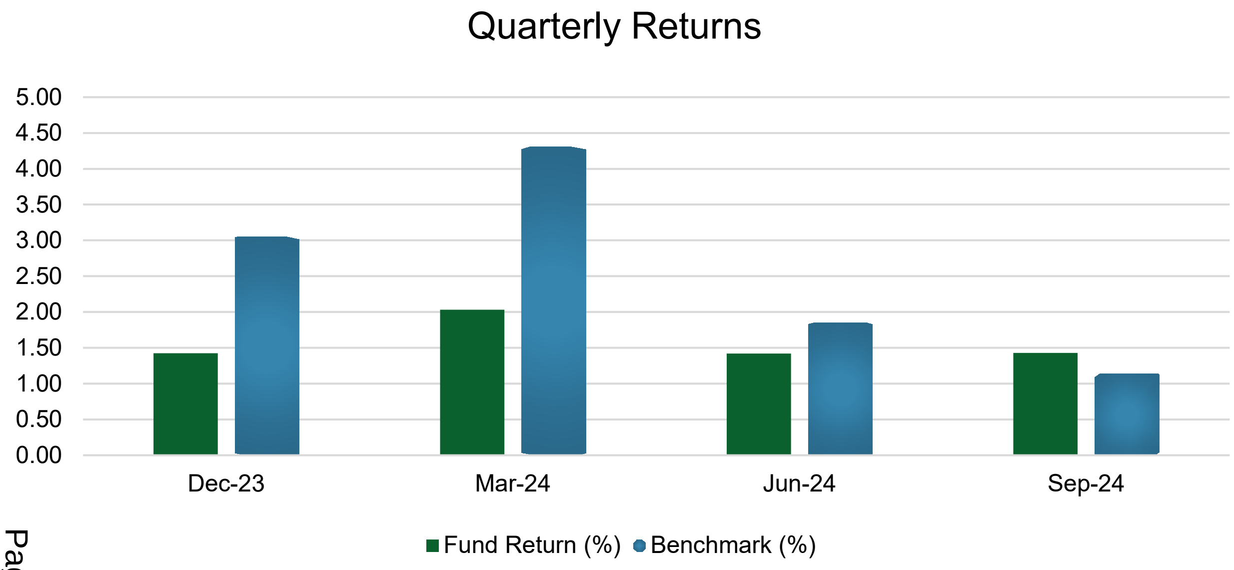


Source: Northern Trust, RADAR Reporting

Discrete Performance



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

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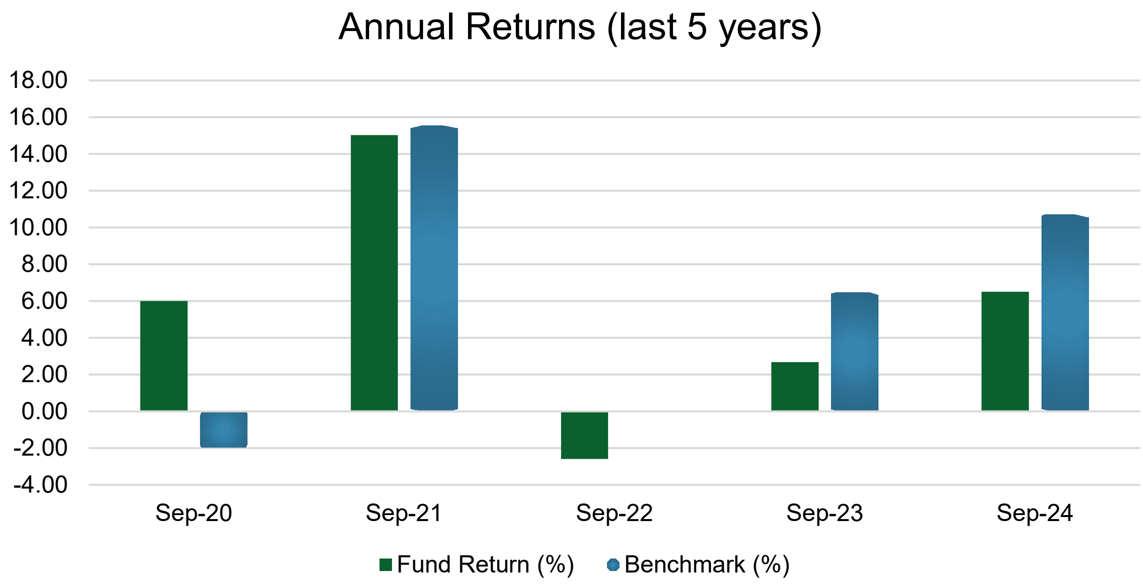
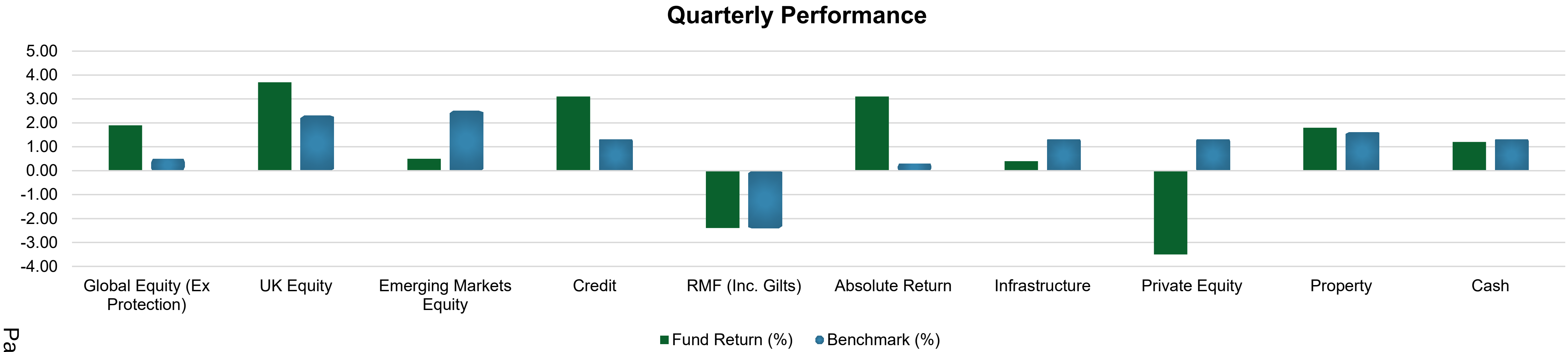
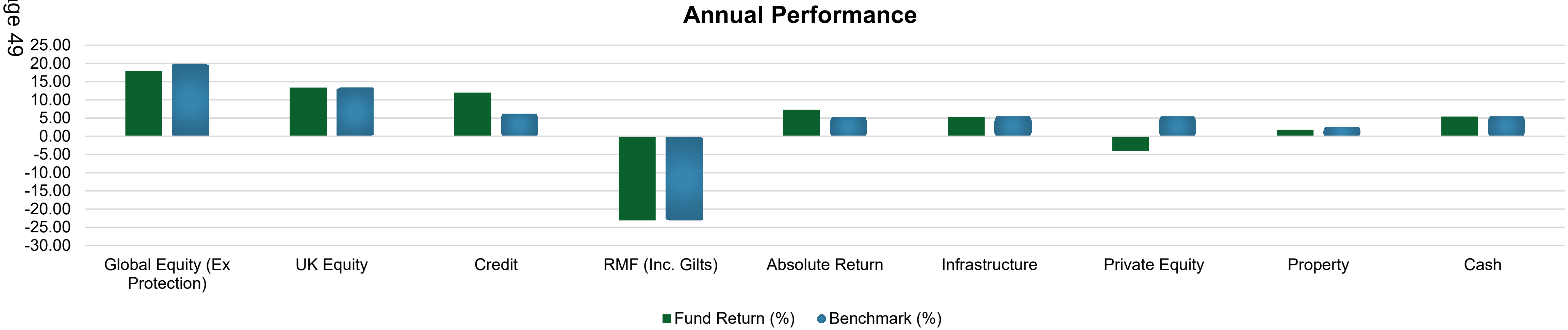
- The Fund has experienced mixed performance relative to the benchmark over the past five years. Outperformance was achieved in 2020 as the Fund's allocation to high-growth equities generated strong returns. However, the last four years have been marked by underperformance as a result of elevated inflation, interest rate hikes, and the Ukraine invasion.
- The most recent annual performance as at September 2024 reflects challenges seen by the Fund's UK and global equities mandates with volatility persisting. Private equity was also a large detractor to annual performance with valuations being impacted by the changing interest rates.



Source: Northern Trust, RADAR Reporting

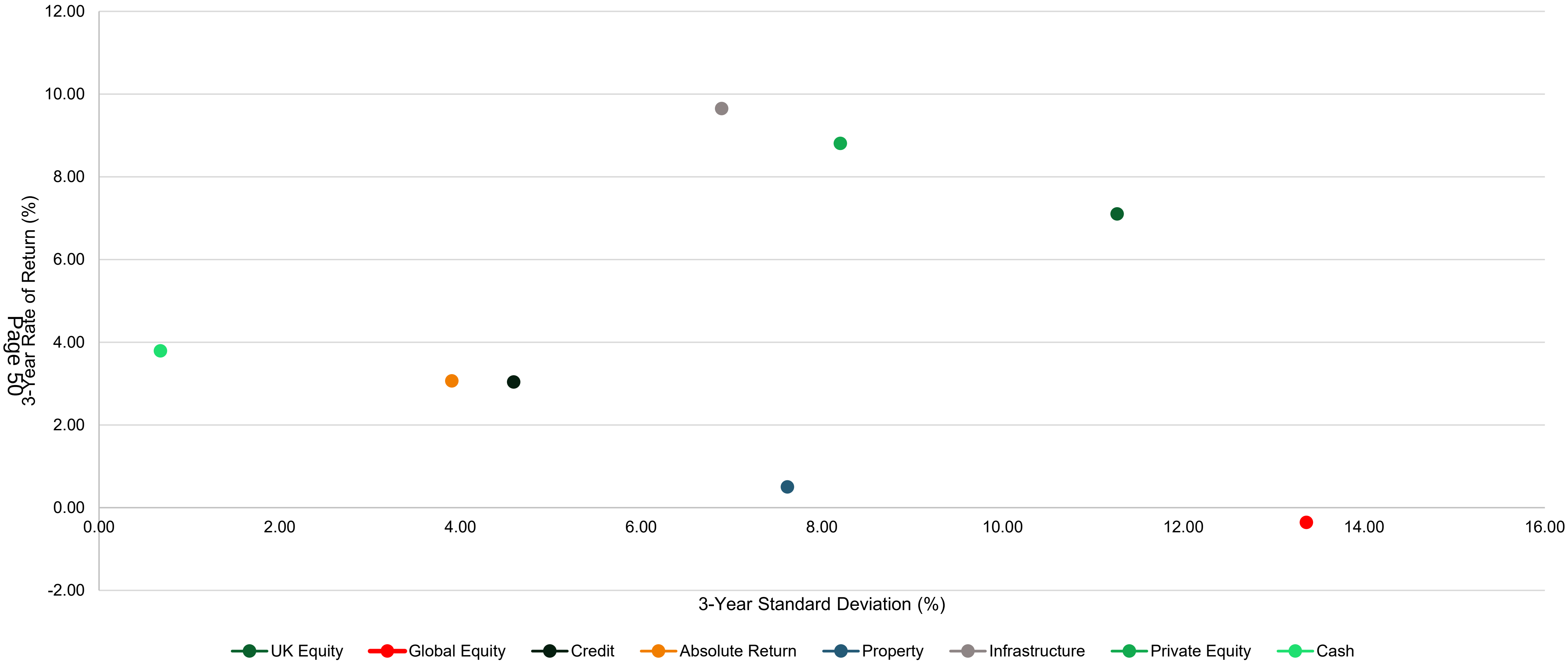
Asset Class Performance





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

Source: Northern Trust, RADAR Reporting

Alternatives Performance

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

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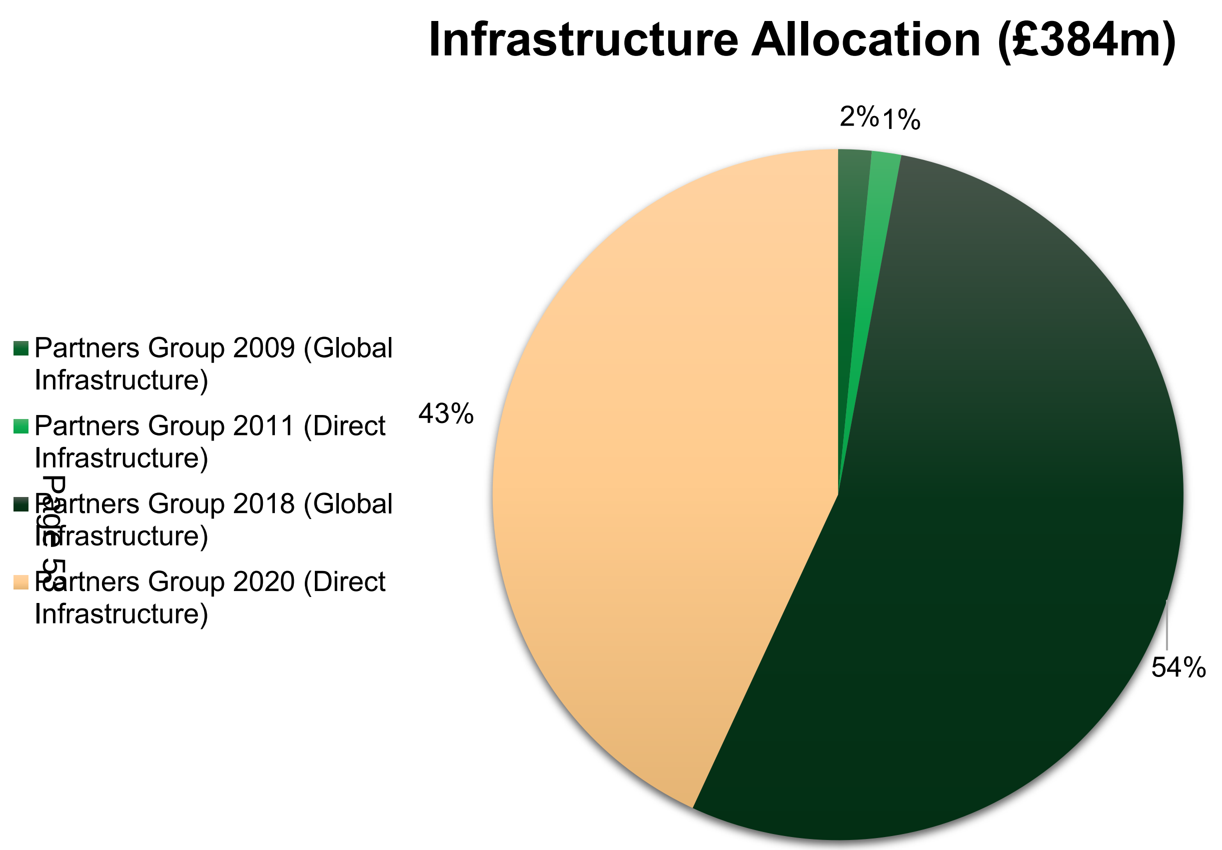
Kent Pension Fund

Source: Northern Trust, RADAR Reporting

Alternatives Breakdown



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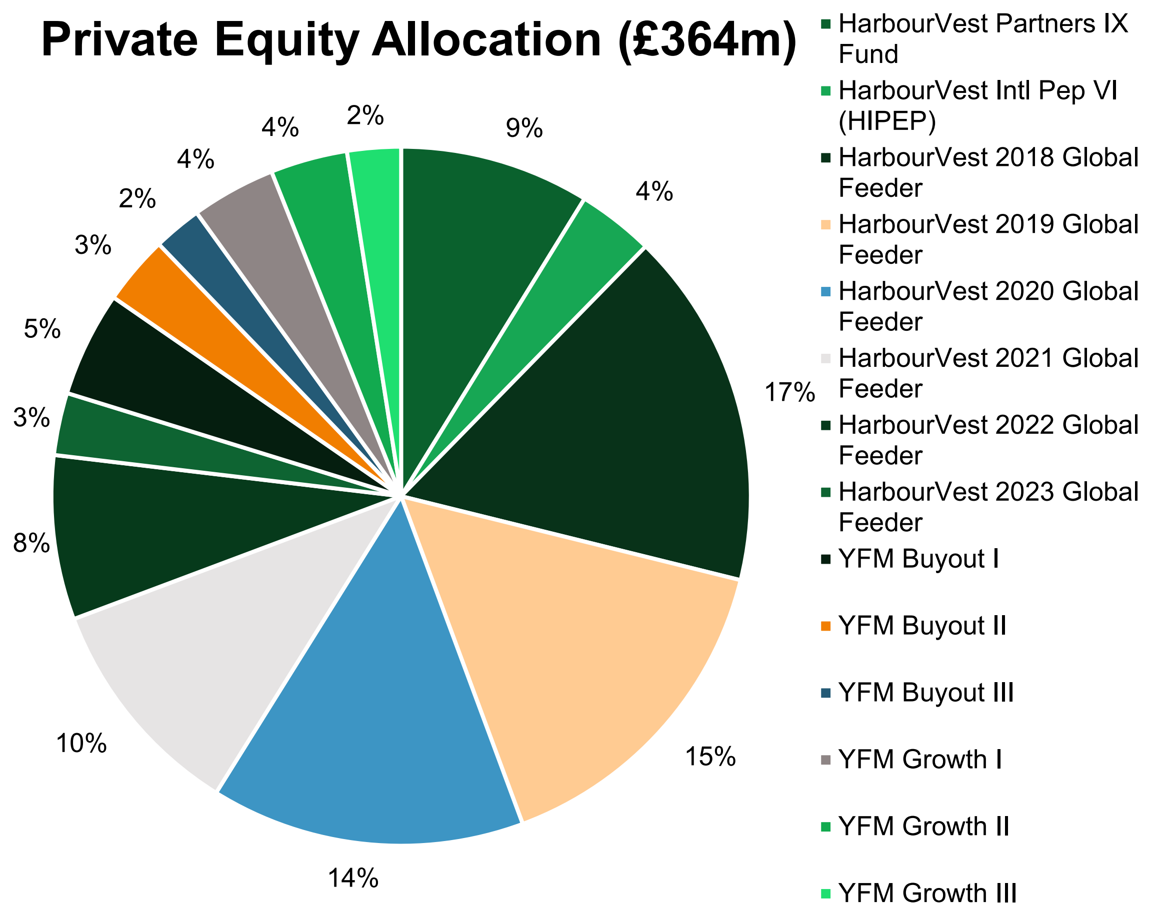
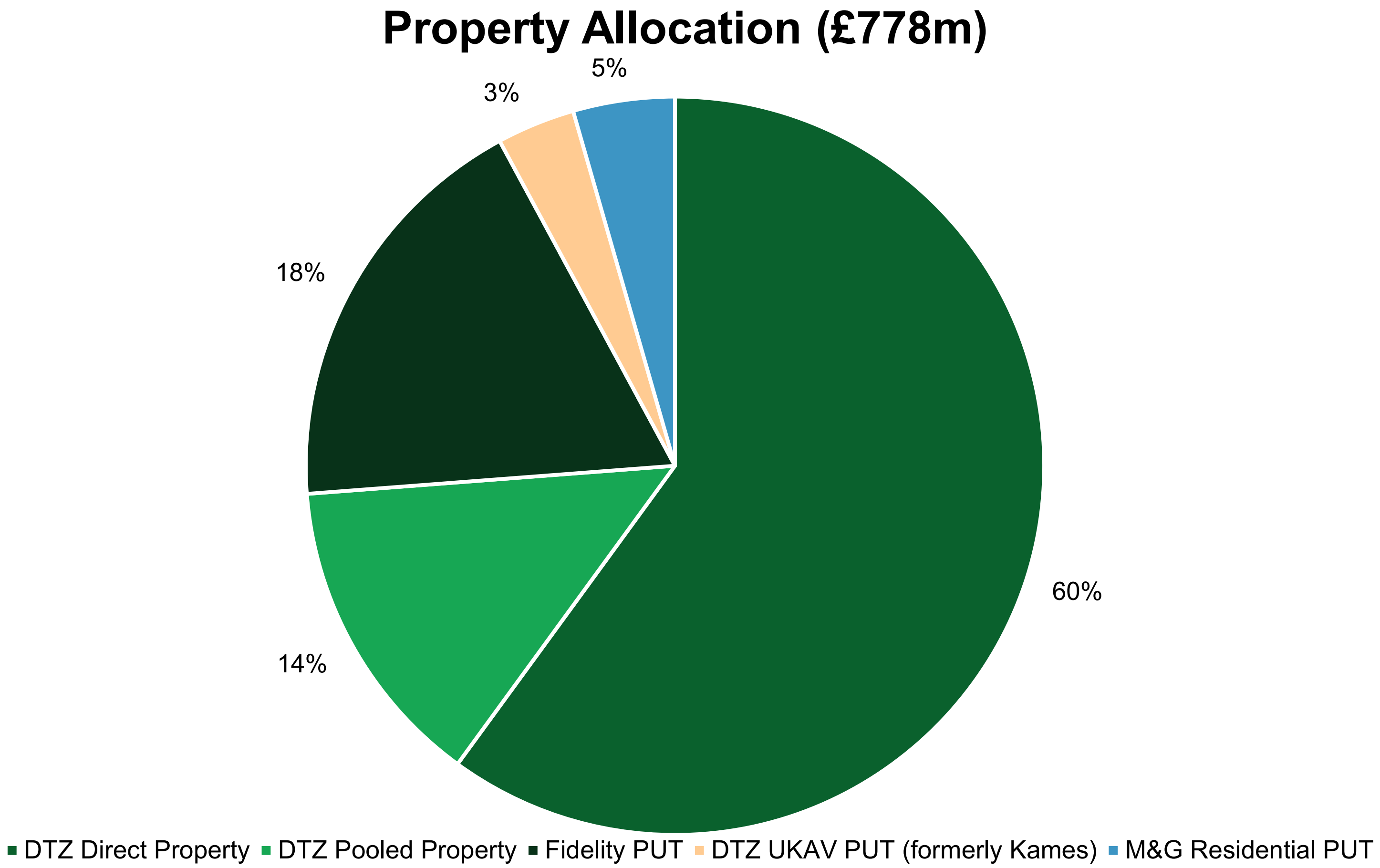


Note: The legend reads clockwise on the pie charts.

Property Breakdown



Note: The legend reads clockwise on the pie chart.

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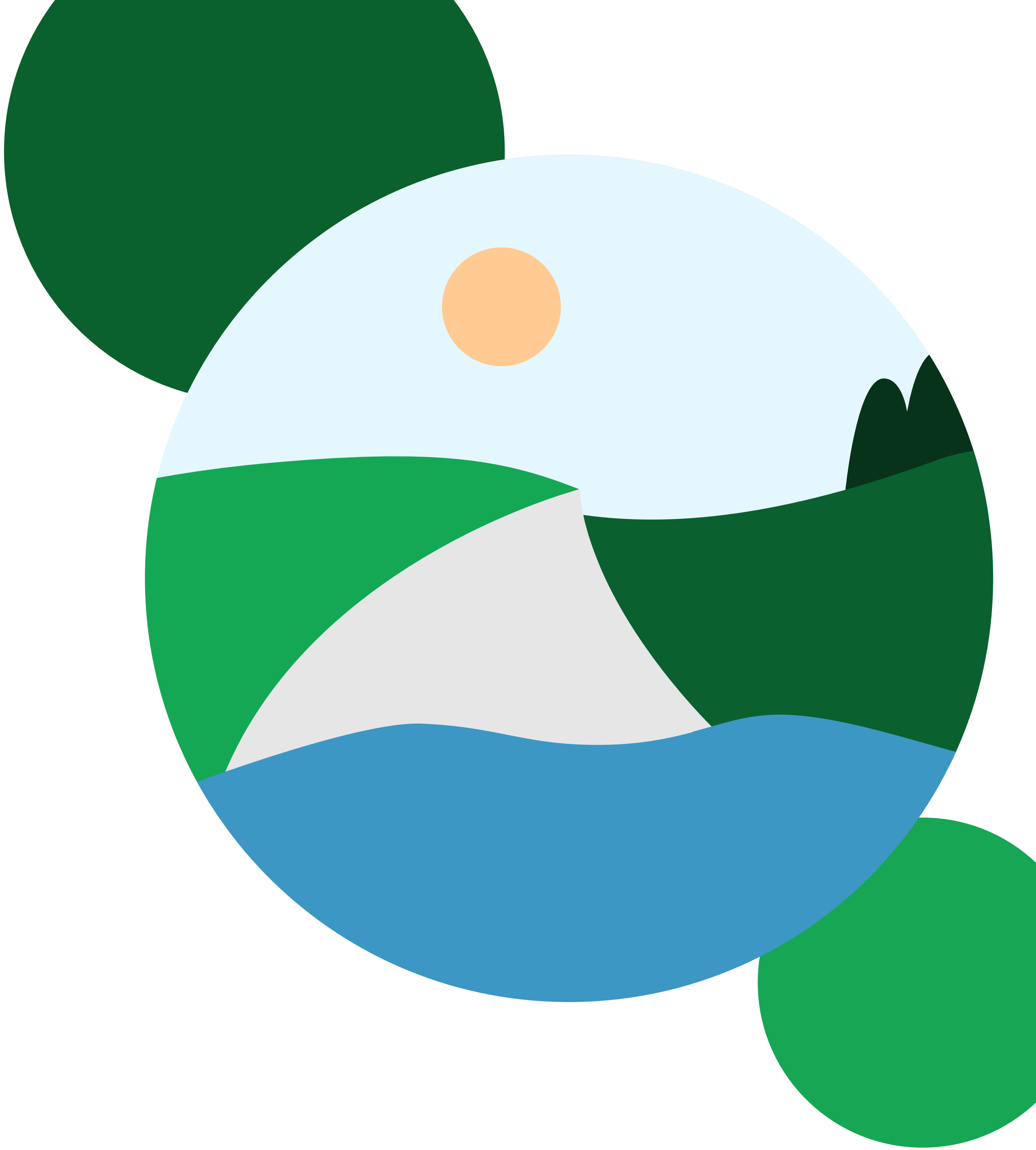
Appendix



Kent Pension Fund

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

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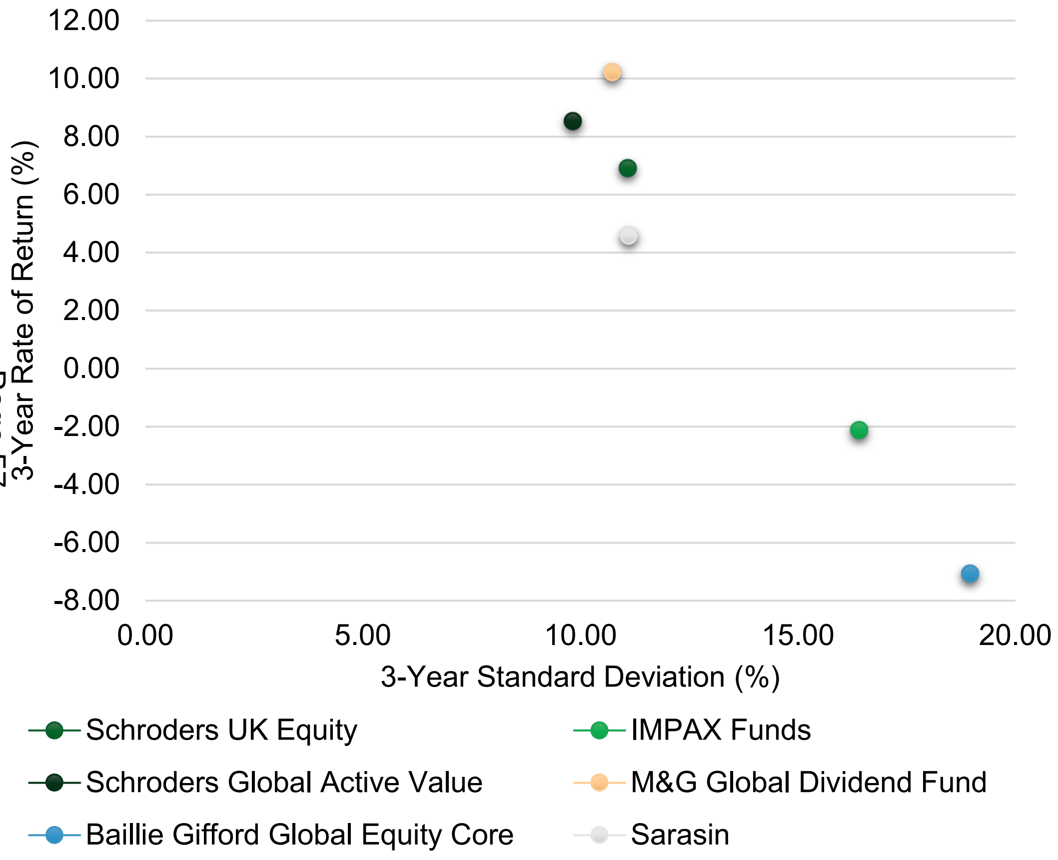

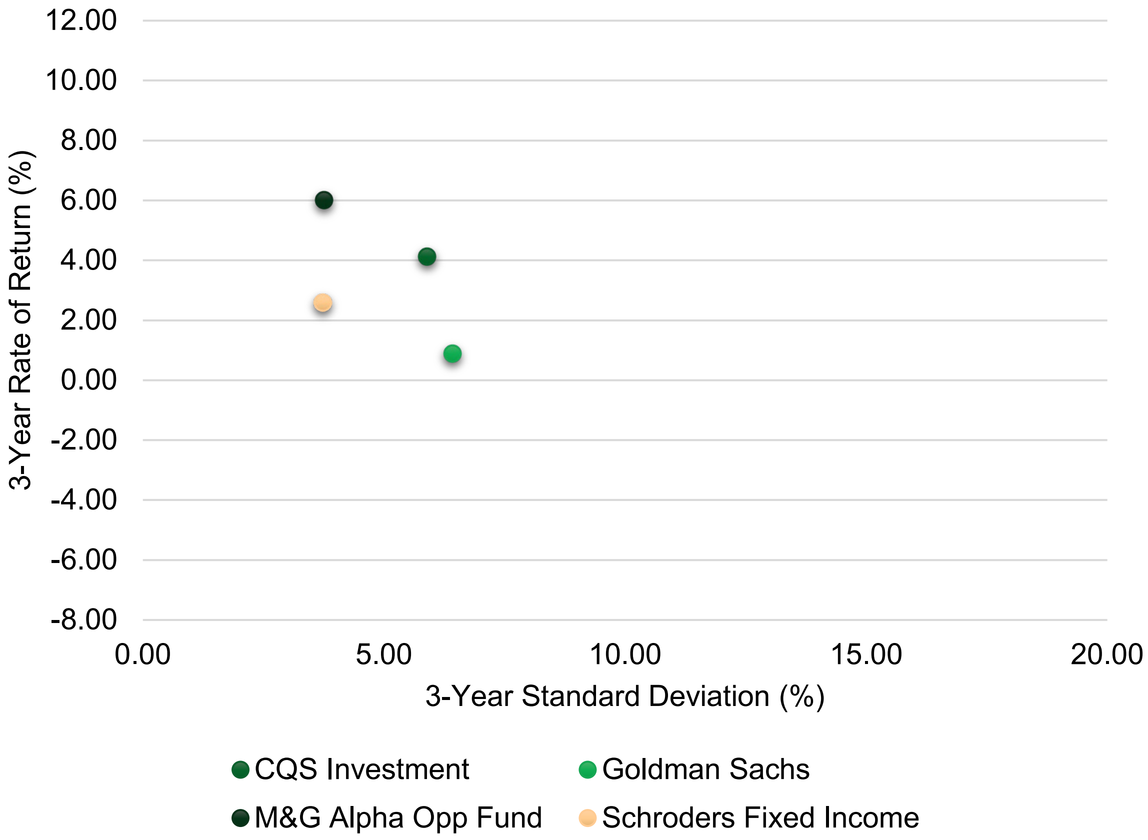

Source: Northern Trust, RADAR Reporting

Risk vs Return – *Absolute Return and Property*

Appendix C

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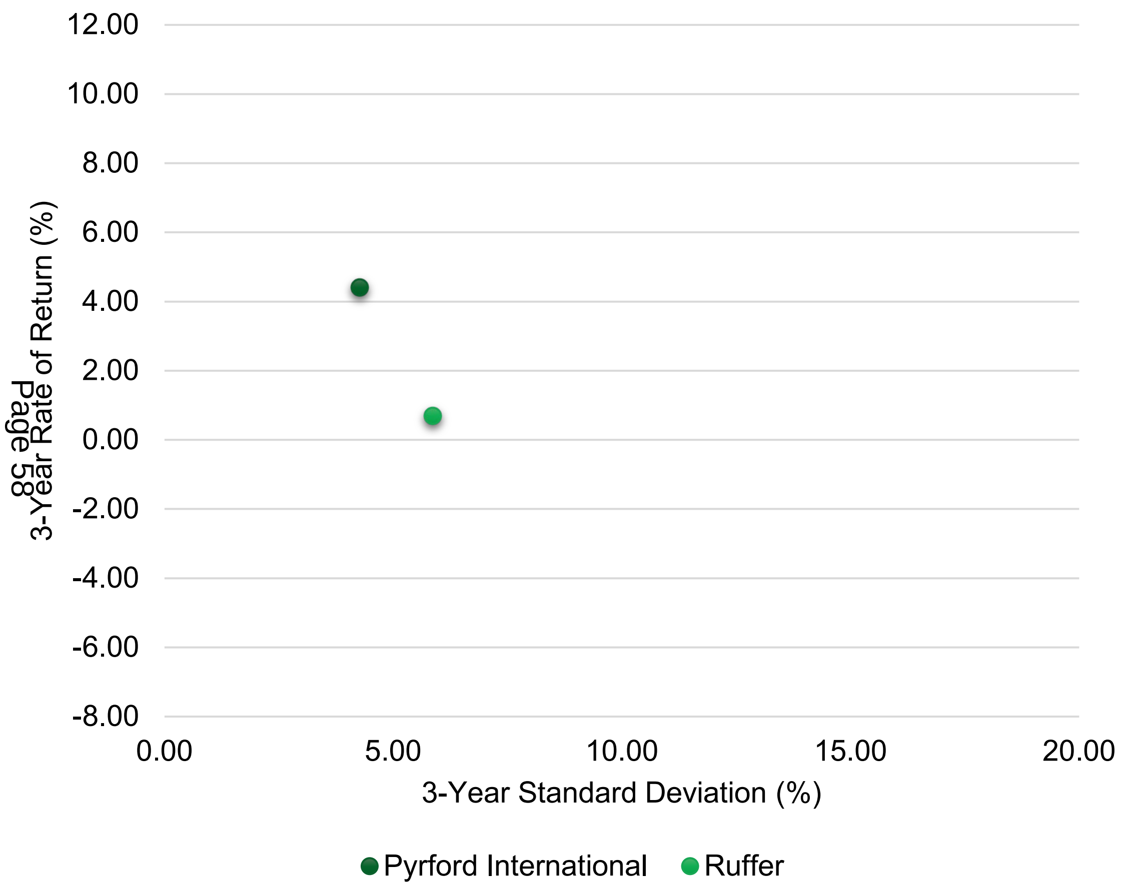
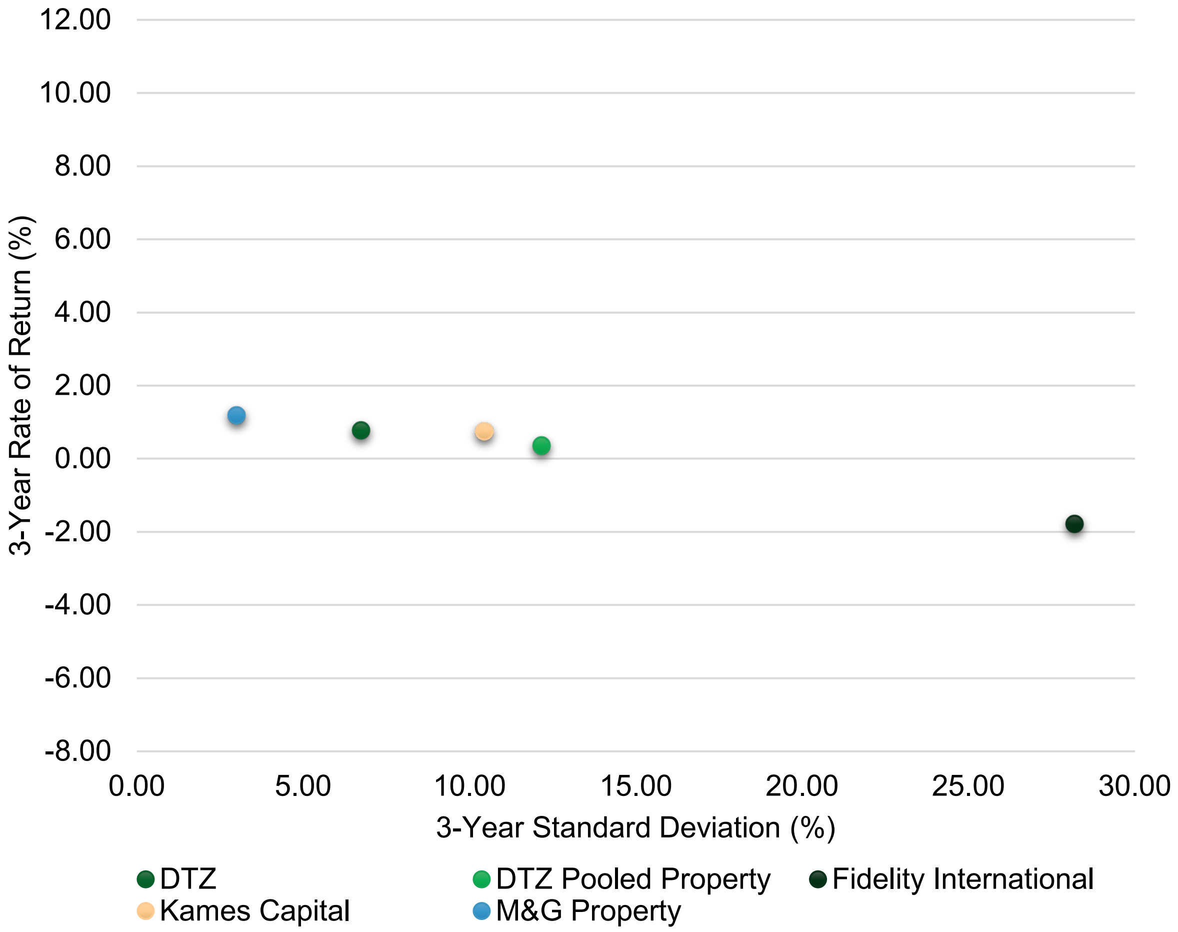
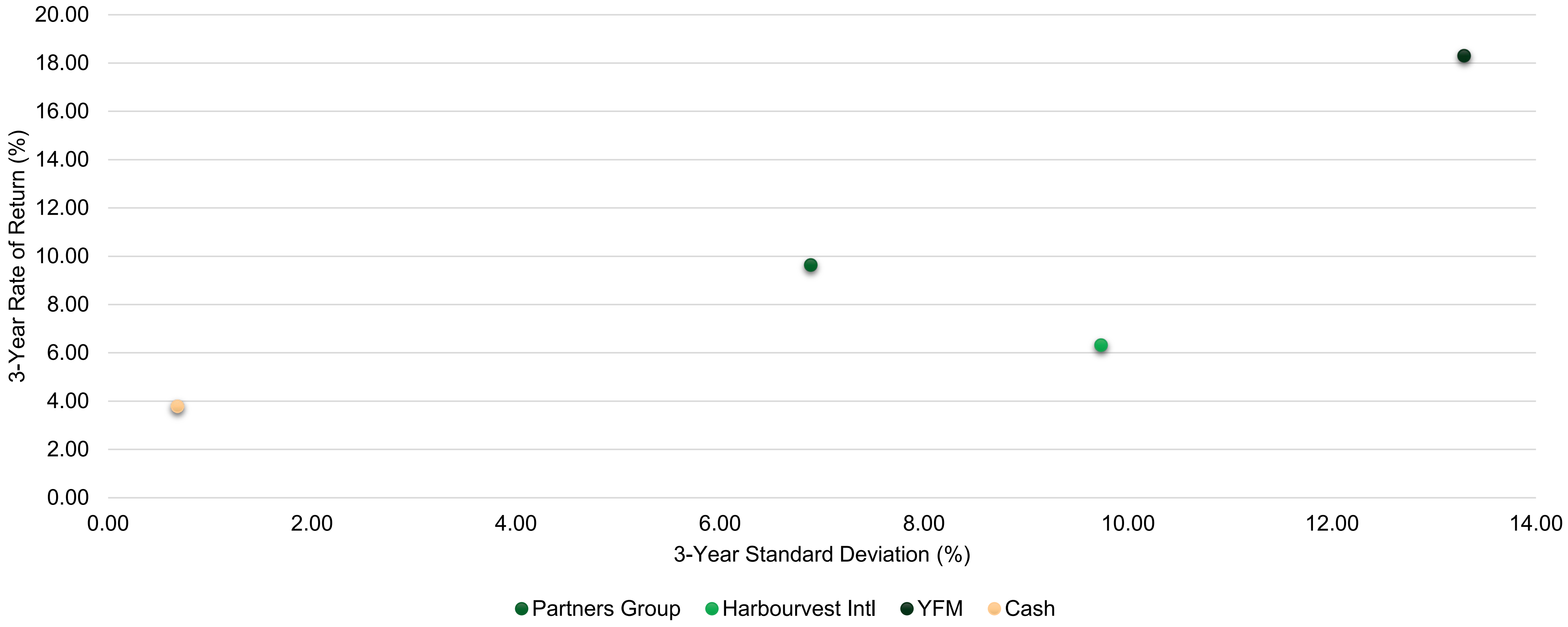




Source: Northern Trust, RADAR Reporting

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

From:	Chairman Kent Pension Board Interim Corporate Director - Finance
To:	Kent Pension Board – 21 November 2024
Subject:	Pension Fund Report & Accounts and External Audit
Classification:	Unrestricted

Summary:

This report presents the draft Annual Report and Accounts of the Kent Pension Fund for the financial year ending 31 March 2024.

Recommendation:

The Board is asked to note the report.

FOR INFORMATION

1. Annual Report and Accounts

1.1 Guidance issued by CIPFA in 2019 for Local Government Pension Scheme Funds on preparing the Annual Report requires the Kent Pension Fund Annual Report to be formally reviewed by the Committee and authorised by the Chair of the Pension Fund Committee and the Interim Corporate Director - Finance.[1]

1.2 Additionally, under the LGPS Regulations, the Fund must publish the Annual Report on or before 1 December each year following the scheme year end.

1.3 The Pension Fund accounts, and Annual Report have been prepared and are currently being externally audited by Grant Thornton. At the time of writing this report, the audit of the Pension Fund's accounts is substantively complete, although some audit work is still outstanding.

1.4 Grant Thornton plan to present the Audit Findings Report (AFR) for the Fund along with that of KCC to the Governance and Audit Committee (G&A) in December after which it will be brought the next meeting of the Board.

1.5 The AFR contains any major findings arising from the external audit and is issued to those charged with governance to oversee the financial reporting process. In the Fund's case, this is the Governance and Audit Committee, who receive the AFR as well as approve the Council's Statement of Accounts for 2023/24 (including the Pension Fund accounts) once the Kent County Council audit is fully complete and the Audit Certificate is issued. The Audit Certificate

[1] CIPFA Preparing the Annual Report: Guidance for Local Government Pension Scheme Funds (2019 Edition)

is an opinion on the True and Fair view of the accounts itself and is issued when the external audit is complete and, in the case of the Pension Fund, it is issued when the external audit of the Council's Statement of Accounts is complete.

1.6 Copy of the draft 2023-24 Pension Fund Annual Report is included at Appendix 1.

Sangeeta Surana (Investments, Accounting and Pooling Manager)

T: 03000 416738

E: sangeeta.surana@kent.gov.uk

November 2024

Kent Pension Fund Report and Accounts

For the year ended 31 March 2024

Kent Pension Fund

Delivering an outstanding service to our customers

Contents

If you have any comments on the annual report,

- please call 03000 416 431
- email investments.team@kent.gov.uk, or
- write to: Kent Pension Fund, Treasury and Investments, Kent County Council, Room 3.08, Sessions House, County Hall, Maidstone, Kent ME14 1XQ

Highlights

£8.1bn
Pension fund value
(FY23: £7.8bn)

284
Active employers in the scheme
(FY23: 301)

£321m
Received in contributions
(FY23: £298m)

£303m
Benefits paid
(FY23: £271m)

102%
Funded (2022)

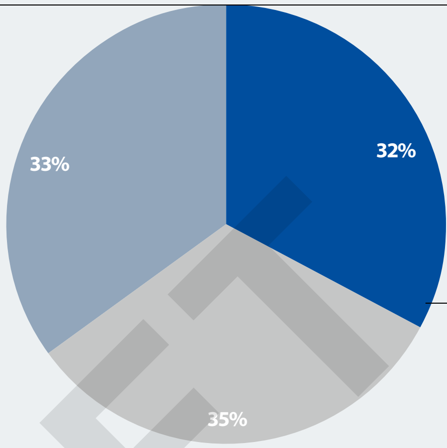
Membership

50,645
Deferred members
(FY23: 49,902)

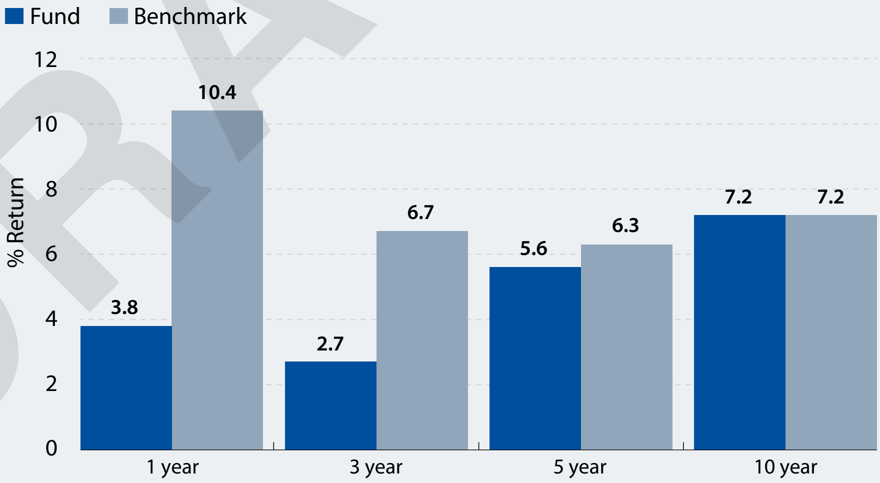
50,408
Pensioners
(FY23: 48,583)

55,291
Active members
(FY23: 53,353)

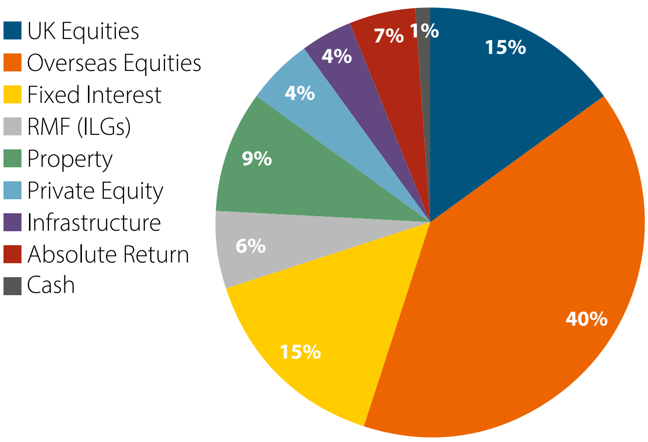
Total membership
156,344
(FY23: 151,838)



Long term performance



Asset allocation



Kent Pension Fund is a member of the ACCESS pool where we work with other local government pension funds to pool investments to significantly reduce costs, while maintaining investment performance.

£5.4m
Current year savings

£21.6m
Cumulative savings

54.5%
of assets outside ACCESS pool

45.5%
of assets inside ACCESS pool

Chairman's foreword

I am pleased to present the Annual Report and Accounts for the Kent Pension Fund for the year ended 31 March 2024.

It has been a busy year for the Fund, and one in which we have made progress on many fronts: we have further strengthened our risk management capabilities with a new cybersecurity policy; carried out a planned review of the Fund's investment strategy; and established a net zero strategy to manage climate risk. At the same time, we have continued to innovate our administration of the LGPS to achieve the highest standards of service delivery for the Fund's members and employers.

The Fund's membership has continued to increase, and it now supports some 156,344 scheme members. I thank officers for all their efforts over the last year in ensuring that these members, together with the Fund's 284 active employers, continue to receive an excellent level of service.

The administration service is focused on enhancing the engagement experience of our members and employers and the administration report starting at page 25 details the breadth of work undertaken this year. To highlight just a few examples: the team has implemented a new telephony system this year and completed the Guaranteed Minimum Pension Rectification project. We have also continued the roll out of the i-connect web portal enabling employers to upload their data directly to the pensions database, which delivers efficiencies and simplifies the process for employers. I am also delighted that the Committee has successfully reprocured the contract for its pensions administration system this year. Having a modern administration system is essential to the effective management of the scheme.

Good governance is critical to the Fund's long term success and I have been pleased by the significant progress the Fund has made in this area. The Fund has updated a number of key policies over the year, including the Investment Strategy Statement and Fund's training strategy, as well as creating a new data quality policy. A further key workstream this year has been cybersecurity, and ensuring we have the right tools and resources in place to manage an emergent and evolving risk. Together, these tools help us to maintain high standards of service delivery, transparency and accountability.

The Fund's investment portfolio returned 3.8% over the year. The nature of the Fund's investment strategy means that returns can vary considerably from one year to the next, yet such an approach should deliver enhanced rewards in the longer term. The Fund has achieved an annualised return of 7.2% over the past 10 years, meeting the benchmark. As a result, the value of the Fund's assets has grown to £8.1bn at 31 March 2024, a gain of £0.3bn from the previous year.

Assets valued at £3.7bn, amounting to 45% of the Fund, are now pooled via the ACCESS investment pool. The Fund is committed to pooling investment assets and I am pleased by the pool's progress over the past twelve months, which you can read more about under the ACCESS Annual Report overleaf. The Kent Pension Fund has continued to be an active participant in the ACCESS project and during the year I represented the Fund on the ACCESS Joint Committee. Kent officers also continue to play a key role in the pool's development and the establishment of new structures for both listed and non-listed assets.

Following the outcome of the latest triennial valuation, a key focus for the Committee this year has been undertaking a review of the Fund's investment strategy. It is important for long term investors like the Kent Pension Fund to periodically reassess their strategic asset allocation choices and this year's exercise has enabled us to ensure the portfolio remains aligned with the Fund's funding strategy as well as to take account of changes in the investment outlook for the major asset classes that the Fund utilises to achieve its investment goals.

Responsible investment has been at the heart of our investment decision making process throughout the year. The Fund sees itself as an active steward of the investment assets it owns and believes this approach will enhance real and sustainable returns over the long term. It is important that our responsible investment approach remains aligned with our investment objectives and as such the Committee reviewed its responsible investment priorities using the UN Sustainable Development Goals framework this year. The Committee has also actively monitored the engagement and voting efforts of its appointed investment managers throughout the year, including via participation in the Local Authority Pension Fund Forum.

Climate risk has occupied a particularly important place within the Committee's work this year, a year in which the Committee established a formal strategy for managing climate risk centred around a commitment to reach net zero by 2050. The results of the Fund's climate scenario analysis demonstrate that the potential financial impact of climate change, as well the risks surrounding the transition to a low carbon economy, are significant for long term institutional investors like the Kent Pension Fund. A net zero target of 2050 provides the opportunity to effect real world change whilst also ensuring the policy is investable today and without sacrificing the Fund's capacity to achieve sufficient diversification within its portfolio.

I am looking forward to the work we have planned for the year ahead. With the investment strategy review completed, the Committee will now review the underlying composition of its portfolio to ensure the Fund's investment arrangements continue to be well-aligned to its investment objectives. Implementing the McCloud remedy, alongside other public sector pension schemes will continue to be a core focus too, as will preparing for Pensions Dashboard. We will also assess the implications of the Pension Regulator's new Single Code of Practice and we will continue to actively participate in discussions around the future of the scheme in the interests of the Fund's members and employers.

We will need to coordinate this work whilst continuing to provide a first-rate service to scheme members and employers. It is a challenge I relish, and one which I know the rest of the Committee, the Pension Board and officers are excited to meet.

I want to note my thanks to Members of the Pension Fund Committee and the Pensions Board for their support to me as Chairman of the Committee and for their hard work and commitment during the year. Particular thanks are due to retiring Members for their years of service and I extend a warm welcome to some new faces on both the Board and Committee, together with all new members of the officer team who started during the year.

Charlie Simkins
Chairman

2023 CONTENT - TO BE UPDATED

ACCESS Annual Report 2022-2023

Foreword

As Chairman of the ACCESS Joint Committee, I am pleased to introduce the latest Annual Report for the ACCESS Pool.

Whilst our initial steps to collaborate as eleven Authorities started in 2016, it was in 2018 that our first pool investments were made.

Having jointly procured UBS to provide passive investment mandates, we started 2018 with the migration of assets from legacy passive managers to UBS with £10bn held in passive assets at the end of March 2023.

Following the appointment of Link Fund Solutions (LFS) as Authorised Contractual Scheme (ACS) Operator, we saw the first actively managed sub-funds launched towards the end of 2018. Our range and depth of sub-funds has grown substantially since then, with over £24bn invested within the ACS at the end of March 2023.

As investors with a long-term focus, we find ourselves within the relatively early stages of our pooling journey. However, given that some of the earliest sub-funds now have between four and five years of history, it is right to highlight the performance trends we are starting to see.

Beyond listed assets our Pool has undertaken significant work in relation to property – which is our first non-listed asset class. During the year our Implementation Adviser MJ Hudson has undertaken a procurement process for two property mandates: UK Core Property and Global Real Estate. Towards the end of 2022/23 these processes concluded and saw the appointment of CBRE to both mandates.

Work is currently underway with CBRE, our advisers and the ACCESS Authorities on establishing the necessary arrangements for these investment opportunities.

In the last twelve months we have published our updated Responsible Investment (RI) Guidelines and participated in the DLUHC consultation on climate related reporting, the outcomes of which we look forward to seeing. ACCESS also commenced the process for the procurement of advice and support for RI reporting which will conclude in later summer 2023.

In closing I would like to thank my fellow ten Joint Committee members, each representing their respective Authorities, along with the Officers who support them, and the ACCESS Support Unit (ASU).

Cllr Mark Kemp-Gee,
Chairman, ACCESS Joint Committee
Chairman of the Hampshire Pension Fund Committee and Board

Introduction

It has been another busy and fulfilling year supporting the ACCESS Pool.

Every twelve months 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 both scoped and monitored, and its development serves as an illustration of the Pool's governance arrangements and how interaction with key stakeholder groups is structured.

The process commences with initial drafting by the ACCESS Support Unit (ASU) and proceeds through detailed dialogue with the subject matter experts at each ACCESS Authority who come together to constitute the Officer Working Group (OWG). This is followed by consideration by the s151 Officers Group which has specific responsibility under the terms of the ACCESS Inter-Authority Agreement (IAA) to make recommendations to the Joint Committee on business planning and budget matters. Subsequently, the Joint Committee reviews and considers both 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.

11 Administering Authorities
Joint Committee (JC)
s151 Officers Group
Officer Working Group (OWG
ACCESS Support unit (ASU)

The key milestones within the 2022/23 Business Plan are outlined later in this Annual Report.

2022/23 also saw processes commence in relation to two of ACCESS's strategic partners. ACS Operator Link Fund Solutions announced arrangements which will see its business purchased by Waystone Group. The sale process of Implementation Adviser MJ Hudson to Apex also commenced. It is important to emphasise that the teams and systems supporting the ACCESS Pool remain unaltered as a consequence of these announcements.

Shortly after the end of the year, the ASU welcomed Alistair Coyle as a new Client Manager. Alistair joins us having worked for our colleagues at Link Fund Solutions and brings a wealth of both ACS Operator and ACCESS experience.

I would like to thank my ASU colleagues, the technical leads and the officers of the Authorities for their enthusiasm, support and hard work towards the continued progress of the Pool.

Kevin McDonald,
Director of ACCESS Support Unit

2023 CONTENT - TO BE UPDATED

ACCESS Background

ACCESS has its origins in 2016 when 11 Local Government Pension Scheme (LGPS) Authorities agreed to begin working collectively to address the requirements of the Government's agenda for pooling LGPS investments.

The following strategic objectives are in place:

1. Enable the Councils to execute their fiduciary responsibilities to LGPS stakeholders, including scheme members and employers, as economically as possible.

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

3. Enable the Councils to achieve the benefits of pooling investments, preserve the best aspects of what is currently done locally, and create the desired level of local decision making and control.

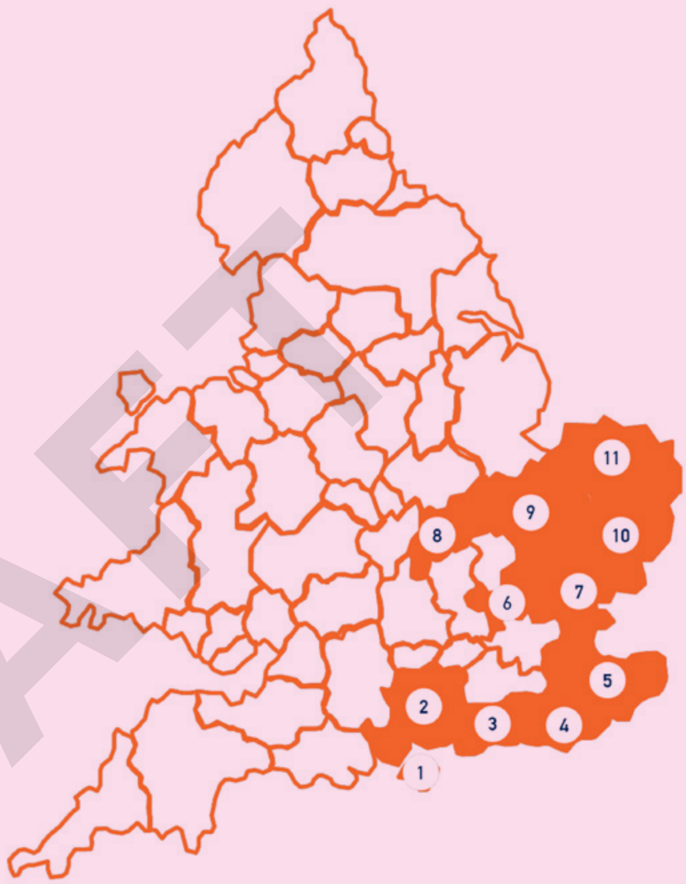
In order to achieve these objectives, the Councils have established a set of governing principles.

The governing principles are summarised below.

- **Collaboration**
- **Objective evidence based decisions**
- **Professionalism**
- **No unnecessary complexity**
- **Value for money**
- **Risk management**
- **Equitable voice in governance**
- **Equitable cost sharing**
- **Evolution and innovation**

Implicit within the above principles is the democratic accountability and fiduciary duty of the Councils as Administering Authorities.

ACCESS LGPS Authorities



1 Isle of Wight Council

2 Hampshire County Council

3 West Sussex County Council

4 East Sussex County Council

5 Kent County Council kent.gov.uk

6 Hertfordshire

7 Essex County Council

8 West Northamptonshire Council

9 Cambridgeshire County Council

10 Suffolk County Council

11 Norfolk County Council

2023 CONTENT - TO BE UPDATED

An overview of the Pool's governance structure is outlined below.

ACCESS pool

Joint Committee (JC)	Officers	Access Support Unit (ASU)
11 Councillors representing 11 Authorities	Section 151 Officers, Monitoring Officers, Officer Working Group (OWG)	Programme, contract and client management

No FCA regulated decisions in client side functions

Active-listed assets, ACS operator:	Passive-listed assets jointly procured manager:	Non-listed assets implementation advice:
LINK Group	UBS	MJ HUDSON

Key Statistics

3 Year Performance
14% p.a.

Employers
3,459

Members
1.2 million

Pensioners
340,000

Pooled Assets
As at March 2023

ACS
£24.5bn

UBS (1 jointly procured provider)
£9.9bn

Pooling Progress
59%

Cost & Savings
Since inception to March 2023

Gross Savings
£98.9m

Costs
£27.6m

Net Savings
£71.4m

2023 CONTENT - TO BE UPDATED

Pooling Progress

Pooled assets represented 85% of all listed assets held by ACCESS Authorities and 59% of all assets held by ACCESS Authorities.

	£ Billion
Global Equity Funds	15,595
UK Equity Funds	2,590
Fixed Income	4,973
Diversified Growth	1,319
Passive Investments	9,940
Total Pooled Investments	**34,417**

Pooled Assets % of Total Listed Assets	**85%**
Pooled Assets % of Total Assets	**59%**

Pooling has continued throughout the year with the ACCESS Authorities investing within the sub-funds already set up.

One sub-fund was launched during the year in November 2022, which attracted £800 million funding from ACCESS Authorities that had not previously invested with the investment manager.

Performance

As at 31 March 2024 the ACCESS ACS contains a number of sub-funds across UK and Global Equities, Fixed Income and Diversified Growth Fund (DGF) Strategies.

Annualised investment performance for each of these asset classes is shown in the table below for the three years ending 31 March 2024 and since inception.

			3 years to 31 March 2024 (annualised)			Since inception to 31 March 2024 (annualised)		
Asset class	**£bn**	**Asset Managers**	**Perf.**	**B/mark**	**+/-**	**Perf.**	**B/mark**	**+/-**
UK equities	2.6	Schroders, Baillie Gifford, Liontrust & Blackrock	13.8%	13.5%	0.3%	6%	6.1%	(0.1%)
Global equities (growth)	10.9	Baillie Gifford, Longview, Fidelity, Newton, J O Hambro, Capital Mondrian, Arcadian	17.1%	16.0%	1.1%	13.0%	9.7%	3.3%
Global equities (value)	4.7	M&G, Dodge & Cox, Schroders, Macquarie						
Fixed income	5.0	Royal London, Baillie Gifford, M&G, Fidelity, Janus Henderson	(0.4%)	(1.7%)	1.3%	0.6%	0.2%	0.4%
DGF	1.3	Baillie Gifford, Ruffer, Newton	7.4%	10.0%	(2.6%)	4.7%	5.4%	(0.7%)
Total	**24.5**		**14.0%**	**13.1%**	**0.9%**	**10.1%**	**7.5%**	**2.6%**

Strongest investment outperformance, compared to benchmark, was seen from the Global Equities sub-funds which also account for the largest allocation of assets, £15.6 billion, 64% of the ACCESS Pool.

Although Fixed Income produced negative returns the investments outperformed the benchmark over the year.

Despite negative returns from Diversified Growth Funds and on UK Equities (since conception), the emerging trend is one of overall positive performance.

2023 CONTENT - TO BE UPDATED

Savings

A budget for ongoing operational costs is set by the Joint Committee and is financed equally by each of the eleven Authorities.

The table below summarises the financial position for 2022/23 along with the cumulative position since the commencement of ACCESS activity in early 2016.

	2022 –2023		2016 – 2023	
	Actual In Year £m	Budget In Year £m	Actual Cumulative to date £m	Budget Cumulative to date £m
Set Up Costs	–	–	1,824	1,400
Transition Costs	–	2,100	3,338	6,907
Ongoing Operational Costs	1,175	1,366	5,292	7,695
Operator and Depositary Costs	4,979	4,787	17,128	20,938
Total Costs	**6,154**	**8,253**	**27,582**	**36,940**
Pool Fee Savings	**28,645**	**17,800**	**98,945**	**65,550**
Net Savings Realised	**22,491**	**9,547**	**71,363**	**26,510**

2022/23 saw an underspend primarily due to lower than anticipated costs of procurement and technical professional costs.

Operator and depositary fees are payable by each Authority in relation to assets invested within the Authorised Contractual Scheme established by Link Fund Solutions as pool operator.

The 2022/23 fee savings have been calculated using the Chartered Institute of Public Finance and Accountancy (CIPFA) price variance methodology and based on the average asset values over the year. This approach highlights the combined level of investment fee savings, across all ACCESS Authorities stemming from reduced charges.

In summary, since inception ACCESS has demonstrated excellent value for money, maintaining expenditure broadly in line with the DLUHC submission whilst delivering an enhanced level of savings ahead of the timeline contained in the original proposal.

Business Plan

The activities within last year's 2022/23 Business Plan, are shown below. The ongoing nature of a number of areas result in milestones spanning different years.

- Review of the corporate governance manual.
- Revisions and sign off by the councils of the Inter-Authority Agreement.
- ACCESS Responsible Investment guidelines agreed by the Joint Committee and recommended to Councils.
- Agree the requirements for the UK Property and Global Property mandates.
  - Procurement for implementation adviser carried out by MJ Hudson in collaboration with the Hampshire procurement officer.
  - UK Property and Global Property awarded to CBRE.
- Procurement for an independent third party to review the effectiveness of the ACCESS Pool operations.

The Business Plan for **2023/24** was agreed by the Joint Committee in December 2022 and covers:

- Independent third-party business review and implementation of any outcomes.
- Launch of emerging market sub-funds.
- Continuance of the implementation of the alternative investment programme.
- Investment of indirect UK and global property mandates with CBRE.
- Responsible Investment Phase II procurement.
- Governance: the continued application of appropriate forms of governance throughout ACCESS including the commencement of both responsible investment reporting support for the Pool, and the second contract for communications support.
- Scheduled evaluation: preparation for, and the commencement of, the re-procurement of operator services in the penultimate year of the Operator contract.

2023 CONTENT - TO BE UPDATED

Environmental, Social & Governance

The ACCESS Authorities believe in making long term sustainable investments whilst integrating environmental and social risk considerations, promoting good governance and stewardship.

Whilst the participating Authorities have an overriding fiduciary and public law duty to act in the best long-term interests of their Local Government Pension Scheme (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.

Responsible Investment Guidelines

Following the completion of a review led by Minerva Analytics, ACCESS has now published an updated Responsible Investment Guidelines. These have been developed around five pillars: governance, process, implementation, stewardship and monitoring/reporting.

The key high-level points of the Guidelines are:

- The Councils remain sovereign (particularly in relation to setting investment strategy). However, the opportunity exists for ACCESS to help coordinate RI approaches;
- All Councils agree that RI issues have the potential to impact investment returns over the short, medium and long-term;
- RI issues and concerns should be addressed primarily at the point of investment, whether that is in relation to an individual stock, or an entire portfolio;
- A number of RI priorities have been identified for the coming year, mostly associated with establishing a 'benchmark' of where the Councils' assets and asset managers sit in terms of RI concerns;
- Active stewardship remains the preferred approach when it comes to investments – with engagement over divestment being the Councils' combined approach;
- ACCESS, through the ASU and Link (the ACS Operator), will seek to ensure appropriately structured RI reporting is provided by the asset managers, so that each Council can meet its own RI reporting and communication objectives.

The Guidelines have been published in both summarised and full forms.

Voting

The ACCESS pool has a set of voting guidelines which seeks to protect and enhance the value of its shareholdings by promoting good practice in the corporate governance and management of those companies.

The guidelines set out the principles of good corporate governance and the means by which ACCESS will seek its influence on companies. The voting activity is reported to the Joint Committee on a quarterly basis.

During the year ACCESS voted at 2,801 meeting on 34,727 resolutions.

On a quarterly basis the votes can be summarised as below:

	Number of Meetings	Votes cast For	Votes cast Against	Votes cast Other	Total Votes Cast
June 2022	1,920	24,301	3,664	605	24,301
September 2022	350	3,870	368	51	4,289
December 2022	250	2,204	297	72	2,573
March 2023	281	3,180	391	65	3,564

Engagement

Link Fund Solutions arranges regular sessions with the Investment Managers to present to the Authorities Pension Fund Officers to demonstrate how they implement environmental, social and governance into their investment strategy and decision-making process.

These also give the investment manager the opportunity to discuss the engagement activities they have undertaken, what constructive dialogue was had and how they have used their influence to encourage the adoption of best practice.

Governance arrangements

The Pension Fund Committee

The Pension Fund Committee exercises all the powers and duties of the Kent County Council (KCC) in relation to its functions as Administering Authority for the Fund. The Committee is responsible for setting investment strategy, appointing professional fund managers and carrying out regular reviews and monitoring of investments. It also monitors the administration of the Pension Scheme and determines Pension Fund policy in regard to employer admission arrangements.

There were four formal Committee meetings during the year, all were held in person with the option to join virtually. The Committee also held an informal meeting focused on strategy development during the year.

The membership of the Committee during 2023-24 is detailed below.

Committee members

Employer representatives

All elected members (employer representatives) have full voting rights at the committee.

Charlie Simkins
Chairman
Kent County Council

Nick Chard
Vice Chairman
Kent County Council

Michael Hill
Kent County Council
from Sep 2023

Chris Passmore
Kent County Council
from Jul 2023

James McInroy
Kent County Council

Mark Prenter
Medway Council

John Burden
Gravesham Borough Council

Susan Beer
Dover District Council
between Sep 2023 and Mar 2024

Rob Yates
Thanet District Council
from Sep 2023

Paul Bartlett
Kent County Council

Paul Cooper
Kent County Council

John Wright
Kent County Council

Paul Stepto
Kent County Council

Mel Dawkins
Kent County Council

Perry Cole
Kent County Council
up to Aug 2023

Simon Webb
Kent County Council
up to July 2023

Shellina Prendergast
Kent County Council
from Feb 2024

Simon Sim
(Non-voting)
Staff representative

Paul Doust
(Non-voting)
Kent Active Retirement Representative

Member Representatives

Member representatives do not have a vote but otherwise are treated equally in terms of access to papers, training and opportunity to contribute to the decision making process.

Kent Active Retirement Fellowship Representatives
Paul Doust

Union Representative
Vacancy

Kent County Council Staff Representative
Simon Sim

Local Pensions Board

The Board's role is to ensure effective and efficient governance and administration of the LGPS scheme including ensuring compliance with scheme regulations and other applicable legislation.
The membership of the Board during 2023-24 is detailed below; there were four full Board meetings during the year.

Kent County Council Officers and Others

The day-to-day operations and management of the Fund and implementing the decisions of the Pension Fund Committee are delegated to the KCC Section 151 officer and their staff. This includes the power to seek professional advice and devolve day to day handling of the Fund's investments to professional fund managers and advisers within the scope of the regulations. KCC undertakes the monitoring and accounting for the investments of and income due to the Fund.

Key Personnel

Zena Cooke (until Jan 2024)	Corporate Director, Finance and S151 Officer
John Betts (from Jan 2024)	Interim Corporate Director Finance and S151 Officer
Nick Buckland	Head of Pensions and Treasury

Board members

Employer Representatives	**Representing**
Robert Thomas, Chairperson	Kent County Council
Dylan Jeffrey, Vice Chairperson	Kent County Council
Alison Kilpatrick	Kent and Medway Fire Authority
Cllr Rachel Carnac	District/Canterbury City Council
Member Representatives	
Joe Parsons	District/Medway Council staff
Kelly King	Kent County Council staff
Alison Mings	Pensioners Representative
Grahame Ward	Pensioners Representative

Governance 2023-24

During the year both the Pension Fund Committee and Pensions Board met four times. All Committee and Board meetings were held in person with the option to join virtually. Attendance at the Committee and Board meetings can be found below:

Pension Fund Committee

Member	Meetings attended
Charlie Simkins	4/4
Nick Chard/and substitute	4/4
Paul Bartlett	4/4
John Burden	4/4
Michael Hill	3/3
Chris Passmore	2/3
Rob Yates	2/3
Paul Cooper/and substitute	2/4
Susan Beer/and substitute	2/3
Mel Dawkins/and substitute	4/4
Paul Doust	3/4
Mark Prenter/and substitute	4/4
James McInroy	4/4
John Wright	4/4
Simon Sim	4/4
Paul Stepto	4/4
Simon Webb	1/1
Perry Cole	1/1
Harry Rayner/and substitute	1/2
Shellina Prendergast/and substitute	1/1

Pensions Board

Member	Meetings attended
Robert Thomas	3/4
Dylan Jeffrey	2/4
Joe Parsons	4/4
Alison Hartley	3/4
Cllr Rachel Carnac	4/4
Grahame Ward	3/4
Kelly King	3/4
Alison Mings	3/4

Committee activity

Items considered by the Committee at its meetings in 2023/24 were as follows:

22/06/2023	26/09/2023	12/12/2023	26/03/2024
Committee Work Plan and Action log	Committee Work Plan and Action Log	Committee work Plan and Action Log	Committee Work Plan and Action Log
Funding and Employer Matters	Funding and Employer Matters	Fund Employer and Governance Matters	Employer Governance Matters
Pensions Administration	Pensions Administration	Pensions Administration	Pensions Administration
McCloud Remedy update	McCloud Remedy update	Report from the Pensions Board	Pensions Board update
Pensions Administration Audit	Pension Board update	Responsible Investments update	Governance, Business Plan and Budget
Fund Position and investments	Investment update	Governance, Business Plan and Budget	Training
Governance and Policies	Responsible Investments update	Training update	Comms Policy
Training Plan	Governance and Policies	Investments update	Investment update
Investment Strategy	Training update	Investment Strategy	Investments Strategy
Woodford Review	Annual Report	Employer Risk Review	Responsible Investments update
Responsible Investments update	Investment Strategy	Cyber Security	Cyber Security
GMP Rectification	ACCESS update	McCloud update	McCloud update
	Governance Review	ACCESS update	ACCESS update
	LGPS Investment Consultation		Risk Register

Board activity

Items considered by the Board at its meetings in 2023/24 were as follows:

06/03/2023	06/09/2023	28/11/2023	12/03/2024
Business Plan and Risk Register	Pension Fund Committee update	Business Plan and Budget	Pension Fund Committee update
Pensions Administration update	Fund Business Plan and Risk Register	Pensions Administration	Governance update including business plan and budget
McCloud update	Pensions Administration	Employer Governance Matters	Pensions Administration
Funding matters	McCloud update	Governance and Policies update	Employer Governance matters
Governance and Policies update	Fund Employer and GovernanceMatters	Training update	Investment update
Training plan	Governance and Policies update Fund position	Investment update	CEM Benchmarking
Training update	Pensions	ACCESS update	ACCESS update
Administration Audit	Funding position	McCloud Judgement	McCloud judgement
ACCESS update	Pensions Fund Annual report	Cyber Security update	Cyber security
	ACCESS update	Risk Register	Risk Register
	Cyber Security update		
	LGPS Investment Consultation		

Training

As an administering authority of the Local Government Pension Scheme, Kent County Council recognizes the importance of ensuring that all officers and members charged with financial management and decision making for the pension scheme are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.

Training is undertaken, recorded and monitored as per the Kent Pension Fund Training Strategy (updated and approved at Pension Fund Committee March 2023). The Strategy sets out the Fund's strategic training objectives and training vision. It recognizes CIPFA's 'Code of Practice on Public Sector Pensions Finance, Knowledge & Skills' and CIPFA's 'Knowledge & Skills Framework'. Kent Pension Fund's Training Strategy outlines the requirement for those on Pensions Board and Pensions Fund Committee to have sufficient skills and knowledge to undertake their role.

During 23/24, new members attended an induction session to help them undertake their role on the Fund's Board or Committee. Training and industry updates were given at Pension Board, Pension Fund Committee, the Fund's Employer Forum meetings and in-between meetings (via email) throughout the year. Members took personal responsibility to maintain their pensions knowledge by accessing relevant literature and information, or by completing formal qualifications.

Kent Pension Fund has a structured training plan which covers the items on CIPA's 'Knowledge and Skills Framework'. Other training options were made available to Members throughout the year relevant to their roles. Overall, a wide range of topics were studied by members of the Fund's Board and Committee in 2023-20224.

The main training events attended by Committee and Board members during 2023-24 were as follows:

Date and approx. duration	Topic/Provider	Attendees
May 2023 1 hour	Global Equities (Bailey Gifford)	Charlie Simkins, James McInroy, John Burden, John Wright, Mel Dawkins, Nick Chard, Paul Bartlett, Paul Cooper, Paul Doust, Paul Stepto
May 2023 1.5 hours	Net Zero (Mercer)	James McInroy, Mark Prenter, Mel Dawkins, Nick Chard, Paul Bartlett, Paul Cooper, Rob Thomas, Simon Sim
June 2023 1 hour	Global Equities (Sarasin)	Charlie Simkins, James McInroy, John Burden, John Wright, Mel Dawkins, Nick Chard, Paul Bartlett, Paul Cooper, Paul Stepto, Simon Sim
Sept 2023 1 hour	Property (DTZ)	Charlie Simkins, Chris Passmore, John Burden, John Wright, Mark Prenter, Mel Dawkins, Mike Hill, Nick Chard, Paul Bartlett, Paul Doust, Paul Stepto, Simon Sim
Sept 2023 2 hours	Cyber Security (Mercer)	Charlie Simkins, Chris Passmore, Joe Parsons, John Wright, Mel Dawkins, Nick Chard, Paul Bartlett, Paul Stepto, Rachel Carnac, Rob Thomas
Oct 2023 1.5 hours	UN's Sustainable Development Goals (Mercer)	Charlie Simkins, Chris Passmore, Joe Parsons, Paul Cooper, Paul Stepto, Rob Yates, Simon Sim, Susan Beer
Oct 2023 1 hour	UK Equities (Schroders)	Charlie Simkins, Chris Passmore, James McInroy, John Burden, John Wright, Mark Prenter, Mel Dawkins, Mike Hill, Paul Bartlett, Paul Cooper, Paul Doust, Paul Stepto, Rob Yates, Simon Sim, Susan Beer
October/ Nov/Dec 3 days	Fundamentals Training (Local Government Authority)	Joe Parsons, Kelly King, Nick Chard, Paul Barlett, Paul Doust (partial), Paul Stepto, Simon Sim partial)
Nov 2023 3 hours	Local Pension Board Training (CIPFA)	Alison Hartley
Nov 2023 All day	Pensions for Purpose Introduction (PfP)	Nick Chard, Paul Doust
Nov 2023 All day	Investor Day (Link)	Charlie Simkins, Kelly King, Paul Stepto, Rob Yates,
Dec 2023 2 hours	ACCESS Joint Committee Observer (ACCESS)	Joe Parsons, Rob Thomas
Dec 2023 2 hours	Pensions Accounting & Audit Standards (Barnett Waddingham)	Alison Hartley, Alison Mings, Charlie Simkins, Chris Passmore, Dylan Jeffery, Graeme Ward, James McInroy, Joe Parsons, John Wright, Kelly King, Mark Prenter, Mike Hill, Paul Cooper, Paul Doust, Paul Stepto, Rachel Carnac, Rob Thomas, Rob Yates
Jan 2024 2 days	LGA Governance York Conference (PLSA)	Charlie Simkins, Mel Dawkins, Nick Chard

Training continued

Date and approx. duration	Topic/Provider	Attendees
Feb 2024 All day	Investment Away Day (Mercer)	Charlie Simkins, Chris Passmore, James McInroy, John Wright, Mel Dawkins, Mike Hill, Nick Chard, Paul Doust, Paul Stepto, Rob Thomas, Rob Yates, Simon Sim, Susan Beer
March 2024 2 hours	Pensions Administration Training (Barnett Waddingham)	Alison Hartley, Alison Mings, Charlie Simkins, Chris Passmore, Dylan Jeffery, Jackie Meade, James McInroy, Joe Parsons, John Burden, John Wright, Mike Hill, John Bartlett, Paul Cooper, Paul Stepto, Rob Thomas, Rob Yates, Simon Sim

Completion of the Pension Regulator's E-toolkit for Public Service Pensions was as follows:

Fully completed	Working Towards Completion
Alison Mings	Charlie Simkins
Chris Passmore	Susan Beer
Dylan Jeffery	Mike Hill
James McInroy	Simon Sim
John Wright	Alison Hartley
Kelly King	John Burden
Paul Doust	Mark Prenter
Paul Stepto	Mel Dawkins
Rachel Carnac	Nick Chard
Rob Thomas	Paul Bartlett
Joe Parsons	Paul Cooper
	Rob Yates
	Shellina Prendergast
	Grahame Ward

Individual members and officers have also attended training events organized by other external organizations in areas such as finance, pensions, investments, digital systems, governance and scrutiny.

Fund managers

Click the logo to go to the managers website

Kent County Council Treasury Management Team

Further details of the fund manager mandates can be found in the Investment Strategy Statement (ISS).

Other organisations providing services to the Kent Fund

Service	Organisation
Custodian	Northern Trust Company
Bankers	National Westminster Bank
Fund Actuary	Barnett Waddingham
Additional Voluntary Contributions (AVC) Providers	Utmost Life, (earlier Equitable Life Assurance) Prudential Assurance Company Standard Life Assurance
Asset Pool	ACCESS Pool
Asset Pool Operator	Waystone Group
Investment Consultants	Mercer
Auditors	Grant Thornton
Legal Advisors	Invicta Law
Performance Measurers	Northern Trust Company CEM Benchmarking PIRC Limited
Scheme Administrators	Kent County Council
Administration Software Provider	Aquila Heywood

The Kent Pension Fund maintains the following statutory statements and policies; these are reviewed and updated regularly:

- Funding Strategy Statement
- Investment Strategy Statement
- Governance Compliance Statement
- Administration Strategy
- Communications Policy Statement
- Responsible Investment Policy
- Conflicts of Interest Policy
- Contributions Review Policy
- Deferred Debt and Debt Spreading Agreement Policies
- raining Strategy
- Recording and Reporting Breaches of the Law Policy
- Data Quality Policy

These documents can be found on the Pension Fund's website: https://www.kentpensionfund.co.uk/local-government/about-us/management-of-the-fund/policies

A copy of the latest triennial valuation can be found on the Pension Fund's website: https://www.kentpensionfund.co.uk/__data/assets/pdf_file/0003/149016/Valuation-report-March-2022.pdf

Risk Management

Kent County Council as the Administering Authority for the Kent Pension Fund has delegated responsibility for the management of risk to the Pension Fund Committee.

Objectives of Risk Management

The Fund's primary objective is to ensure that over the long term it will have sufficient assets to meet pension liabilities as they fall due. The Fund is exposed to operational and financial risks that might affect its ability to achieve its objectives. The risks need to be monitored and managed on a regular basis.

Risk register

The Committee and Board maintains active oversight of the Fund's key risks and maintains a risk register. Risks are classified into Governance, Investment & Funding and Administration risks. All risks are scored and assigned a target level and mitigations are put in place and for risks measured at higher than target level. Risks scored at or below target level are monitored. Risk is a regular agenda item at Pension Fund Committee and Board and members receive regular training on general and specific risks.

The key risks and actions currently identified include the following:

Key risk	Key Actions
Governance arrangements (implementation of changes due to recent and proposed regulatory changes)	A Technical and Compliance Lead Manager is to be recruited in 2024-2025. A Reverse Gap Analysis is being undertaken in 2024-2025 to assess the Fund's compliance with the new General Code.
Increased risk of cyber attacks	Member training on cyber security was undertaken September 2023. There is ongoing cyber security assessments of systems shared with third party suppliers. A Cyber Security Policy and Incident Response Plan are to be approved by Committee in June 2024.
Risk of increased funding deficit (investment strategy/ management and market risks)	Investment and funding items are regular agenda items at both Committee and Board where recommendations are reviewed and discussed.
Scheme member data missing / inaccurate (risk of lack of readiness for national dashboard go-live, Oct 2025	A data rectification programme began in 2023 – 2024, with various workstreams including address tracing, mortality screening and backlog clearance. Work will continue throughout 2024- 2025.

Governance risks

These risks arise from the regulatory environment and control environment at the strategic level of the fund. Members and officers are guided, and supported by Kent County Council's governance framework, policies and procedures. The Committee has access to appropriate expert governance, technical and investment advice to enable them to fulfill their role.

Investment and Funding risks

Details of the countermeasures in place for financial, demographic, regulatory, and employer risks are included in the Fund's Funding Strategy Statement (FSS). Further details of the Fund's policy on investment risk management are disclosed in the Fund's Investment Strategy Statement (ISS). These are reviewed regularly. The Fund has a well diversified portfolio of different asset classes and investment strategies managed by different managers.

The Fund has a high exposure to equities which have high growth potential but are also exposed to higher risk. The Fund has implemented a risk management framework to manage equity risk. The Fund also operates an asset rebalancing policy to ensure that the actual asset allocation remains within tolerance of the Fund's target strategic asset allocation.

The Fund reviews its investment strategy on a regular basis and at least every three years to ensure the strategy remains suitable given the Fund's circumstances.

Assurance over external service providers operations is provided by investment managers and custodian[s] who are required to provide annual AAF 01/06 reports and ISAE 3402 reports.

Administration risks

Administration risks are operational risks that relate to the maintenance of member data and processing of contributions and payments for members. Comprehensive policies and procedures supported by training and effective communication with staff as well as employers are put in place to mitigate these risks. Regular monitoring of KPIs and participation in benchmarking exercise is employed to monitor the risks and effectiveness of the processes.

Kent County Council's Internal Audit Section completed a risk-based audit on the management of risk in the Pension Fund during 2022 - 2023. The final report was released in April 2023. The audit opinion was 'adequate' with 'good' prospects for improvement. During 2023 - 2024, management actions were completed and have been in progress as per the agreed action plan which focused on six key areas:

i) governance and oversight arrangements;
ii) policies, procedures and staff training;
iii) system access, data security and data quality;
iv) pension scheme administration;
v) compliance with scheme rules and regulations; and
vi) capacity and resourcing of the pension scheme administration team.

Financial Performance

Fund Trends
A summary of the Fund's key trends is shown below:

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	**2023/24 £'000**
Net Assets at 31 March (£'000)	5,716,878	7,513,632	7,702,425	7,847,952	**8,142,551**
No. of Contributors	51,685	52,725	52,829	53,353	**55,291**
Contributions (£'000)	250,263	267,955	280,431	297,692	**321,214**
Number of Pensioners	43,441	44,838	46,706	48,583	**50,408**
Benefits Paid (£'000)	243,832	247,448	257,277	270,995	**303,175**

Financial Summary
A brief summary over the last 5 years is shown below:

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	**2023/24 £'000**
Value of Fund at start of year	6,218,169	5,716,878	7,513,632	7,702,425	**7,847,952**
Revenue account for year					
– Contributions	250,263	267,955	280,431	297,692	**321,214**
– Transfers in	9,328	5,017	10,636	17,306	**12,280**
– Benefits	(243,832)	(247,448)	(257,277)	(270,995)	**(303,175)**
– Transfers out	(12,708)	(10,057)	(28,114)	(15,184)	**(15,424)**
Investment and other income net of expenditure					
– Income on investments	139,858	115,258	140,759	158,696	**162,454**
– Interest on cash	1,273	154	217	2,621	**3,884**
– Stock lending income	42	33	58	103	**87**
– Miscellaneous income	0	0	0	0	**10**
– Expenses on property	(6,209)	(4,199)	(7,591)	(8,506)	**(9,659)**
– Management expenses	(25,606)	(27,277)	(34,840)	(32,502)	**(34,788)**
Net Revenue	112,409	99,436	104,279	149,231	**136,884**
Increase (Decrease) in market value of investments in year	(613,700)	1,697,318	84,514	(3,704)	**157,715**
Increase (Decrease) in Fund during year	(501,291)	1,796,754	188,793	145,527	**294,599**
Value of Fund at end of year	5,716,878	7,513,632	7,702,425	7,847,952	**8,142,551**

Investment assets have grown in value in a supportive investment environment, taking the Fund from £7.85bn to £8.14bn in 2023/24.

Contribution income has increased in line with primary contribution rates following the actuarial valuation in 2022 which took effect from the current financial year.

The amount the Fund spends on benefits has increased by 12% over the year and by 24% since 2019/20. This is partly due to inflation (LGPS benefits are index-linked). The number of pensioners has also increased 4% year-on-year in 2023/24; and is now 16% higher compared to 2019/20.

Pension Fund Administration and Governance Costs

The following table compares actual Administration, Governance and Oversight costs against the budget for 2023-24.

	2023-24 Budget £	2023-24 Actual £
Pensions administration	2,566,317	2,826,423
Apportionment of expenses of operational buildings	140,200	140,000
Printing and Mailing costs – Adare	263,483	263,977
Data Rectification Project– ITM (McCloud)	–	81,141
IT Expenses	1,200,000	1,521,697
Pension Payroll Services	252,000	261,734
Financial systems and services	65,000	64,700
Administration Expenses	4,487,000	5,159,672
Actuarial fee including cost of valuation	280,000	402,374
Direct recovery of actuary, legal fees and admin costs	(240,000)	(326,317)
Legal fees	80,000	86,739
Subscriptions	70,000	73,807
ACCESS pooling costs	180,000	133,217
Investment accounting and oversight costs	773,000	853,354
Training	15,000	60,318
Performance measurement fees	35,000	36,930
Governance consultancy	15,000	–
Investment consultancy	353,000	567,747
Cyber Security	–	9,749
Governance and oversight expenses	1,561,000	1,897,917
Custody	45,000	40,770
Transaction costs	675,000	163,328
Fund manager fees – fixed income	5,640,000	4,053,664
Fund manager fees – equities	13,667,000	9,340,013
Fund manager fees – Private equity/infrastructure	7,875,000	6,906,396
Fund manager fees – risk management framework	–	1,662,124
Fund manager fees – property	3,744,000	3,103,174
Fund manager fees – absolute return	–	2,353,526
Investment management costs	31,646,000	27,622,995
Audit fee	43,000	96,033
Total	37,737,000	34,776,616

Commentary on Budget Outturn

Key areas for increase in Administration costs were:

- Staff costs on additional staff in the department
- Additional IT expenses relating to GMP rectification, member self-service, and dashboard implementation and pensions administration software
- Additional spend on data rectification project

Key areas for increase in Governance and Oversight costs:

- Increased consultancy costs resulting from implementation of changes to the Fund's investment strategy
- Write off of over accrual of income (recovery of actuarial expenses) in previous year
- Offset by refund from ACCESS for the current year's budget underspend

Key areas for decrease in investment management costs
Underspend on management costs mainly relates to investment manager fees which is based on investment valuations. Investment valuations fell during the year which account for the reduced manager fees and only recovered towards the end of the year.

Transaction costs were also lower due to direct property transactions being lower than anticipated

Investments

The Pension Fund Committee is responsible for setting investment strategy, carrying out regular reviews, and monitoring the Fund's investments.

The Fund must invest any fund money that is not needed immediately for the payment of benefits and the Fund has established an Investment Strategy Statement (the "ISS") to document the principles, beliefs and policies by which investment assets are managed.

Additionally, the Funding Strategy Statement (FSS) aims to establish a clear and transparent strategy that will identify how participating employers' pension liabilities are best met going forward. To determine the value of accrued liabilities and derive future contribution requirements it is necessary to discount the Fund's future cash flows to present day values. The discount rate used in the actuarial valuation is derived by considering the expected return from the Fund's long-term investment strategy. This ensures consistency between the funding strategy and investment strategy.

Accordingly, there is a fundamental link between the FSS and the ISS relating to the discount rate that underlies the funding strategy as set out in the FSS, and the expected rate of investment return which is expected to be achieved by the long-term investment strategy as set out in the ISS.

On 31 March 2023, the Fund completed its triennial actuarial valuation of the Fund as at 2022, which reported an improvement in its funding position from 98% to 102%. The actuary's valuation assumed on an expected return of 4.5% p.a. on the Fund's investments. Following the triennial valuation, in 2023-24, the Committee reviewed its investment strategy, taking into consideration the actuary's required rate of return on the fund's investments. In June 2023, the Committee agreed a revised investment strategy with the following key changes:

- A reduction in the overall exposure to equities and an increase in exposure to fixed income via the introduction of a new allocation to index linked gilts;
- Evolving the listed equities allocation by reducing the allocation to UK equities and adding one to Emerging Markets;
- Update the allocation to illiquid / alternative asset classes by varying the target allocations to property, private equity, and infrastructure; and
- As a result of the above changes, a reduction in the allocation to diversified growth funds.

The Fund's revised strategic asset allocation compared to the previous strategic asset allocation is shown below:

	Previous SAA	New SSA	Change	Bencmark
Total Equities	55.5%	53.0%	**-2.5%**	
UK	23.5%	10.0%	-13.5%	FTSE All Share (GBP)
Global	32.0% (protected)	38.0% (protected)	+6.0%	Global Equity Composite
Emerging Markets	0.0%	5.0%	+5.0%	MSCI Emerging Markets ND
Total Fixed Income	**16.0%**	**22.0%**	**+6.0%**	
Credit	15.0%	15.0%	–	Fixed Income Composite
Index Linked Gilts	0.0%	7.0%	+7.0%	ILG Portfolio Return
Cash	1.0%	0.0%	-1.0%	SONIA
Total Alternatives	**28.5%**	**25.0%**	**-3.5%**	
DGFs	8.0%	5.0%	-3.0%	RPI +5%
Property	13.0%	10.0%	-3.0%	MSCI UK All Property Index
Infrastructure	3.5%	5.0%	+1.5%	SONIA
Private Equity	4.0%	5.0%	+1.0%	SONIA
Total	**100.0%**	**100.0%**	**–**	

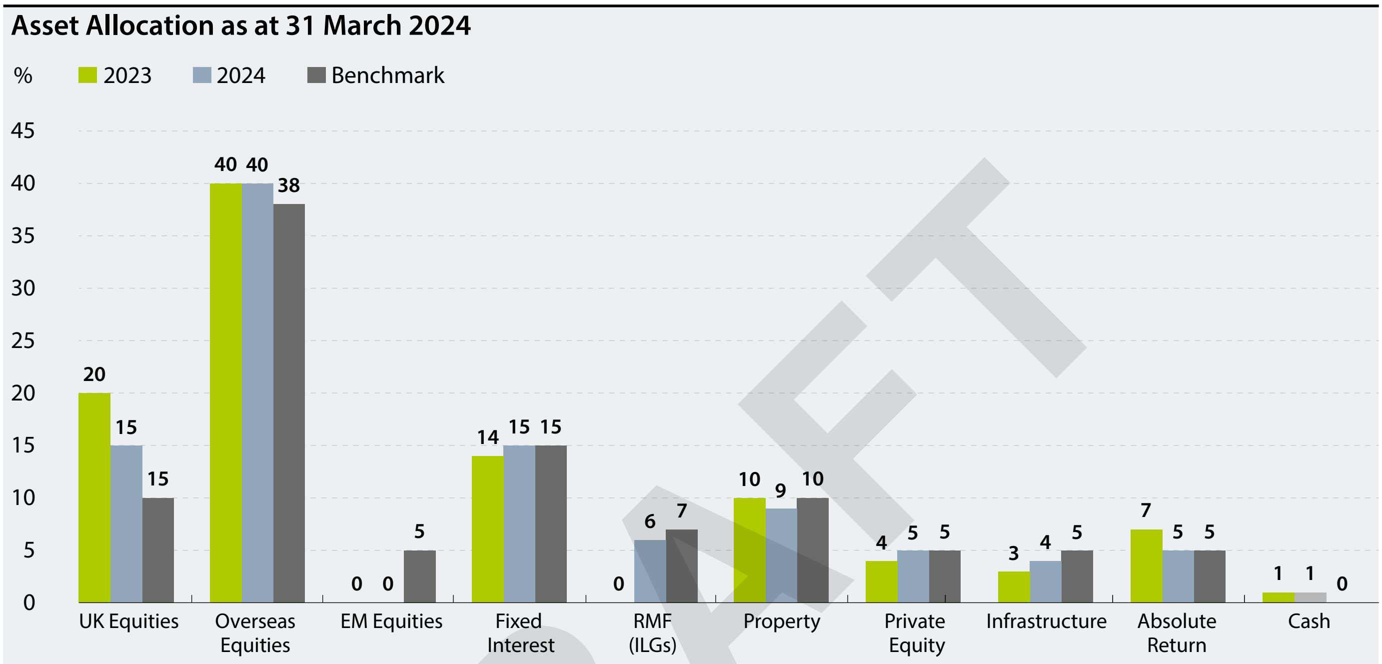
The Fund's ISS was also updated to reflect the above changes and to ensure that it continues to comply with best practice.

The Fund's rebalancing policy was also updated to take account of the revised allocations as well as to establish tolerance thresholds for liquid asset classes to support the Committee's investment governance.

Following the conclusion of the changes to the investment strategic, the Fund established a strategy implementation plan in December 2023 and the Committee received regular updates on progress made in implementation. As at 30 June 2024, all of the key actions noted above had been implemented.

Portfolio Distribution

The graph below shows the long term performance of the Fund's investments compared against its Strategic benchmark.



Asset Pooling

The Fund is part of the ACCESS (A Collaboration of Central, Eastern and Southern Shires) pool which was established in 2015 and now oversees assets totalling £45bn (as at 31 March 2024). The ACCESS member authorities retain authority to determine their strategic asset allocation policies in the exercise of their fiduciary responsibility and seek to implement the local strategy through the pool.

The Fund has made a commitment to pool its investments other than its direct property holdings but will rigorously apply the value for money test in moving assets into the pool. There are various challenges and complications in pooling directly held properties, including transition (re-registration) costs, lack of liquidity, and determining fair transfer values that make it unviable to pool direct property.

During 2023-24 the Committee focused on reviewing and updating its funding and investment strategies following the triennial actuarial valuation of the Fund. As part of the implementation of the new strategy the Committee seeks to identify opportunities for progressing asset pooling. In March 2024, the Committee agreed to implement its new allocation to emerging market equities through two sub-funds on the ACCESS pool. This was completed in May 2024.

Looking ahead to 2024/25, the Committee will consider the underlying composition of its strategic asset allocation on an asset class by asset class basis. The Fund will continue to explore further opportunities to pool as part of implementation of any changes arising from such reviews. The Fund will also participate in the pooling of alternative assets (other than direct property) through the structures being developed in the ACCESS pool. (Please see section on ACCESS for further information about the Pool).

As at 31 March 2024 the Kent Pension Fund had investments of £3.7 billion in five ACCESS sub-funds.

The Kent Pension Fund has achieved £21.6m of savings in pooling initiatives of which £7.4m are in relation to assets awaiting pooling.

Investment management arrangements and asset allocation

All investment management activities are carried out externally via appointed asset managers and the ACCESS pool. There are no internally managed investment assets, other than cash. The Fund has a policy of appointing specialist managers who are expert in managing specific investment strategies which should help the Fund deliver over different investment cycles.

Northern Trust Ltd are the Fund's custodians for the safekeeping and settlement of trades relating to the Fund's direct investments managed by external investment managers.

The Fund recognises that diversification is key to managing portfolio risks. Assets are invested across different asset classes and distinct investment management styles are combined with the aim of securing sufficient and stable returns and using risk efficiently. In assessing suitability, the Fund evaluates the expected returns and expected volatility of particular asset classes together with the correlations between asset classes and the diversification benefits available from combining different asset classes

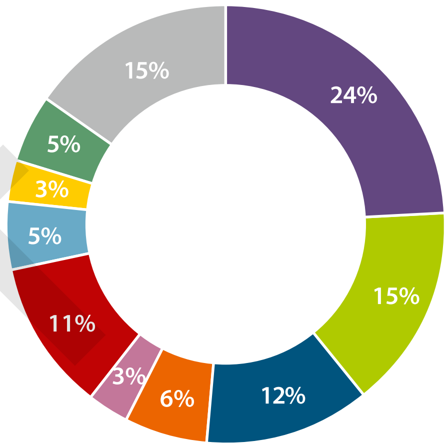
The Fund makes use of illiquid investments (such as infrastructure, private equity and property), recognising that investors are rewarded over the long term for bearing liquidity risk. In setting and reviewing its strategic asset allocation, the Fund further considers the legality of all investments for compliance with the LGPS Regulations.

Value of funds under management by fund manager

The following graph shows the assets under management (AUM) and the proportion of the Fund under management by fund manager as at 31 March 2024:

Fund Managers	AUM (£m)
Schroders	1,982
Baillie Gifford	1,204
Insight	963
DTZ	527
Pyrford	231
M&G	912
Goldman Sachs	418
CQS	257
Sarasin	425
Others	1,221
Total	**8,141**

AUM by fund manager as a proportion of the Fund



Investment performance 2023-24

The performance of the Fund's investment managers is reported on a quarterly basis to the Pension Fund Committee.

The ACCESS pool and appointed asset managers submit reports and valuations for this purpose and independent performance measurement is provided by the Fund's custodian, Northern Trust. As part of the oversight arrangements for external asset managers, Committee members and officers meet with the Fund's appointed asset managers on a regular basis as part of a formal programme.

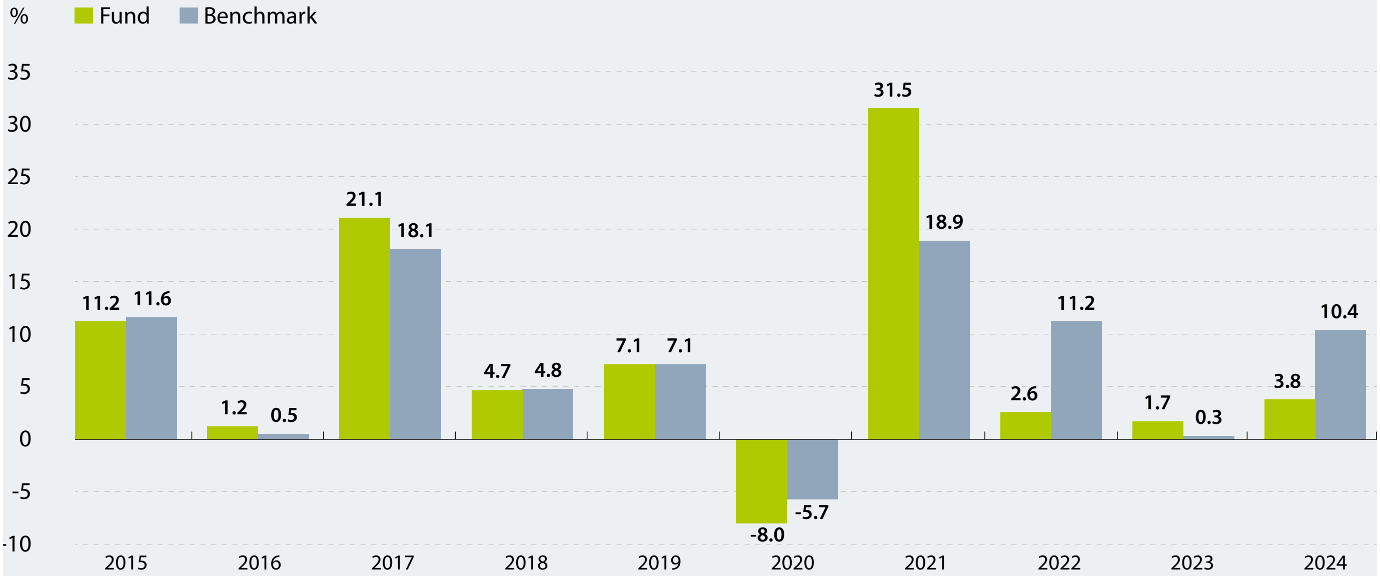
Total fund performance

The graph below shows the relative performance of the investments over the last 10 years. The overall return on the investments for 2023-24 was 3.8% compared to the Fund's strategic benchmark of 10.4%.

For comparison the PIRC Local Authority Universe average annual fund return for 2023-24 was 9.2%.

10 Year Performance Summary to 31st March 2024

Annual Investment Returns

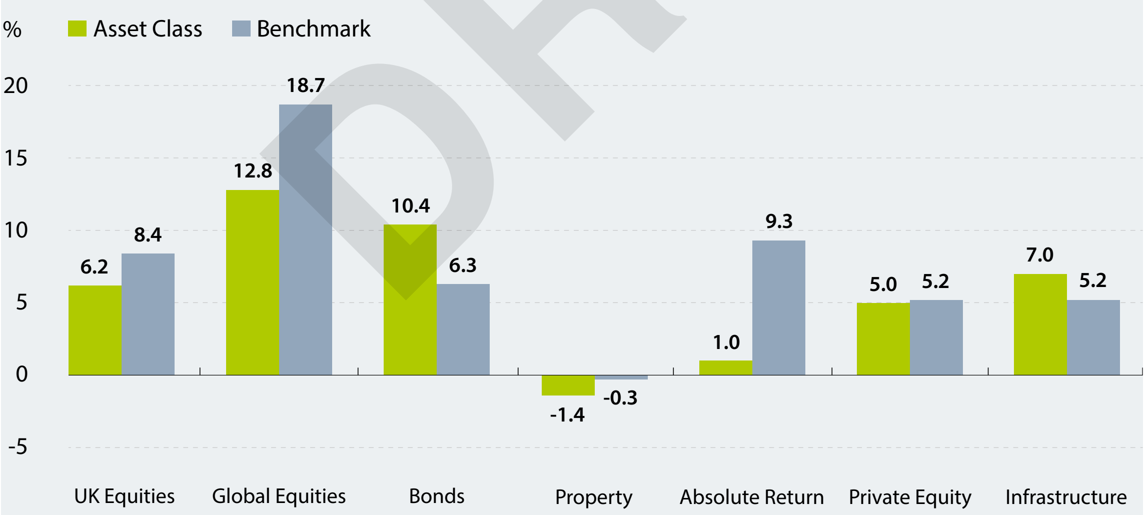


The graph below shows the long term performance of the Fund's investments compared against its Strategic benchmark.

Long Term Performance Summary to 31 March 2024

Returns by Asset Class
The analysis set out below shows the returns by asset class for 2023-24:

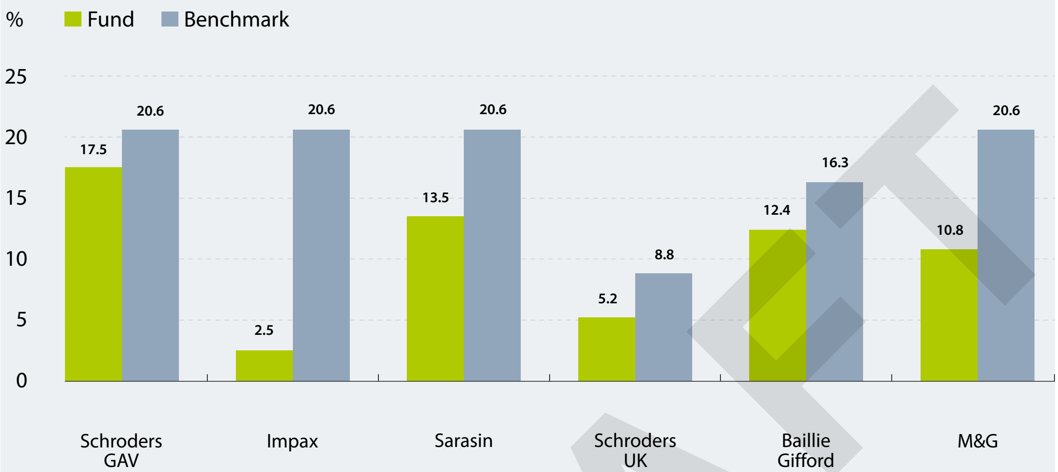
2023-24 Returns by Asset Class



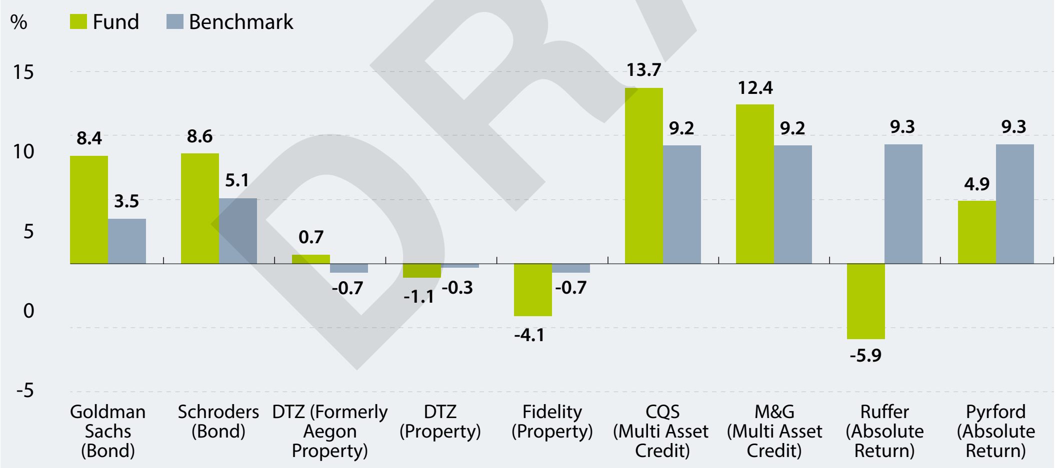
Performance by Fund Manager

The following graphs show the performance of the Equity and other Mandates compared to their benchmarks for the year ended 31 March 2024.

Returns by Fund Manager – Equities



Returns by Fund Manager – Other Mandates



Responsible Investment (RI)

The Kent Pension Fund (the Fund) is committed to being a responsible investor and a good long-term steward of the assets in which it invests.

The Responsible Investment Policy sets out the Fund's approach to responsible investment including where responsibility lies; how environmental, social and governance (ESG) considerations are embedded in the Fund's investment processes; and how the Fund stewards its investment assets in the interests of its beneficiaries. The Fund's RI policy can be viewed here.

As an asset owner, the Fund implements its investment strategy via external asset managers (including the ACCESS pool) and service providers, who play a critical role in delivering and discharging the Fund's Responsible Investment Policy.

Increasingly the Fund's investment assets are pooled via the ACCESS pool, one of the LGPS collective investment pools in England and Wales that have been established to drive scale, develop expertise and enhance returns. The Fund pursues its responsible investment objectives via the pool and, alongside other ACCESS member authorities, actively contributes to the development and evolution of the pool's responsible investment approach.

The Fund recognises that taking a collaborative approach with other investors can help to achieve its responsible investment objectives and, accordingly, the Fund participates in various groups and initiatives. The Fund is a member of the Principles for Responsible Investment (PRI), and subscribes to the PRI's six principles for responsible investors to follow. The Fund is also a member of the Local Authorities Pension Fund Forum (LAPFF), a collaborative initiative that promotes the highest standards of corporate governance to protect the long-term value of local authority pension funds. The Fund is also a member of Pensions For Purpose (PfP) and the Institutional Investors Group on Climate Change (IIGCC).

Addressing climate risk

The Fund has undertaken climate scenario analysis to estimate the potential impact on the long term value of the Fund's assets under various climate transition scenarios and has found the impact of a failed transition to a low carbon global economy would be financially material. This analysis supports the view that it is consistent with the Fund's fiduciary duty, as a long term investor, to undertake actions (including in concert with others) to seek to bring about an orderly transition away from fossil fuels towards a low carbon economy, and to manage the uncertainties embedded in the transition. The Fund's climate risk strategy rests on three pillars:

- Decarbonisation
- Transition alignment
- Climate solutions

During the year the Committee agreed a Net Zero target of 2050 for the Fund and set interim carbon reduction targets of 43% by 2030 and 69% by 2040 for its equity portfolio.

Voting

The Fund believes that active ownership helps the realisation of long-term shareholder value. The Fund has a duty to exercise its stewardship rights and active ownership responsibilities (voting and engagement) effectively by using its influence as a long-term investor to encourage responsible investment behaviour.

The Fund delegates voting decisions to its investment managers and expects them to fully participate in voting at company annual general meetings and to carry out all voting decisions on behalf of the Fund, in line with our RI policy.

As a member of LAPFF. the Fund utilises voting alerts to guide its stewardship activities and engage with its external asset managers on specific stewardship issues.

The Fund works with other member authorities on the ACCESS pool to carry out stewardship of pooled investment assets. During the reporting year, ACCESS has further enhanced its stewardship approach and is currently reviewing and updating its voting guidelines, which provide a framework for carrying out stewardship activities in relation to pooled assets.

Voting activity is reported to the Pension Fund Committee on a quarterly basis.

Voting by Managers 2023/24

	Number of Resolutions			
	For	**Against**	**Abstain**	**Total**
Baillie Gifford	2,529	119	88	2,736
Schroders UK Equity	931	22	2	955
Schroders GAV	6,355	767	94	7,216
M&G Global Dividend	572	57	25	654
Ruffer	124	17	11	152
Sarasin	540	233	50	823
Impax	918	69	7	994
Pyrford	618	58	46	722
Total	**12,587**	**1,342**	**323**	**14,252**

Developing the Fund's responsible investment approach

The Fund has established the responsible investment working group to help advance the Fund's activities in this area. The working group has a formal workplan and undertook a number of key activities in 2023-24 to develop and implement the Fund's responsible investment approach.

Key Activity 2023/24

- Undertaking training on establishing and implementing a net zero commitment
- Exploring the UN Sustainable Development Goals and their application to institutional investors like the LGPS
- Contributing to and monitoring RI developments at the ACCESS pool
- Undertaking an analysis of the investment portfolio's transition potential, to understand how a net zero investment strategy could be implemented
- Becoming a member of Pensions for Purpose
- Designing a net zero commitment
- Reviewing the Fund's responsible investment beliefs
- Establishing stewardship and responsible investment priorities using the UN Sustainable Development Goals framework
- Launching a review of the Fund's Responsible Investment Policy
- Evaluating the findings of the annual PRI assessment of the Fund's responsible investment activities.

Administration

Summary of Activity

Responsibility for the administration of the Kent Pension Fund is delegated to the Pensions Section, part of the Chief Executive's department of the County Council. The Pensions Section use Altair, a Heywood's system, to provide all aspects of pensions administration including pensioner payroll and employer web access. Members can access their pension information online via the Member Portal. Information for members and employers can be found on the Kent Pension Fund website.

There are 71.82 full time equivalent members of staff (currently in post, with 19 FTE vacancies) involved in the administration of the scheme for Kent, split into four main teams supported by finance and systems colleagues:

- an Administration Team responsible for administering all casework and handling all member queries.
- a Communications and Support Team responsible for supporting and training scheme employers. The aim of the team is to equip scheme employers with enough knowledge so that the provision of scheme member information is timely and accurate. Each member of the team is assigned a number of employers and are in daily communication to actively encourage them to follow correct procedures. Maintenance of the pension fund website and member self-service portal falls under the remit of this team, including implementation of new technological enhancements.
- a Technical and Training Development Team responsible for providing advice and information to colleagues and scheme members in respect of all technical issues and legislative changes. The team also manage the learning and professional development of the section's workforce, through arranging and delivering training plans.
- a Projects Team who are responsible for programme and project management of the sections service improvement projects and provide co-ordination and support to the implementation of enhancements to the service.

Pensioner Payroll is dealt with by the Kent County Council Payroll Operations Team.

Assurance over the effective and efficient operation of the administration is provided by internal audit, who carry out assurance and consultancy in accordance with a risk-based programme. An internal audit opinion concludes on the overall adequacy and effectiveness of the Pension Section framework of governance, risk management and control.

The Pensions Section ran two Employer Focus Group meetings throughout the year. One in June held via MS Teams, attended by 112 people and one in December held at the Ashford International Hotel, attended by 73 people.

Scheme information for members is provided on the Pensions Section website. Members can view their own record including their Annual Benefit Statement via member self-service, as well as update personal details and run estimates. 15,088 members had registered for the Member Portal by 31 March 2024.

Administration Strategy

At its meeting on 29 March 2023 the Pension Fund Committee approved the new Kent Pension Fund Administration Strategy. The new strategy was effective from 1 April 2023 and has been published on the Kent Pension Fund website.

Administration System Contract

At its meeting on 29 March the Pension Fund Committee endorsed the decision to direct award for a new five-year contract with the incumbent administration system provider. The new contract was live from 1 May 2023.

The new contract includes some new add-ons including the Integrated Service Provider (ISP) for Pensions Dashboard and a tool called Insights which will allow for more robust and easier to use running of reports on data within the system.

Guaranteed Minimum Pension (GMP) Rectification

In total the data for 23,439 pensioner records were analysed, with 296 members having benefits recalculated, 2,171 members had their GMP only corrected, 4 members required manual calculations by the Pensions Section and 20,968 members didn't require rectification. For those that required full rectification, this took effect from the October payroll.

Upon completion of this project, letters were issued to 296 members who had an adjustment to their pension.

Outbound Printing Solution

During 2023/24 the administration team trialled a new printing solution with the same supplier that currently prints and dispatches the Fund's Annual Benefit Statements. The aim was to release capacity within the team to focus more on pensions related tasks, as well as ensuring member communications are dispatched on the same day and robust reporting is available.

The process of printing and dispatching daily mailings went live with the external supplier, Adare. The solution provides out-of-office secure printing, thereby releasing resource in-house.

New Telephony Solution

The administration team worked with colleagues in ICT to develop a new 'interim' options-based telephony solution which allows customers to connect with a member of the team who specialises in the area relating to their enquiry. It also means the members of the administration team only taking calls relating to subjects on which they are experienced and knowledgeable.

The aim was to significantly improve customer satisfaction levels and first point fix contact.

Following the roll-out of the interim solution, the Fund was selected as an early adopter of Kent County Councils new telephony solution, Luware. The Luware system enables use of a more sophisticated telephony solution, with the potential to offer improved customer service to scheme members. Luware's functionality enables easier monitoring of calls and enquiries, so that call lines can be managed according to demand.

In March, a digital test environment was created. A small project testing team was established to carry out the user acceptance testing. Implementation of the new telephony system is scheduled for Summer 2024. The telephony solution will enable easier data monitoring and a better call experience for scheme members (i.e. the provision of updates on call queue position, the option for call backs and the provision of signposting for online self-service).

Annual Benefit Statements/Pension Saving Statements

The Annual Benefit Statements (ABS) templates for active and deferred members were amended for 2022/23.

The documents included changes to Annual Allowance and Lifetime Allowance as a result of the Budget, together with the change in the CARE revaluation date. The ABS documents also included the first written notification to members of the Fund's intention to provide future ABS' digitally.

ABS' were produced by the statutory deadline of 31 August for 50,304 Active members and 48,982 Deferred members. These were sent to the home address held on member records. From 2024 Active ABS' will be published on the member self service portal, and the ABS' for Deferred members will be available online from 2025. This will remove the issue of members not receiving their ABS if they haven't kept their address details up to date (a particular issue for Deferred members) and will make access to ABS' quicker also encouraging more members to use the self service portal. For those that require a paper copy, these can still be posted upon request.

Pension Savings Statements (PSS) were produced by the statutory deadline of 6 October for the 116 members who were identified as breaching the annual allowance limit in 2022/23, or who made a formal request to be provided with their pension input amount. Of these, 17 members have so far elected to use the Scheme Pays option to meet payment of a tax charge.

Benchmarking

As part of the Fund's objective to be 'best in class' and to be able to track the service transformation journey, the Fund partnered with CEM to undertake benchmarking against other LGPS and international pension funds.

CEM works with over 400 funds worldwide, and provide clients with objective, actionable benchmarking insight into how to maximise value for money in investments and pension administration.

The Fund anticipates using the service to demonstrate value for money, improve member and employer service, optimise costs and staffing levels, make better decisions and save time by learning from peers.

The report provided compares the Funds pension administration costs and member service with a peer group of other schemes.

The Fund's pension administration costs of £23.06 per member were £7.99 below the adjusted peer average of £31.05. The business as usual costs of £23.06 per member were £5.62 below the adjusted peer average of £28.68.

The total member score was 50 out of 100, this was below the peer median of 61.

The report highlighted that the Fund performed higher than peers when paying pensioners on time during the year and increasing pensions by the right amount at the right time. This is considered 'mission critical' for any pension administration team.

The Fund also scored well for the public area of the website with members generally being able to access helpful information without the need to log in. The Fund also scored well for the amount of information that can be conveyed to members on the telephone – particularly pensioners.

In addition, the fund scored well for service to vulnerable members by placing flags of member records indicating a need for special help and the website was found to have lots of accessibility features.

The Fund scored lower than peers in the following areas:

- fewer members are registered for or using the secure area of the website
- call abandonment rates and wait times were higher than peers
- there were no individual member meetings
- newsletters were not sent to Active and Deferred members
- member surveys were not carried out

Overall, the Fund was positioned as basic member service with low cost.

The Funds Service Improvement Plan is addressing the issues above by implementing a new and improved member self service portal, implementing a more sophisticated telephony system, significantly overhauling the Communications Policy which includes a move to digital by default and provides regular newsletters to all tranches of membership and regularly encourages feedback from both members and employers via surveys and focus groups.

Overseas Existence Checks

Crown Agents Bank (CAB) supported the Fund with this process for 2023, as part of a pilot exercise. Kent Pension Fund trialled the use of CAB's digital technology solution to verify proof of life existence amongst overseas pensioners. The option of completion by paper form (and counter signature) was still offered to scheme members. However, the uptake for paper form completion has been low, with a clear preference for the digital option. Of the 889 overseas pensioners in scope, 77.39% completed the online verification, 12.37% completed a paper submission. The reminder did not complete the process and had their pensions suspended from the May payroll.

Employer Monthly Data Submissions (iConnect)

The team have planned an iConnect rollout programme to employers, with an aim to get all employers using iConnect to submit their data by the end of 2025. To date, 87 employers have been onboarded to iConnect.

Member Engagement

The move to digital by default is progressing, with members being informed of the intention to use digital methods of communication in the future. There is a legal obligation to notify members three times before using digital methods, and the first notification was included within the ABS for 2023. Members can, of course, choose to continue to receive correspondence by paper.

The team have upgraded the Member Self Service (MSS) portal to the latest version offered by Heywood's in the first quarter of 2024. The new version of MSS has a completely different look and has been designed to make this service easier for members to use. In due course, the Fund will look to transition as many member processes to the self service platform as possible in order to streamline processes and improve the member journey.

Legislative changes

During 2023/24, two significant legislative changes were introduced. In September 2023, the legislation governing the McCloud remedy was published effective from 1 October 2023. During February 2024, legislation governing a new tax regime was issued, having effect from 6 April 2024.

These changes required significant staff training and the review and updating of all scheme literature. In addition, due to the late notification of the legislation, software updates were not in place to accommodate the new processes and so it was necessary to develop manual processes to implement the new regulations where required.

Between June and October 2023, the Government Actuary's Department issued updated actuarial factors following a reduction in the SCAPE rate in March 2023. Due to the staggered issue of this guidance, it was necessary to undertake manual calculations at various times while awaiting software updates. All software updates were completed by the end of 2023.

Staff training

A total of 141 internal staff training sessions were undertaken during 2023/24. These focused primarily on new staff who had been recruited during the year.

Cyber Security

During 2023 - 2024 the Fund obtained specialist advice and expertise to support the Fund's approach to managing cyber security. Member refresher training on cyber security was undertaken during September 2023. In 2023- 2024 cyber security assessments were carried out with third party system suppliers. Updates on cyber security were given to both the Fund's Board and Committee during 2023 – 2024 as a regular agenda item. A Cyber Security Policy and Incident Response Plan are to be approved by Committee in June 2024.

Key Performance Indicators

Table A - Total number of casework

Casework KPI	Total number of cases open as at 31 March (starting position)	Total number of new cases created in the year (1 April to 30 March)	Total number of cases completed in the year	Total % of cases completed in the year
Deaths recorded of active, deferred, pensioner and dependent members	69	1,623	1,584	97.59
New dependent member benefits	59	597	580	97.15
Active member retirements	345	3,087	2,829	91.64
Deferred benefits	4,954	6,520	3,811	58.45
Transfers in (including interfunds in, club transfers)	481	443	274	61.85
Transfers out (including interfunds out, club transfers)	176	510	285	55.88
Refunds	93	1,459	1,425	97.66
Divorce quotations issued	38	396	397	100
Actual divorce cases	4	9	7	77.77
Member estimates requested either by scheme member and employer	615	5,046	4,723	93.59
New joiner notifications	311	15,254	14,903	97.69
Aggregation cases	4,575	6,660	2,502	37.56
Optants out received after 3 months membership	143	436	329	75.45

Key Performance Indicators

Table B - Time taken to process casework

Casework KPI	Fund target (days)	% completed within Fund target in year
Communication issued with acknowledgement of death of active, deferred, pensioner and dependent member	15	89
Communication issued confirming the amount of dependents pension	15	78.5
Communication issued to active member with pension and lump sum options (quotation)	20	80.2
Communication issued to active member with confirmation of pension and lump sum options (actual)	20	96.7
Communication issued with deferred benefit options	60	23
Communication issued to scheme member with completion of transfer in	20	11.31
Communication issued to scheme member with completion of transfer out	20	17.54
Payment of refund	20	90
Divorce quotation	30	77
Communication issued following actual divorce proceedings i.e application of a Pension Sharing Order	80	86
Communication issued to new starters	30	93

Table C– Communications and engagement

Engagement with online portals	Percentage as at 31 March
% of active members registered	9.48
% of deferred members registered	6.77
% of pensioner and survivor members registered	7.79

Communication	
Total number of telephone calls received in year	19,236
Total number of email and online channel	17,265
Number of scheme member events held in year (total of in person and online)	5 (4 online and 1 in person)
Number of employer engagement events held in year (in person and online)	2
Number of active members who received a one-to-one (in person and online)	0
Number of times a communication (i.e. newsletter) issued to: a) Active members b) Deferred members c) Pensioner members	 2 2 2

Key Performance Indicators

Table D – Resources

Total number of administration staff (FTE)	71.82
Staff vacancy rate as %	20.92
Ratio of all administration staff to total number of scheme members (all staff including management)	1:2,173

Table E – Data Quality

Annual Benefit Statements	
Percentage of annual benefit statements issued as at 31 August	93.92 (across Active and Deferred)
Short commentary if less than 100%	As ABS' were sent via post for 2022/23 not all home addresses were held so the Fund were unable to issue 100% of statements
Data Category	
Common data score	95%
Scheme specific data score	93%
Percentage of active, deferred and pensioner members recorded as 'gone away' with no home address held, or address is known to be out of date	Active records with no address = 0.80 Deferred records with no address = 6.74 Pensioner records with no address = 0.23
Percentage of active, deferred and pensioner members with an email address held on file	Active = 18.47 Deferred = 19.87 Pensioner = 20.42
Employer performance	
Percentage of employers set up to make monthly data submissions	14.80
Percentage of employers who submitted monthly data on time during the reporting year	90

Fund Members and Employers

The Kent Pension Fund provides pensions for employees of Kent County Council, and the 12 district/borough councils in the Kent County area. These are 'Scheduled Bodies', which means their employees have a statutory right to be in the Scheme. Other Scheduled Bodies include Medway Council, Kent and Medway Fire and Rescue, the Office of the Police and Crime Commissioner and the Chief Constable for Kent, as well as all Academy Trusts. Town and Parish Councils that have opted to join the Fund are known as 'Resolution Bodies'.

There are also 'Admission Bodies' which include voluntary organisations that the County Council has admitted to the Scheme under its discretionary powers. Other Admission Bodies include employees of contractors for jobs transferred from Scheduled Bodies.

Teachers, Police Officers and Firefighters have separate non funded pension arrangements. Under the Pensions Act 2011, all employers are obliged to automatically enrol eligible employees into a qualifying pension scheme and re-enrol anyone who opts out of the scheme every three years. The LGPS is a qualifying scheme under the automatic enrolment regulations and can be used as such by Fund employers.

Further information on automatic enrolment can be found on the Pensions Regulator website www.thepensionsregulator.gov.uk

At 31 March 2024 there were 472 Employers in the Fund. During the year 11 organisations joined the Fund as either scheduled or admitted bodies following the transfer of staff from existing fund employers and as schools converted to academy trusts. Academy trusts also consolidated and other employers exited the Fund as their last active members left or retired. During the year 21 employers either ceased to be members of the Fund or merged with other employers.

The following table shows a summary of the number of employers in the Fund analysed by employer type which are active (i.e. with contributing members) and ceased (i.e. with no active members but with some outstanding liabilities).

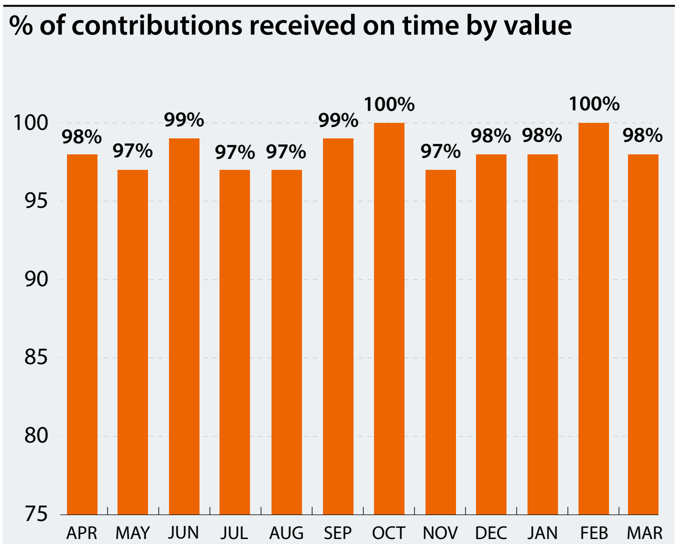
			Number of employers
	Active	**Ceased**	**Total**
Scheduled Body	224	78	302
Admitted Body	60	110	170
Total	**284**	**188**	**472**

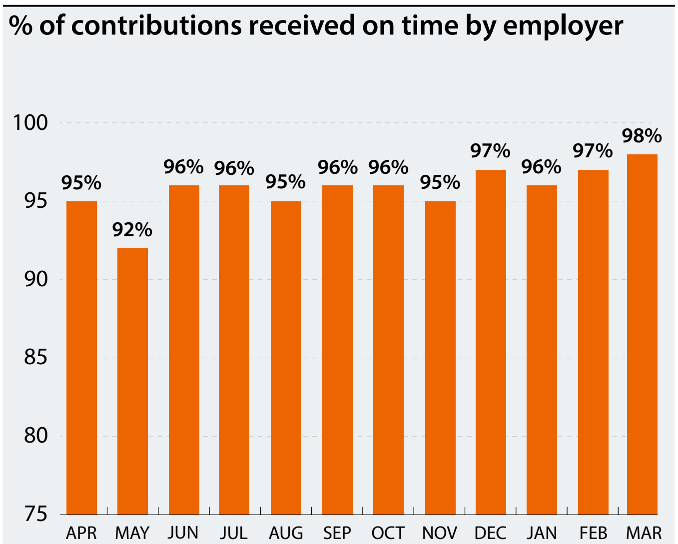
Amounts due from Employers

In 2023-24 KCC monitored the timely receipt of contributions by the deadline of the 19th of the following month the contributions relate to in two different measures: by value and by number of employers. The tables below show the measures over the 12-month period.

Averaging 98% of total contribution income by value from the employers and 96% of employers paid on time.

The lower percentage reflects the difficulties some small employers have and some backdated admissions in the Fund. The option to levy interest on overdue contributions was not exercised. At 31st March 2024, contributions in respect of the March salaries totaling £23.1m due by 19 April had not been received.





On 31 March 2024 there were 50,408 pensioners, 50,645 deferred members, and 55,291 contributors, a total of 156,344 Scheme members.

The following table shows a summary of employers in the fund analysed by type:

Employer Type	Employers	Active Members	Deferred Members	Pensioner Members
Kent County Council (inc. Schools)	1	22,005	24,495	25,252
Local Authorities	17	8,296	9,535	13,161
Resolution Bodies	121	5,349	6,494	5,816
Transferee Admission Bodies	105	466	522	464
Community Admission Bodies	52	1,400	2,556	2,225
Academy Trusts	403	17,775	7,043	3,490
Total		**55,291**	**50,645**	**50,408**

A full listing of contributing Scheme employers as at 31 March 2022 can be found in the Fund's 'Rates and Adjustments Certificate' (Appendix 5 of the Actuarial Valuation report) found here: Report detailing the Actuarial valuation as at 31 March 2022 and Rates and Adjustment Certificate (kentpensionfund.co.uk)

Communications Policy

The latest version of the Funds Communications Policy was approved by the Pension Fund Committee on 26 March 2024.

All prospective, active, deferred and pensioner members have access to the following:

- Major changes to scheme regulations are communicated to member groups and are published on the website in an effective, straightforward, and timely manner.
- Kent Pension Fund website has dedicated areas for all members. It includes information about the scheme, guides, factsheets, and forms. Customers can request a paper copy of information or documents by contacting their employer (if applicable) or the Fund. Members and employers can use the online enquiry and document upload form on a secure area of the website.
- The Pensions Customer Helpline is available Monday to Friday. The current opening times are available on the Kent Pension Fund website. The telephone number is 03000 41 34 88.
- Written Correspondence can be sent to the Fund, together with forms and certificates. The address is Pension Section, Sessions House, County Hall, Maidstone, Kent, ME14 1XX.
- One to one appointments with a member of the Kent Pension team are available Monday to Friday via Teams on request, during the opening times of the pensions customer helpline.

All active, deferred and pensioner members have access to member self-service which is an online secure facility for members of the Fund, hosted by Heywood Pension Technologies Ltd.

Registered members can:

- view a summary of the details the Fund holds for them and keep their personal details up to date
- create, view, and update their expression of wish for any death grant that may be payable
- perform quotations for deferred benefits and future benefits (depending on member status)
- view figures for P60s and pay slips (pensioner members). Members can also download a copy of their pay slips.

A dedicated area of the website is provided for those thinking of joining the scheme containing information, guides, and factsheets.

Value for Money Statement

The Kent Pensions Section deliver an efficient and effective administration service as demonstrated by:

- Low administration cost per member
- Low number of member complaints
- Good prospects for improvements
- A number of formally qualified team members

Work has continued in the year to improve data quality, with a focus on working with employers to improve the timeliness and quality of the information they provide.

With support from ITM, work has started to rectify and remedy member data and records in preparation for and compliance with McCloud and Pensions Dashboard.

Complaints and Dispute Resolution

Complaints

If customers have a complaint about the service, the Pensions Section staff will do their best to put things right. If customers are still dissatisfied, they can write to Pensions Section, Invicta House, Maidstone, ME14 1XX.

There were fourteen formal complaints made in 2023/24. These were all investigated, and changes were made to processes where appropriate.

Appeals

The LGPS regulations provide a two-stage formal appeal process for members. For stage one it will be heard by an independent adjudicator.

If the member is still dissatisfied, they can make a second stage appeal, which will be considered by the Pensions Administration Manager if an appeal against an employer decision, or the Head of Pensions and Treasury if an appeal against the Administering Authority.

After this second stage, if the member wishes, the matter can be investigated by the Pensions Ombudsman. The Pensions Ombudsman are an independent organisation set up by law to deal with pension complaints. Contact details are:

- **Phone: 0800 917 4487**
- **E-mail:** enquiries@pensions-ombudsman.org.uk

The Fund considered six stage one Internal Dispute Resolution Procedure (IDRP) appeals against the Pension Fund during 2023/24. Three of these proceeded to stage two of the IDRP process

Actuary's Statement as at 31 March 2024

Introduction

The last full triennial valuation of the Kent Pension Fund (the Fund) was carried out as at 31 March 2022 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated 31 March 2023.

Asset value and funding level

The results for the Fund at 31 March 2022 were as follows:

- The smoothed value of the Fund's assets for funding purposes as at 31 March 2022 was £7.56bn.
- The Fund had a funding level of 102% i.e. the value of assets for funding purposes was 102% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a surplus of £181m.

Contribution rates

The employer contribution rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet:

- The annual accrual of benefits allowing for future pay increases and increases to pensions in payment when these fall due;
- plus an amount to reflect each participating employer's notional share of the Fund's assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date.

The primary rate of contribution on a whole Fund level was 20.5% of payroll p.a. The primary rate as defined by Regulation 62(5) is the employer's share of the cost of benefits accruing in each of the three years beginning 1 April 2023.

In addition, each employer pays a secondary contribution as required under Regulation 62(7) that when combined with the primary rate results in the minimum total contributions. This secondary rate is based on their particular circumstances and so individual adjustments are made for each employer.

Details of each employer's contribution rate are contained in the Rates and Adjustments Certificate in the triennial valuation report.

Assumptions

The assumptions used to value the liabilities at 31 March 2022 are summarised below:

Assumptions	Assumptions used for the 2022 valuation
Financial assumptions	
Market date	31 March 2022
CPI inflation	2.9% p.a.
Long-term salary increases	3.9% p.a.
Discount rate	4.5% p.a.

Demographic assumptions	
Post-retirement mortality	
Base tables pensioners	110% of S3PA tables
Bae tables dependents	100% of S3DA tables
Projection model	CMI 2021
Long-term rate of improvement	1.25% p.a.
Smoothing parameter	7.0
Initial addition to impvovements	0.5% p.a.
2020/21 weighting parameter	5%

Full details of the demographic and other assumptions adopted as well as details of the derivation of the financial assumptions used can be found in the 2022 valuation report.

Updated position since the 2022 valuation

Assets
Returns over the year to 31 March 2024 have increased compared with the previous year, however they remain lower than expected. The Fund also has a positive cash flow, therefore the market value of assets at 31 March 2024 has increased but remains lower than they were projected to be at the previous valuation.

Liabilities
The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – the higher the real discount rate the lower the value of liabilities. As at 31 March 2024, the real discount rate is estimated to be higher than at the 2022 valuation due to a reduction in the long term rate of inflation from 31 March 2024 onwards. This has reduced the value placed on the liabilities relative to the previous valuation.

The value of liabilities will have increased due to the accrual of new benefits net of benefits paid, pension increases awarded and interest on the liabilities.

Benefits were increased by 6.7% in line with the 2024 LGPS pension increase order which is higher than the pension increase assumed at the previous valuation. The increase in liabilities associated with this has been partially offset by the reduction in the long-term inflation assumption. This short-term high inflation and longer term lower inflation is broadly consistent with what was assumed at the 2022 formal valuation.

Overall position
Although the Fund's assets have performed better over the period, they are slightly below expectations since the last formal valuation. The liabilities have increased due to the high pension increases awarded in 2023 and 2024.

Overall, this has resulted in a reduction to the funding position as at 31 March 2024 compared to the valuation at 31 March 2022. The change in the real discount rate since 31 March 2022 will place a lower value on the cost of future accrual which results in a lower primary contribution rate. The impact on secondary contributions will vary by employer.

The Fund can continue to monitor the funding level using LGPS Monitor on a regular basis.

However, the next formal valuation will be carried out as at 31 March 2025 with new contribution rates set from 1 April 2026. As part of the 2025 valuation, the Fund and us as the Fund Actuary will work together in setting the assumptions for the valuation.

Roisin McGuire FFA
Principal, Barnett Waddingham LLP

2023 CONTENT - TO BE UPDATED

Statement of Responsibilities for the Statement of Accounts

Kent County Council's Responsibilities
The Council is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Corporate Director of Finance;
- to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets; and
- to approve the Statement of Accounts.

I confirm that these Accounts were approved by the Governance and Audit Committee at its meeting on 28 February 2023 on behalf of Kent County Council.

Councillor Rosalind Binks
Chairman of the Governance and Audit Committee

The Corporate Director of Finance's Responsibilities
The Corporate Director of Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Council Accounting in the United Kingdom (the Code), and is required to give a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2024.

In preparing this Statement of Accounts the Corporate Director of Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code.

The Corporate Director of Finance has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I confirm that these accounts give a true and fair view of the financial position of the Council at the reporting date and its income and expenditure for the year ended 31 March 2024.

Certificate of the Corporate Director of Finance

Corporate Director of Finance

Pension Fund Accounts

Fund Account for the year ended 31 March

The following financial statements are included in the Kent Pension Fund's Annual Report and Accounts 2023-24 available from the Fund's website at www.kentpensionfund.co.uk

	Notes	2023–24 £'000	2022–23 £'000
Dealings with members, employers and others directly involved in the Fund			
Contributions	7	**321,214**	297,692
Transfers in from other pension funds	8	**12,280**	17,306
		333,494	314,998
Benefits	9	**(303,175)**	(270,995)
Payments to and on account of leavers	10	**(15,424)**	(15,184)
		(318,599)	(286,179)
Net additions from dealings with members		**14,895**	28,819
Management expenses	11	**(34,788)**	(32,502)
Net withdrawals including fund management expenses		**(19,893)**	(3,683)
Returns on investments			
Investment income	13	**157,148**	153,112
Taxes on income		**(371)**	(198)
Profits and losses on disposal of investments and changes in the market value of investments	15a	**157,715**	(3,704)
Net Return on Investments		**314,492**	149,210
Net increase/(decrease) in the net assets available for benefits during the year		**294,599**	145,527
Opening net assets of the scheme		**7,847,952**	7,702,425
Closing net assets of the scheme		**8,142,551**	7,847,952

Net Assets Statement as at 31 March

	Notes	2023–24 £'000	2022–23 £'000
Investment assets		**8,150,468**	7,860,392
Investment liabilities		**(9,611)**	(12,323)
Net investment assets	15	**8,140,856**	7,848,069
Current assets	21	**34,778**	29,503
Current liabilities	22	**(33,083)**	(29,620)
Net assets available to fund benefits at the period end		**8,142,551**	7,847,952

Notes to the Pension Fund Accounts

1. Description of the Fund

General
The Kent Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Kent County Council (KCC) for the purpose of providing pensions and other benefits for the pensionable employees of KCC, Medway Council, the district and borough councils in Kent and a number of other employers within the county area. The Fund is a reporting entity and KCC as the Administering Authority is required to include the Fund's accounts as a note in its Report and Accounts. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The LGPS is a contributory defined benefit pension scheme.

The Scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:
– the Local Government Pension Scheme Regulations 2013 (as amended);
– the Local Government Pension Scheme (Transitional Provisions, Savings and Amendments) Regulations 2014 (as amended);
– the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The Fund is overseen by the Kent Pension Fund Committee (the Scheme Manager). The Local Pension Board assists the Scheme Manager to ensure the effective and efficient governance and administration of the Scheme.

Membership
Membership of the LGPS is voluntary and employees are free to choose whether to join or remain in the Scheme or to make personal arrangements outside the Scheme. Employers in the Fund include Scheduled Bodies which are local authorities and similar entities whose staff are automatically entitled to be members of the Scheme; and Admission Bodies which participate in the Fund by virtue of an admission agreement made between the Administering Authority and the relevant body. Admission bodies include voluntary, charitable and similar entities or private contractors undertaking a local authority function following a specific business transfer to the private sector.

There are 284 employers actively participating in the Fund and the profile of members is as detailed below:

	Kent County Council	Kent County Council	Other Employers	Other Employers	Total	Total
	31 Mar 2024	31 Mar 2023	**31 Mar 2024**	31 Mar 2023	**31 Mar 2024**	31 Mar 2023
Contributors	**22,005**	21,885	**33,286**	31,468	**55,291**	53,353
Pensioners	**25,252**	24,878	**25,156**	23,705	**50,408**	48,583
Deferred Pensioners	**24,495**	24,618	**26,150**	25,284	**50,645**	49,902
Total	**71,752**	71,381	**84,592**	80,457	**156,344**	151,838

Funding
Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the Local Government Pension Scheme Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2024. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2022. Employers' contribution rates consist of a primary rate (representing the rate required to meet the cost of future accrual of benefits) and a secondary rate, which is an adjustment to the primary rate for employer specific circumstances (e.g. to allow for deficit recovery). Currently, employers' primary contribution rates range from 15.7% to 36.4% of pensionable pay.

Benefits
Pension benefits under the LGPS are based on the following:

	Service pre April 2008	Membership from 1 April 2008 to 31 March 2014	Membership from 1 April 2014
Pension	1/80 x final pensionable salary	1/60 x final pensionable salary	1/49 (or 1/98 if opted for 50/50 section) x career average revalued salary
Lump sum	Automatic lump sum of 3/80 x final pensionable salary.	No automatic lump sum	No automatic lump sum.
	In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

There is a range of other benefits provided under the Scheme including early retirement, ill health pensions and death benefits. For more details, please refer to the Kent Pension Fund website: www.kentpensionfund.co.uk

2. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2023-24 financial year and its position at 31 March 2024.

The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2023-24 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts are prepared on a going concern basis. Adoption of IFRS 16 which is set to come to effect from April 2024, is not expected to have a material impact on the pension fund accounts.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS)19 basis is disclosed at note 20 of these accounts.

Going concern
The Statement of Accounts has been prepared on a going concern basis. The vast majority of employers in the pension scheme are scheduled bodies that have secure public sector funding, and therefore there should be no doubt in their ability to continue to make their pension contributions. Following the latest actuarial valuation and schedule of employer contribution prepayments, the Pension Fund has reviewed its cashflow forecast and is confident in its ability to meet is ongoing obligations to pay pensions from its cash balance for at least 12 months from the date of signing the accounts. In the event that investments need to be sold, 81% of the Fund's investments can be converted into cash within 3 months.

3. Summary of Significant Accounting Policies

Fund Account – revenue recognition
a) Contribution income
Normal contributions, both from the members and from the employers, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate. Employers' deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the Fund Actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset.

b) Transfers to and from other schemes
Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis

Notes to the Pension Fund Accounts continued

and are included in 'transfers in'. Bulk transfers are accounted for in accordance with the terms of the transfer agreement.

c) Investment income
Dividends, distributions, interest, and stock lending income on securities have been accounted for on an accruals basis and where appropriate from the date quoted as ex-dividend. Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year. Where the Fund's investments are held in income accumulating funds that do not distribute income the accumulated income on such investments is reflected in the unit market price at the end of the year and is included in the realised and unrealised gains and losses during the year. Direct property related income mainly comprises of rental income which is recognised when it becomes due. Rental income is adjusted for provision for rent invoiced but collection of which is assessed as doubtful.

Fund Account – expense items

d) Benefits payable
Pensions and lump-sum benefits payable include all amounts known to be due as at the year end. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities providing the payment has been approved.

e) Taxation
The Fund has been accepted by the HM Revenue and Customs as a registered pension scheme in accordance with paragraph 1(1) of Schedule 36 to the Finance Act 2004 and, as such, qualifies for exemption from UK income tax on interest received and from capital gains tax on proceeds of investments sold. Tax is therefore only applicable to dividend income from equity investments. Income arising from overseas investments is subject to deduction of withholding tax unless exemption is permitted by and obtained from the country of origin. Investment income is shown gross of tax, and any recoverable tax at the end of the year is included in accrued investment income.

By virtue of KCC being the administering authority, VAT input tax is recoverable on all Fund activities including investment and property expenses.

f) Management expenses
All expenses are accounted for on an accruals basis. Costs relating to KCC staff involved in the administration, governance and oversight of the Fund, and overheads incurred by KCC and recharged to the Fund at the end of the year. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. Fees incurred include fees directly paid to fund managers as well as fees deducted from the funds by pooled fund managers which is grossed up to increase the income from these investments.

Net Assets Statement

g) Financial assets
Financial assets other than cash and debtors are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. Any purchase or sale of securities is recognised upon trade and any unsettled transactions at the year-end are recorded as amounts receivable for sales and amounts payable for purchases. From the trade date any gains or losses arising from changes in the fair value of the asset are recognised by the Fund. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 and IFRS 9. For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

The values of investments as shown in the Net Assets Statement have been determined as follows:
– Quoted investments are stated at market value based on the closing bid price quoted on the relevant stock exchange on the final day of the accounting period.
– Fixed income securities (bonds) are recorded at net market value based on their current yields.
– Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.
– Investments in private equity funds and unquoted listed partnerships are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers. The valuation standards followed by the managers are in accordance with the industry guidelines and the constituent management agreements. Such investments may not always be valued based on year end valuation as information may not be available, and therefore will be valued based on the latest valuation provided by the managers adjusted for cash flow and foreign exchange rate movements to the year end.
– Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, the change in market value also includes income which is reinvested in the fund.
– Debtors/receivables being short duration receivables with no stated interest rate are measured at original invoice amount. Debtors are

adjusted for provision made for doubtful debts relating to rent income.

h) Freehold and Leasehold Properties
The freehold and leasehold properties were valued at open market prices in accordance with the valuation standards laid down by the Royal Institution of Chartered Surveyors. The last valuation was undertaken by Colliers International, as at 31 December 2023. The valuer's opinion of market value and existing use value was primarily derived using comparable recent market transactions on arm's length terms. The results of the valuation have then been indexed in line with the MSCI Monthly Index movement to 31 March 2024. The indexation is carried out by DTZ, who are managers of the Fund's direct property portfolio.

i) Derivatives
The Fund uses derivative instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes. At the reporting date the Fund only held forward currency contracts. The future value of the forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract. Under the European Market Infrastructure Regulations the Fund's forward currency contracts are required to be covered by margin cash. These amounts are included in cash or cash equivalents held by the Fund and reflected in a corresponding margin cash liability under investment liabilities.

j) Foreign currency transactions
Assets and liabilities in foreign currency are translated into sterling at spot market exchange rates ruling at the year-end. All foreign currency transactions including income are translated into sterling at spot market exchange rates ruling at the transaction date. All realised currency exchange gains or losses are included in change in market value of assets.

k) Cash and cash equivalents
Cash comprises cash at bank and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value. Cash and cash equivalents managed by fund managers and cash equivalents managed by KCC are included in investments. All other cash is included in current assets.

l) Financial liabilities
The Fund recognises financial liabilities relating to investments at fair value as at the reporting date. A financial liability is recognised in the Net Assets Statement on the date the fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund. Other financial liabilities classed as amortised cost are carried at amortised cost i.e. the amount carried in the net asset statement is the outstanding principal repayable plus accrued interest. Any interest charged is accounted for on an accruals basis and included in administration costs.

m) Actuarial present value of promised retirement benefits
The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary and the methodology used is in line with accepted guidelines and in accordance with IAS 19. As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 20).

n) Contingent assets and liabilities
A contingent asset/liability arises where an event has taken place that gives the Fund a possible right/obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Fund. Contingent assets/liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an inflow/outflow of resources will be required or the amount of the right/obligation cannot be measured reliably. Contingent assets/liabilities are not recognised in the balance sheet but disclosed in a note to the accounts.

o) Pooling expenses
The Fund is member of the ACCESS pool, a group of 11 LGPS Administering Authorities who, as part of a Government initiative, have agreed to pool their investments to achieve cost and scale benefits. Pooling costs included in the Fund's accounts reflect the Fund's proportion of the cost of the governance arrangements of the pool.

p) Additional Voluntary Contributions
The Fund provides an additional voluntary contribution (AVC) scheme for its members, assets of which are invested separately from those of the Fund. AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of funds) Regulations 2016 but are disclosed for information in note 23.

Notes to the Pension Fund Accounts continued

4. Critical judgements in applying accounting policy

The Fund's investment portfolio includes a number of directly owned properties which are leased commercially to various tenants with rental periods. The Fund has determined that these contracts all constitute operating lease arrangements under the classifications permitted by the Code, therefore the properties are retained on the net asset statement at fair value.

5. Assumptions made about future and other major sources of estimation uncertainty

Item	Uncertainties	Effect if actual results differ from assumption
Actuarial present value of promised retirement benefits (Note 20)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £128m. A 0.1% increase in assumed earnings inflation would increase the value of liabilities by approx. £9m, and a one year increase to the life expectancy assumptions would increase the value of the liabilities by approx. £315m.
Private Equity and Infrastructure and other level 3 investments (Note 17)	Valuation of unquoted private equity and infrastructure investments is highly subjective and inherently based on forward looking estimates and judgements involving many factors. They are valued by the investment managers using guidelines set out in the British Venture Capital Association.	The total private equity, infrastructure and other level 3 investments on the financial statements are £766m. Potential change in valuation due to changes in these factors is estimated in Note 17.
Freehold and Leasehold Property and Pooled Property Funds (Note 17)	Valuation techniques are used to determine the fair values of directly held property and pooled property funds. Where possible these valuation techniques are based on observable data, but where this is not possible management uses the best available data. Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property.	The effect of 10% variations in the factors supporting the valuation would be an increase or decrease in the value of directly held property and property pooled funds of £73m on a fair value of £727m. Details of potential factors affecting the valuation are in Note 17.

6. Events after the reporting date

There have been no events since 31 March 2024, up to the date when these accounts were authorised, that require or do not require any adjustment to these accounts

7. Contributions receivable

	2023–24 £'000	2022–23 £'000
By Category		
Employees' contributions	**71,244**	66,582
Employers' contributions		
– normal contributions	**231,833**	192,792
– deficit recovery contributions	**13,852**	35,993
– augmentation contributions	**4,284**	2,325
Total Employers' contributions	**249,969**	231,110
Total contributions receivable	**321,214**	**297,692**
By type of employer		
Kent County Council	**116,271**	109,234
Scheduled bodies	**186,945**	174,513
Admitted bodies	**17,998**	13,945
Total	**321,214**	**297,692**

8. Transfers in from other pension funds

	2023–24 £'000	2022–23 £'000
Individual	**12,280**	17,306
Group	**0**	0
Total	**12,280**	**17,306**

9. Benefits payable

	2023–24 £'000	2022–23 £'000
By category		
Pensions	**254,015**	227,129
Retirement commutation and lump sum benefits	**42,833**	36,188
Death benefits	**6,327**	7,678
Total	**303,175**	270,995
By type of employer		
Kent County Council	**133,038**	121,133
Scheduled bodies	**151,361**	133,453
Admitted bodies	**18,777**	16,409
Total	**303,175**	**270,995**

10. Payments to and on account of leavers

	2023–24 £'000	2022–23 £'000
Group transfers	**0**	0
Individual transfers	**13,747**	14,009
Payments/refunds for members joining state scheme	**1**	3
Refunds of contributions	**1,676**	1,172
Total	**15,424**	**15,184**

Notes to the Pension Fund Accounts continued

11. Management expenses

	Notes	2023–24 £'000	2022–23 £'000
Administration costs		**5,258**	3,684
Governance and oversight costs		**1,660**	992
Investment management expenses	12	**27,641**	27,665
Audit fees		**96**	46
Pooling expenses		**133**	115
Total		**34,788**	32,502

12. Investment management expenses

	Notes	2023–24 £'000	2022–23 £'000
Investment managers fees	12a	**27,419**	27,448
Transaction costs		**163**	166
Custody fees		**59**	51
Total		**27,641**	27,665

The management fees disclosed above include all investment management fees directly incurred by the Fund including those charged on pooled fund investments.

In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. These indirect costs are not separately provided to the Fund.

12a. Investment management fees

	2023–24 £'000	2022–23 £'000
Bonds	**4,054**	3,802
Equities	**13,356**	13,343
Private equity/infrastructure	**6,906**	6,907
Property	**3,103**	3,396
Total	**27,419**	27,448

13. Summary of income from investments

		2023–24		2021–2022	
	Notes	£'000	%	£'000	%
Bonds		**17,862**	**11.4**	15,606	10.2
Equities		**10,356**	**6.6**	7,257	4.7
Pooled investments		**97,933**	**62.3**	97,769	63.9
Private equity/infrastructure		**9,941**	**6.3**	11,271	7.4
Property	14	**11,556**	**7.4**	11,456	7.4
Pooled property investments		**5,518**	**3.5**	7,028	4.6
Cash and cash equivalents		**3,884**	**2.5**	2,621	1.7
Stock lending and miscellaneous		**98**	**0.1**	103	0.1
Total before taxes		**157,148**	**100.0**	**153,112**	100.0

14. Property income and expenditure

	2023–24 £'000	2022–23 £'000
Rental Income from investment properties	**21,215**	19,962
Direct operating expenses	**(9,659)**	(8,506)
Net operating income from property	**11,556**	11,456

Rental income for 2023-24 is net of provision for doubtful debts of £5.8m, (2022-23 £4.7m).

15. Investments

Investment Assets	Market Value as at 31 March 2024 £'000	Market Value as at 31 March 2023 £'000
Bonds	**400,903**	356,101
Equities	**406,065**	363,714
Pooled investments		
– Fixed income	**792,897**	711,013
– Equities	**4,390,583**	4,312,029
– Absolute return	**410,961**	573,683
Private equity/infrastructure funds	**763,399**	614,963
Property	**461,774**	501,584
Pooled property investments	**265,421**	280,305
Derivatives – forward currency contracts	**375**	5,562
Investment cash and cash equivalents	**240,140**	127,035
Investment income due	**15,396**	14,404
Amounts receivable for sales	**1,247**	0
Margin cash	**1,307**	0
Total investment assets	**8,150,468**	7,860,392
Investment liabilities		
Amounts payable for purchases	**(2,444)**	(2,169)
Margin cash liability	**0**	(5,010)
Provision for doubtful debts	**(5,811)**	(4,735)
Derivatives – forward currency contracts	**(1,355)**	(409)
Total investment liabilities	**(9,611)**	(12,323)
Net investment assets	**8,140,856**	7,848,069

Investment income due (debtors) includes a sum of £8.3m (2022-23 £7.5m) for rents and service charges payable by tenants of properties owned by the Pension Fund. Due to continued effects of the pandemic on rent collection, there is a high likelihood that a significant portion will not be fully recovered. A provision of £5.8m (2022-23 £4.7m) has therefore been made for doubtful rent debts.

Notes to the Pension Fund Accounts continued

15a. Reconciliation of movements in investments and derivatives

	Market Value as at 31 March 2023 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Change in Market Value £'000	**Market Value as at 31 March 2024 £'000**
Bonds	356,101	99,347	(62,739)	8,195	**400,903**
Equities	363,714	106,315	(107,103)	43,139	**406,065**
Pooled investments	5,596,724	85,998	(179,148)	90,867	**5,594,441**
Private equity/infrastructure	614,963	152,637	(43,045)	38,844	**763,399**
Property	501,584	0	(19,766)	(20,044)	**461,774**
Pooled property investments	280,305	31,525	(35,052)	(11,357)	**265,421**
	7,713,391	475,821	(446,853)	149,643	**7,892,002**
Derivative contracts					
– Forward currency contracts	5,153	2,807,373	(2,820,084)	6,577	**(981)**
	7,718,544	**3,283,194**	**(3,266,937)**	**156,220**	**7,891,022**
Other investment balances					
– Investment cash and cash equivalents	127,035	167,933		1,495	**240,140**
– Amounts receivable for sales	0				**1,247**
– Amounts payable for purchases	(2,169)				**(2,444)**
– Margin cash liability	(5,010)				**1,307**
– Investment Income due	14,404				**15,396**
– Provision for doubtful debt	(4,735)				**(5,811)**
Net investment assets	**7,848,069**	**3,451,127**	**(3,266,937)**	**157,715**	**8,140,856**

	Market Value as at 31 March 22 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Change in Market Value £'000	**Market Value as at 31 March 2023 £'000**
Bonds	379,027	62,081	(73,921)	(11,086)	**356,101**
Equities	371,946	127,202	(124,305)	(11,129)	**363,714**
Pooled investments	5,414,155	84,969	(1,309)	98,909	**5,596,724**
Private equity/infrastructure	464,955	132,147	(36,525)	54,386	**614,963**
Property	577,934	0	0	(76,350)	**501,584**
Pooled propertyinvestments	324,287	1,251	(6,983)	(38,250)	**280,305**
	7,532,304	407,650	(243,043)	16,480	**7,713,391**
Derivative contracts					
– Forward currency contracts	(8,362)	3,286,774	(3,252,871)	(20,388)	**5,153**
	7,523,942	**3,694,424**	**(3,495,914)**	**(3,908)**	**7,718,544**
Other investment balances					
– Investment cash and cash equivalents	155,305			206	**127,035**
– Amounts receivable for sales	788				**0**
– Amounts payable for purchases	(800)				**(2,169)**
– Margin cash asset	8,548				**(5,010)**
– Investment income due	13,800				**14,404**
– Provision for doubtful debt	(4,544)				**(4,735)**
Net investment assets	**7,697,039**			**(3,702)**	**7,848,069**

15b. Analysis of Derivative Contracts

Objectives and policy for holding derivatives
Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and the investment manager.

Open forward currency contracts

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant portion of the Fund's fixed income portfolio managed by Goldman Sachs Asset Management is invested in overseas securities. To reduce the volatility associated with fluctuating currency rates, the investment manager hedges the overseas exposure of the portfolio.

Settlement	Currency bought	Local value 000's	Currency sold	Local value 000's	Asset value £'000	Liability value £'000
Up to one month	GBP	51	EUR	(59)	0	0
Up to one month	GBP	201	USD	(254)	0	0
Up to one month	GBP	223,325	USD	(283,787)	0	(1,312)
Up to one month	USD	385	GBP	(302)	2	0
Up to one month	GBP	523	USD	(664)	0	(3)
Up to one month	USD	65	GBP	(52)	0	0
Up to one month	GBP	403	USD	(509)	0	0
Up to one month	USD	104	GBP	(82)	0	0
Up to one month	USD	544	GBP	(430)	1	0
Up to one month	USD	1,092	GBP	(870)	0	(5)
Up to one month	GBP	3	USD	(4)	0	0
Up to one month	USD	1,138	GBP	(898)	3	0
Up to one month	GBP	811	USD	(1,041)	0	(12)
Up to one month	USD	30,065	GBP	(23,481)	317	0
Up to one month	USD	1,993	GBP	(1,565)	13	0
Up to one month	USD	725	GBP	(571)	3	0
Up to one month	USD	2,109	GBP	(1,672)	0	(2)
Up to one month	GBP	6,126	USD	(7,760)	0	(16)
Up to two months	GBP	1,685	EUR	(1,966)	2	0
Up to two months	GBP	341	EUR	(399)	0	(1)
Up to two months	GBP	81,665	EUR	(95,377)	21	0
Up to two months	EUR	4,263	GBP	(3,652)	0	(3)
Up to two months	GBP	776	EUR	(907)	0	0
Up to two months	GBP	550	EUR	(643)	0	0
Up to two months	GBP	999	EUR	(1,165)	1	0
Up to two months	GBP	1,098	EUR	(1,284)	0	(1)
Up to two months	GBP	1,981	EUR	(2,301)	12	0
					375	(1,355)
Net forward currency contracts at 31 March 2024						**(980)**
Prior year comparative						
Open forward currency contracts at 31 March 2023					5,562	(409)
Net forward currency contracts at 31 March 2023						**5,153**

Notes to the Pension Fund Accounts continued

15c. Property Holdings

	Year ending 31 March 2024 £'000	Year ending 31 March 2023 £'000
Opening balance	**501,584**	577,934
Additions	**0**	0
Disposals	**(19,766)**	0
Net decrease in market value	**(20,044)**	(76,350)
Closing balance	**461,774**	501,584

There are no restrictions on the realisability of the property or the remittance of income or proceeds on disposal and the Fund is not under any contractual obligation to purchase, construct or develop these properties, other than to the extent reported in note 26.

The future minimum lease payments receivable by the Fund are as follows:

	Year ending 31 March 2024 £'000	Year ending 31 March 2023 £'000
Within one year	**16,658**	16,935
Between one and five years	**42,615**	41,290
Later than five years	**30,512**	32,204
Total	**89,785**	**90,429**

The above disclosures have been reduced by a credit loss allowance of 0.35% per annum reflecting the Fund's expected loss from late or non-recovery of rents from tenants. This has been based on the Fund's own historic experience but also information on similar properties received from the Fund's property letting agents. The income has also been reduced to take into account the possibility of tenants taking advantage of break clauses in their non cancellable operating lease contracts to terminate tenancies.

15d. Investments analysed by fund manager

	Market Value as at 31 March 2024		Market Value as at 31 March 2023	
	£'000	%	£'000	%
Investments managed in the ACCESS Pool				
Baillie Gifford	**1,204,259**	**14.8**	1,071,672	13.7
M&G	**593,948**	**7.3**	536,060	6.8
Ruffer	**180,143**	**2.2**	191,519	2.4
Schroders	**1,721,968**	**21.2**	1,589,355	20.3
	3,700,318	**45.5**	3,388,606	43.2
Investments managed outside the ACCESS Pool				
CQS	**257,039**	**3.2**	226,095	2.9
DTZ	**527,294**	**6.5**	545,702	7.0
Fidelity	**135,589**	**1.7**	141,308	1.8
Goldman Sachs	**417,890**	**5.1**	385,314	4.9
HarbourVest	**308,604**	**3.8**	259,578	3.3
Impax	**74,660**	**0.9**	72,807	0.9
Insight	**962,656**	**11.8**	1,039,867	13.2
Kames	**27,943**	**0.3**	32,132	0.4
Kent County Council investment team	**37,430**	**0.5**	86,957	1.1
M&G	**318,162**	**3.9**	314,552	4.0
Partners Group	**376,066**	**4.6**	273,163	3.5
Pyrford	**230,817**	**2.8**	382,164	4.9
Sarasin	**425,462**	**5.2**	375,518	4.8
Schroders	**259,889**	**3.2**	239,281	3.0
YFM	**78,729**	**1.0**	82,222	1.0
Link Fund Solutions	**2,308**	**0.0**	2,803	0.0
	4,440,538	**54.5**	4,459,463	56.8
Total	**8,140,856**	**100**	7,848,069	100

15e. Single investments exceeding 5% of net assets available for benefits

Investments	31 March 2024 £'000	31 March 2024 % of net assets
WS ACCESS Global Equity Core Fund	**1,204,259**	**14.8**
WS ACCESS UK Equity Fund	**1,246,127**	**15.3**
LDI Solutions Plus ICAV Active (Insight)	**793,963**	**9.8**
WS ACCESS Global Dividend Fund	**593,948**	**7.3**
WS ACCESS Global Active Value Fund	**475,841**	**5.9**

Investments	31 March 2023 £'000	31 March 2023 % of net assets
WS ACCESS Global Equity Core Fund	1,071,672	13.7
WS ACCESS UK Equity Fund	1,184,302	15.1
LDI Solutions Plus ICAV Active (Insight)	1,039,867	13.3
WS ACCESS Global Dividend Fund	536,060	6.8

15f. Stock lending

The Custodians undertake a programme of stock lending to approved UK counterparties against non-cash collateral mainly comprising of Sovereigns and Treasury Bonds. The programme lends directly held global equities and bonds to approved borrowers against a collateral of Government and Supranational fixed interest securities of developed countries, which is marked to market on a daily basis. Securities on loan are included at market value in net assets on the basis that they will be returned to the Fund at the end of the loan term. Net income from securities lending received from the custodian is shown as income from investments in the Fund Account.

The amount of securities on loan at year end, analysed by asset class and a description of the collateral is set out in the table below.

Loan Type	31 March 2024 Market Value £'000	31 March 2024 Collateral Value £'000	31 March 2023 Market Value £'000	31 March 2023 Collateral Value £'000	Collateral Type
Equities	**7,288**	**7,543**	6,483	6,751	Treasury Notes and other Government debt
Bonds	**33,754**	**34,934**	33,470	34,854	Treasury Notes and other Government debt
Total	**41,042**	**42,478**	39,953	41,606	

Notes to the Pension Fund Accounts continued

16. Financial instruments

16a. Classification of financial instruments

The following table analyses the carrying amounts of financial assets and liabilities by category and Net Assets Statement heading.

	31 March 2024			31 March 2023		
	Fair value through profit and loss £'000	**Assets at amortised cost £'000**	**Financial liabilities at amortised cost £'000**	Fair value through profit and loss £'000	Assets at amortised cost £'000	Financial liabilities at amortised cost £'000
Financial Assets						
Bonds	**400,903**			356,101		
Equities	**406,065**			363,714		
Pooled investments	**5,594,441**			5,596,724		
Property pooled investments	**265,421**			280,305		
Private equity/infrastructure	**763,399**			614,963		
Derivative contracts	**375**			5,562		
Cash & cash equivalents	**230,973**	**15,587**		116,870	11,894	
Other investment balances		**17,951**			14,404	
Debtors/receivables		**5,272**			6,474	
	7,661,577	**38,810**	**0**	7,334,239	32,772	0
Financial Liabilities						
Derivative contracts	**(1,355)**			(409)		
Other investment balances			**(8,256)**			(11,904)
Creditors			**(11,524)**			(11,874)
	(1,355)	**0**	**(19,780)**	(409)	0	(23,778)
Total	**7,660,222**	**38,810**	**(19,780)**	7,333,830	32,772	(23,778)

16b. Net gains and losses on financial instruments

	31 March 2024 £'000	31 March 2023 £'000
Fair value through profit and loss	**177,025**	72,442
Assets at amortised cost	**734**	206
Total	**177,760**	72,648

17. Valuation of assets and liabilities carried at Fair Value

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets are carried at and have been valued using fair value techniques.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuation provided
Quoted equities	1	Bid Market price on last day of accounting period	Not required	Not required
Quoted bonds	1	Market value on last day of accounting period	Not required	Not required
Quoted pooled investments	1	Net asset value/bid prices on last day of accounting period	Net asset values	Not required
Cash and cash equivalents	1	Carrying value is deemed to be fair value due to short term nature of these instruments	Not required	Not required
Unquoted pooled investments including pooled property	2	Net asset value/bid prices on last day of accounting period	Net asset values	Not required
Private equity and infrastructure funds	3	Fair values as per international private equity and venture capital guidelines (2022)	Valuation of underlying investment/assets/companies/EBITDA multiples	Estimation techniques used in valuations, changes in market conditions, industry specific conditions
Property	2	Independent valuation by Colliers using RICS valuation standards	Market values of similar properties, existing lease terms estimated rental growth, estimated vacancies	Not required
Quoted funds in administration	3	Net asset value/bid prices on last day of accounting period	Net asset values/or if the fund holds illiquid asets, valuation of underlying investment/assets/companies/EBITDA multiples	If the fund holds illiquid assets, estimation techniques used in valuations, changes in market conditions, industry specific conditions
Forward exchange contracts	2	Market forward exchange rates on the last day of accounting period	Wide range of deals executed in the currency markets, exchange rate risk	Not required
Bespoke fund for equity protection programme assets	2	Net asset value of Fund based on valuation of underlying assets with quoted prices for bond holdings and market prices for derivatives	Wide range of deals executed in the bond holdings but limited comparable transactions for specialist equity derivatives	Valuation of derivatives is affected by the equity and foreign exchange market conditions

Note: Quoted fund in administration refers to the UK equities Fund managed by Link Fund Solutions Bespoke fund for equity protection programme assets is managed by Insight.

Notes to the Pension Fund Accounts continued

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation methods described above, are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2024.

	Assessed valuation range (+/-)	Value as at 31 March 2024 £'000	Value on increase £'000	Value on decrease £'000
Private equity	**23.7%**	**387,333**	**479,131**	**295,535**
Infrastructure	**11.7%**	**376,066**	**420,065**	**332,066**
Other level 3 investments	**23.7%**	**2,308**	**2,855**	**1,761**
Total		**765,707**	**902,051**	**629,362**

	Assessed valuation range (+/-)	Value as at 31 March 2023 £'000	Value on increase £'000	Value on decrease £'000
Private equity	23.7%	341,800	422,807	260,793
Infrastructure	11.7%	273,163	305,123	241,203
Other level 3 investments	23.7%	2,803	3,467	2,139
Total		**617,766**	**731,397**	**504,135**

17a. Fair Value Hierarchy

Level 1

Assets and liabilities at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Investments include quoted equities, quoted fixed interest securities, quoted index linked securities and quoted unit trusts.

Level 2

Assets and liabilities at Level 2 are those where quoted market prices are not available or where valuation techniques are used to determine fair value. These techniques use inputs that are based significantly on observable market data. Investments include derivatives, direct property investments, property unit trusts and investments in Link pooled funds for ACCESS.

Level 3

Assets and liabilities at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data and are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. They include private equity and infrastructure investments the values of which are based on valuations provided by the general partners to the funds in which the Fund has invested. Assurances over the valuation are gained from the independent audit of the accounts. These assets also include investments in quoted funds that were in administration as at 31 March 2024 and are invested in illiquid underlying assets.

These valuations are prepared by the fund managers in accordance with generally accepted accounting principles and the requirements of the law where these companies are incorporated. Valuations are usually undertaken periodically by the fund managers, who provide a detailed breakdown of the valuations of underlying assets as well as a reconciliation of movements in fair values. Cash flow adjustments are used to roll forward the valuations where the latest valuation information is not available at the time of reporting.

The following table provides an analysis of the assets and liabilities of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2024	**Quoted market price Level 1 £'000**	**Using observable inputs Level 2 £'000**	**With significant unobservable inputs Level 3 £'000**	**Total £'000**
Financial assets at fair value through profit and loss				
Bonds	**400,903**			**400,903**
Equities	**406,065**			**406,065**
Pooled investments	**565,365**	**5,026,768**	**2,308**	**5,594,441**
Pooled property investments		**265,421**		**265,421**
Private equity and infrastructure			**763,399**	**763,399**
Derivatives		**375**		**375**
Cash deposits	**240,140**			**240,140**
Other Investment balances	**17,951**			**17,951**
Non-Financial assets at fair value through profit and loss				
Property		**461,774**		**461,774**
Financial liabilities at fair value through profit and loss				
Derivatives		**(1,355)**		**(1,355)**
Other investment liabilities	**(8,256)**			**(8,256)**
Net Investment assets	**1,622,167**	**5,752,983**	**765,707**	**8,140,856**

Values at 31 March 2023	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss				
Bonds	356,101			356,101
Equities	363,714			363,714
Pooled investments	694,252	4,899,671	2,803	5,596,725
Pooled property investments		280,305		280,305
Private equity and infrastructure			614,963	614,963
Derivatives		5,562		5,562
Cash deposits	128,764			128,764
Other investment balances	9,393			9,393
Non-Financial assets at fair value through profit and loss				
Property		501,584		501,584
Financial liabilities at fair value through profit and loss				
Derivatives		(409)		(409)
Other investment liabilities	(6,904)			(6,904)
Net investment assets	1,545,320	5,686,713	617,766	7,849,798

Notes to the Pension Fund Accounts continued

17b. Reconciliation of fair value measurements within level 3

	Private Equity	Infrastructure	Other	Total £'000
Market value 1 April 2023	341,800	273,163	2,803	617,766
Transfers into level 3				0
Transfers out of level 3				0
Purchases during the year	69,615	83,023	0	152,637
Sales during the year	(41,292)	(1,753)	(12,148)	(55,193)
Unrealised gains/losses	(8,783)	20,809	0	12,026
Realised gains/losses	25,994	824	11,653	38,471
Market value 31 March 2024	**387,333**	**376,066**	**2,308**	**765,707**
Market value 1 April 2022	290,018	174,936	8,220	473,174
Transfers into level 3				0
Transfers out of level 3				0
Purchases during the year	53,759	78,389	0	132,148
Sales during the year	(25,371)	(11,153)	(1,308)	(37,832)
Unrealised gains/losses	8,254	29,813	(4,109)	33,958
Realised gains/losses	15,140	1,178	0	16,138
Market value 31 March 2023	**341,800**	**273,163**	**2,803**	**617,766**

18. Nature and extent of risks arising From financial instruments

Risk and risk management

The Fund's primary long-term risk is that the value of its assets will fall short that of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Council manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Kent Pension Fund Committee. Risk management policies are established to identify and analyse the risks faced by the Council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

18a. Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk. In general, excessive volatility in market risk is managed through diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risks, the Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market. The Fund is exposed to security and derivative price risks. This arises from investments held by the Fund for which the future price is uncertain. All security investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The possible loss from shares sold short is unlimited. The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments and their activity is monitored by the Council to ensure it is within limits specified in the Fund's investment strategy.

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisors, the Council has determined that the following movements in market price risk are reasonably possible for the 2023-24 reporting period.

Asset type	Potential market movements (+/-)
UK equities	15.3
Overseas equities	15.4
Global pooled equities inc. UK	15.4
Bonds	7.4
Property	9.0
Infrastructure	11.7
Private equity	23.7

The potential price changes disclosed above are based on predicted volatilities calculated by our fund managers. The analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same. Had the market price of the Fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits would have been as follows (the prior year comparator is shown below):

Asset type	Value as at 31 March 2024 £'000	Percentage change %	Value on increase £'000	Value on decrease £'000
Cash and cash equivalents	**240,140**	**0.0**	**240,140**	**240,140**
Investment portfolio assets:				
UK equities	**38,058**	**15.3**	**43,881**	**32,235**
Overseas equities	**368,006**	**15.4**	**424,679**	**311,333**
Global pooled equities inc UK	**4,801,544**	**15.4**	**5,540,981**	**4,062,106**
Bonds inc. bond funds	**1,193,801**	**7.4**	**1,282,142**	**1,105,460**
Property pooled funds	**265,421**	**9.0**	**289,309**	**241,533**
Private equity	**387,333**	**23.7**	**479,131**	**295,535**
Infrastructure funds	**376,066**	**11.7**	**420,065**	**332,066**
Derivative assets	**375**	**0.0**	**375**	**375**
Total	**7,670,743**		**8,720,704**	**6,620,783**

The Fund has an equities downside protection programme to protect the Fund from falls and cap the returns within a given range and is designed to manage the risks associated with global equity investments and help achieve the Fund's required rate of return.

Asset type	Value as at 31 March 2023 £'000	Percentage change %	Value on increase £'000	Value on decrease £'000
Cash and cash equivalents	128,764	0.0	128,764	128,764
Investment portfolio assets:				
UK equities	55,534	15.3	64,031	47,037
Overseas equities	308,180	15.4	355,639	260,720
Global pooled equities inc. UK	4,885,711	15.4	5,638,111	4,133,312
Bonds inc. bond funds	1,067,114	7.4	1,146,081	988,148
Property pooled funds	280,305	9.0	305,533	255,078
Private equity	341,800	23.7	422,806	260,793
Infrastructure funds	273,163	11.7	305,123	241,203
Derivative assets	5,562	0.0	5,562	5,562
Total	7,346,133		8,371,650	6,320,617

Notes to the Pension Fund Accounts continued

18a. Market risk continued

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest rate risk is routinely monitored by the Council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks. The Fund's direct exposures to interest rate movements as at 31 March 2024 and 31 March 2023 are set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset type	31 March 2024 £'000	31 March 2023 £'000
Cash and cash equivalents	240,140	127,035
Cash balances	6,421	1,729
Bonds		
– Directly held securities	400,903	356,101
– Pooled funds	792,897	711,013
Total	**1,440,361**	**1,195,878**

Interest rate risk – sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A one percent movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy. The Fund's investment advisor has advised that long-term average rates are expected to move less than one percent from one year to the next and experience suggests that such movements are likely. The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- one percent change in interest rates:

Asset type	Carrying amount as at 31 March 2024 £'000	Change in year in the net assets available to pay benefits +1% £'000	(1%) £'000
Cash and cash equivalents	**240,140**	**0**	**0**
Cash balances	**6,421**	**0**	**0**
Bonds			
– Directly held securities	**400,903**	**(15,555)**	**15,555**
– Pooled funds	**792,897**	**(12,344)**	**12,344**
Total change in assets available	**1,440,361**	**(27,899)**	**27,899**

Asset type	Carrying amount as at 31 March 2023 £'000	Change in year in the net assets available to pay benefits +1% £'000	(1%) £'000
Cash and cash equivalents	127,035	0	0
Cash balances	1,729	0	0
Bonds			
– Directly held securities	356,101	(13,247)	13,247
– Pooled funds	711,013	(2,406)	2,406
Total change in assets available	1,195,878	(15,653)	15,653

Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits. The analysis demonstrates that a 100 bps increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value and vice versa. Changes in interest rates do not impact on the value of cash/cash equivalent balances but they will affect interest income received on those balances.

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Through their investment managers, the Fund holds both monetary and non-monetary assets denominated in currencies other than GBP, the functional currency of the Fund. Most of these assets are not hedged for currency risk and the Fund is exposed to currency risk on these financial instruments. However, a significant proportion of the investments managed by Goldman Sachs Asset Management and all investments in the CQS Fund are hedged for currency risk through forward currency contracts. The Fund's currency rate risk is routinely monitored by the Council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the range of exposure to current fluctuations. The following table summarises the Fund's currency exposure excluding the hedged investments as at 31 March 2024 and 2023:

Currency exposure – asset type	Asset value 31 March 2024 £'000	Asset value 31 March 2023 £'000
Overseas equities	**368,006**	308,180
Overseas pooled funds	**3,829,079**	3,944,244
Overseas bonds	**0**	0
Overseas private equity, infrastructure and property funds	**684,669**	532,741
Non GBP cash	**6,758**	3,116
Total overseas assets	**4,888,513**	**4,788,281**

Currency risk – sensitivity analysis

Following analysis of historical data and expected currency movement during the financial year, in consultation with the fund's investment advisors, the Fund has determined that the following movements in the values of financial assets denominated in foreign currency are reasonably possible for the 2023-24 reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant. A relevant strengthening/weakening of the pound against various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

	Asset value as at 31 March 2024	Change to net assets available to pay benefits	
Currency exposure – asset type	**£'000**	**+5.4% £'000**	**(5.4%) £'000**
Overseas equities	**368,006**	**387,879**	**348,134**
Overseas pooled funds	**3,829,079**	**4,035,849**	**3,622,309**
Overseas bonds	**0**	**0**	**0**
Overseas private equity, infrastructure and property funds	**684,669**	**721,642**	**647,697**
Non GBP cash	**6,758**	**7,123**	**6,393**
Total change in assets available	**4,888,513**	**5,152,493**	**4,624,533**

	Asset value as at 31 March 2023	Change to net assets available to pay benefits	
Currency exposure – asset type	£'000	+5.4% £'000	(5.4%) £'000
Overseas equities	308,180	324,821	291,538
Overseas pooled funds	3,944,244	4,157,233	3,731,255
Overseas bonds	0	0	0
Overseas private equity, infrastructure and property funds	532,741	561,509	503,973
Non GBP Cash	3,116	3,284	2,948
Total change in assets available	4,788,281	5,046,848	4,529,714

Notes to the Pension Fund Accounts continued

18b. Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment of a receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties. Derivative contracts are also covered by margins which provide collateral against risk of default by the counterparties.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Fund's credit criteria. The Fund has also set limits as to the maximum amount that may be placed with any one financial institution. The Fund's cash was held with the following institutions:

	Rating	**Balance as at 31 March 2024 £'000**	Balance as at 31 March 2023 £'000
Money market funds			
Northern Trust Sterling Fund	**AAAm**	**18,372**	12,295
SSGA Liquidity Fund	**AAAm**	**0**	0
Blackrock ICS	**AAAm**	**41**	43,648
Blackrock USD Government Liquidity Fund	**AAAm**	**8**	3,047
Aberdeen Sterling Liquidity Fund	**AAAm**	**5**	88
Goldman Sachs Liquid Reserve Government Fund	**AAAm**	**6,478**	17,481
Aviva Investors Sterling Liquidity Fund	**AAAm**	**7,889**	6,409
Federated (PR) Short-term GBP Prime Fund	**AAAm**	**0**	0
Deutsche Managed Sterling Fund	**AAAm**	**2,330**	3,923
HSBC Global Liquidity Fund	**AAAm**	**0**	0
LGIM Liquidity Fund	**AAAm**	**25,315**	28,043
Insight Sterling Liquidity Fund	**AAAm**	**168,694**	0
		229,132	114,933
Bank deposit accounts			
NatWest SIBA	**A+**	**1,841**	1,799
		1,841	1,799
Bank current accounts			
NatWest current account	**A+**	**50**	50
NatWest current account – Euro	**A+**	**134**	891
NatWest current account – USD	**A+**	**9**	651
Northern Trust – current accounts	**AA-**	**12,802**	8,214
Barclays – DTZ client monies account	**A+**	**2,592**	2,225
		15,587	12,032
Total cash and cash equivalents		**246,560**	**128,764**

18c. Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Fund has adequate cash resources to meet its commitments. The Council has immediate access to the Fund's money market fund and current account holdings.

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund investment strategy. All financial liabilities at 31 March 2024 are due within one year.

Refinancing risk
The key risk is that the Fund will be bound to replenish a significant proportion of its Pension Fund financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

19. Funding Arrangements

In line with Local Government Pension Scheme (Administration) Regulations 2013 (as amended), the Fund is required to obtain an actuary's funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2022.

The key elements of the funding policy are:
– To ensure the long-term solvency of the Fund and ensure that sufficient funds are available to meet all the benefits as they fall due for payment.
– To ensure employer contribution rates are as stable as possible.
– To minimise the long term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return.
– To reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so.

At the 2022 valuation a maximum deficit recovery period of 11 years (2019 - 14 years) is used for all employers. Shorter recovery periods have been used where affordable. This will provide a buffer for future adverse experience and reduce the interest cost paid by employers. For Transferee Admission Bodies the deficit recovery period is set equal to the future working life of current employees or the remaining contract period, whichever is the shorter.

In the 2022 triennial valuation, the smoothed value of the Fund's assets at the valuation date was £7,555m and the liabilities were £7,374m. The assets therefore, represented 102% (2019 - 98%) of the Fund's accrued liabilities, allowing for future pay increases.

The primary contribution rate for the average employer, including payments to target full funding has increased from 18.4% to 20.5% of pensionable salaries after the latest valuation. Secondary rates however differ frem employer to employer depending upon their funding position and agreed deficit recovery period. The funding level for the Fund as a percentage has increased (due to good investment returns and employer contributions) although this has been partly offset by the changes in the financial assumptions used to calculate the liabilities.

The actuarial valuation has been undertaken on the projected unit method. At individual employer level the projected unit funding method has been used where there is an expectation that new employees will be admitted to the Fund. The attained age method has been used for employers who do not allow new entrants. These methods assess the costs of benefits accruing to existing members during the remaining working lifetime, allowing for future salary increases. The resulting contribution rate is adjusted to allow for any differences in the value of accrued liabilities and the market value of assets.

The 2022 actuarial assumptions were as follows:		
Valuation of assets:		Assets have been valued at a 6 month smoothed market rate
Rate of return on investments (discount rate)		4.5% p.a.
Rate of general pay increases:	Long term	3.9% p.a.
	Short term	N/A
Assumed pension increases		2.9% p.a.

Notes to the Pension Fund Accounts continued

20. Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation, every year the Fund's actuary undertakes a valuation of the Fund's liabilities on an IAS 19 basis, using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year.

Actuarial present value of promised retirement benefits	31 March 2024 £m	31 March 2023 £m
Present value of promised retirement benefits	**(7,923.6)**	(7,735.4)
Fair value of scheme assets at bid value	**8,134.2**	7,831.8
Net asset	**210.6**	96.4

The Fund accounts do not take account of liabilities to pay pensions and other benefits in the future. Based on the latest valuation, the fair value of net assets of the Fund represents 103% of the actuarial valuation of the promised retirement benefits. Future liabilities will be funded from future contributions from employers.

The liability above being calculated on an IAS 19 basis and differs from the results of the 2022 triennial funding valuation because IAS 19 stipulates a discount rate rather than a rate which reflects a market rate.

Assumptions used:	% p.a.
Salary increase rate	3.90%
Inflation/Pensions increase rate	2.90%
Discount rate	4.90%

In December 2018 the Court of Appeal passed the McCloud judgement, which relates to age discrimination in relation to judges and firefighters pensions. On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases and legislation is now being drafted to bring forward these changes. Updated Regulations are to be consulted on in 2023 with the earliest effective date expected to be October 2023. The Government has confirmed that there will be changes to all main public sector schemes, including the LGPS, to remove this age discrimination. For the 2022 valuation, as instructed by the Department of Levelling Up, Housing and Communities (DLUHC), our actuaries have assumed that the legislation will bring forward the changes as currently proposed, and have valued the benefits in line with this. This exercise has estimated the additional costs to be approximately 0.7% of the Fund's liabilities and these have been included in the total liabilities of the Fund at the 2022 valuation.

21. Current Assets

	31 March 2024 £'000	31 March 2023 £'000
Debtors		
– Contributions due – employees	5,391	4,759
– Contributions due – employers	17,694	16,541
	23,085	21,300
Sundry debtors	5,272	6,474
Total debtors	**28,357**	27,774
Cash	**6,421**	1,729
Total Current Assets	**34,778**	29,503

22. Current Liabilities

	31 March 2024 £'000	31 March 2023 £'000
Creditors		
– Benefits payable	21,559	17,746
– Sundry creditors	11,524	11,874
Total current liabilities	**33,083**	29,620

23. Additional voluntary contributions

Scheme members have the option to make additional voluntary contributions to enhance their pension benefits. In accordance with regulation 4(2)(b) of the LGPS (Management and Investment of Funds) Regulations 2009, these AVC contributions are not included within the Pension Fund Accounts. These contributions are paid to the AVC provider directly by the employer and are invested separately from the Pension Fund, with either Utmost Life, Prudential Assurance Company or Standard Life Assurance Company. These amounts are included within the disclosure note figures below.

	Prudential	Prudential	Standard Life	Standard Life	Utmost Life	Utmost Life
	2023 – 2024 £'000	2022 – 2023 £'000	**2023 – 2024 £'000**	2022 – 2023 £'000	**2023 – 2024 £'000**	2022 – 2023 £'000
Value at 1 April	**10,054**	10,286	**1,914**	2,043	**277**	330
Value at 31 March	**12,895**	10,054	**1,918**	1,914	**282**	277
Contributions paid	**3,303**	2,309	**318**	186	**0**	3

24. Related Party Transactions

The Fund is required to disclose material transactions with related parties, not disclosed elsewhere, in a note to the financial statements. During the year each member of the Kent Pension Fund Committee is required to declare their interests at each meeting. None of the members of the Committee or senior officers undertook any transactions with the Fund.

	2023 – 2024 £'000	2022 – 2023 £'000
KCC is the largest single employer of members of the Fund and during the year contributed:	**88,527**	83,624

A list of all contributing employers and amount of contributions received is included in the Fund's annual report available on the pension fund website.

Charges from KCC to the Fund in respect of pension administration, governance arrangements, investment monitoring, legal and other services.	**6,497**	4,118
Year end balance due to KCC arising out of transactions between Kent County Council and the Fund	**(6,252)**	(6,934)

The year end credit balance due to KCC mainly comprises of recharges and of VAT payable to KCC.

Key management personnel
The employees of KCC who held key positions in the financial management of the Fund during 2023-24 was the Corporate Director of Finance (and the Interim Corporate Acting Director of Finance) and the Head of Pensions and Treasury.

Total remuneration payable to key management personnel is set out below:

	31 March 2024 £'000	31 March 2023 £'000
Salary	**306**	303
Allowances	**18**	16
Other	**0**	0
Employer's pension contributions	**56**	58
Total	**381**	377

25. Contingent liabilities

The Court of Appeal recently dismissed the appeal to the Virgin Media case in relation to contracted out schemes and it is now with HM Treasury to determine the implications for LGPS funds. The situation remains that there is currently not enough information to assess the potential impact to the LGPS and this will take some time to be known, so we are unable to quantify it within the accounts at this stage.

26. Contractual commitments

Outstanding capital commitments (investments) as at 31 March 2024 totalled £309m (31 March 2023: £387m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over the life of each fund.

The fund also had outstanding commitments for the purchase of property of £4m and for sales of £1.4m.

27. Contingent Assets

38 admitted body employers in the Fund hold insurance bonds and 12 hold guarantees with their Employing Authority to guard against the possibility of being unable to meet their pension obligations. These bonds and guarantees are drawn in favour of the Fund and payment will only be triggered in the event of employer default.

Post Pool Reporting

The Fund's assets pooled and non-pooled are as follows:

Pooled (ACCESS)		
Fund Manager	**Asset Class**	**£'000**
Baillie Gifford	Global Equities	1,204,259
Schroders	UK Equities	1,246,127
Schroders	Global Equity	475,841
M&G	Global Equities	593,948
Ruffer	Absolute Return	180,143
Total Pooled		**3,700,318**

Non-Pooled		
Fund Manager	**Asset Class**	**£'000**
Schroders	Fixed Income	259,889
DTZ	Property	527,294
Goldman Sachs	Fixed Interest	417,890
Woodford	UK Equities	2,308
BMO (Pyrford)	Absolute Return	230,817
CQS	Fixed Income	257,039
Sarasin	Global Equities	425,462
Fidelity	Pooled Property	135,589
DTZ (formerly Kames)	Pooled Property	27,943
Impax	Global Equities	74,660
Insight	Equity Protection	962,656
Partners Group	Infrastructure	376,066
Harbourvest	Private Equity	308,604
M&G	Pooled Property	42,192
M&G AO	Fixed Income	275,970
YFM	Private Equity	78,729
Kent County Council Investment Team	Cash	37,430
Total Non-Pooled		**4,440,538**
Grand Total		**8,140,856**

For 2023-24 the ongoing costs of the investments broken down between pooled and non-pooled assets are detailed below:

Pool Set up Costs	**2023–2024 £'000**	Cumulative £'000	ACCESS
Strategic & Technical Advice	**0**	56	614
Legal	**0**	37	409
Project Management	**0**	53	588
ACCESS Support Unit	**0**	0	3
Other	**0**	19	210
Total	**0**	**166***	**1,824**
Transition costs		**608**	

The Pooled ACS was operational in 2017-18 and all set up costs were incurred prior to that, so no costs attributable to set up for 2023-24.

*1/11th of total ACCESS costs

The fund's costs and net fee savings since inception of the pooling project are as follows:

	2016–2017 £'000	2016–2017 £'000	2017–2018 £'000	2018–2019 £'000	2019–2020 £'000	2020–2021 £'000	2021–2022 £'000	2022–2023 £'000	**2023–2024 £'000**	Cumulative £'000
Set up costs	6	80	80	–	–	–	–	–	**–**	166
Pooling ongoing costs				137	87	82	91	115	**133**	645
Transition costs	–	–		363	–	245	–	–	**–**	608
Fee savings	(26)	242	776	1,436	1,596	3,968	4,774	4,872	**5,372**	23,011
Net savings	(32)	162	696	936	1,509	3,641	4,683	4,757	**5,239**	21,592*

*Of the above total cumulative savings of £21.6m, £7.4m relates to investments awaiting pooling.

The investment managers are paid ad valorem fees on the assets under their management. As a result, the fees in absolute terms goes up as the investments appreciate in value.

For 2023-24, the ongoing costs of the investments broken down between pooled and non-pooled assets are detailed below. These costs have been compiled from information provided by the fund managers who have signed up to the LGA cost transparency code.

	Asset Pool Direct £'000	**Asset Pool** Indirect £'000	**Asset Pool** Total £'000	**Non Asset Pool** Direct £'000	**Non Asset Pool** Indirect £'000	**Non Asset Pool** Total £'000	**Total** £'000
FM Fees	–	9,373.78	9,373.78	4,848.44	17,002.23	21,850.67	31,224.45
Pool shared (ASU)	133.22	–	133.22	–	–	–	133.22
Transaction costs	–	1,645.94	1,645.94	163.33	1,100.85	1,264.18	2,910.12
Custody	–	–	–	40.77	–	40.77	40.77
Other – pooled fund costs	–	198.82	198.82	–	6,373.23	6,373.23	6,572.04
Total	**133.22**	**11,218.55**	**11,351.76**	**5,052.53**	**24,476.31**	**29,528.84**	**40,880.61**

Asset Allocation and Performance:

£m Asset values as at 31 March 2024	Pooled	Under Pool Management	Not Pooled	Total
UK Listed Equities	1,413.84	–	46.33	1,460.17
UK Government Bonds	–	–	2.11	2.11
UK Infrastructure	–	–	41.37	41.37
UK Private Equity	–	–	106.01	106.01

£m Asset values as at 31 March 2024	Pooled	Under Pool Management	Not Pooled	Total
Equities	3,519.93	–	484.36	4,004.29
Bonds	–	–	1,197.68	1,197.68
Diversified Growth Funds	180.14	–	230.82	410.96
Equity Protection	–	–	793.96	793.96
Property	–	–	730.43	730.43
Private Equity	–	–	387.33	387.33
Infrastructure	–	–	376.07	376.07
Cash	–	–	240.14	240.14
Grand Total	**3,700.07**	**–**	**4,440.79**	**8,140.86**

2023 CONTENT - TO BE UPDATED

Independent Auditor's report

Independent auditor's report to the members of Kent County Council on the pension fund financial statements of Kent Pension Fund.

Opinion on financial statements

We have audited the financial statements of Kent Pension Fund (the 'Pension Fund') administered by Kent County Council (the 'Authority') for the year ended 31 March 2024, which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2024 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Acting Corporate Director of Finance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Acting Corporate Director of Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

In auditing the financial statements, we have concluded that the Acting Corporate Director of Finance's use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Acting Corporate Director of Finance's with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements and our auditor's report thereon, and our auditor's report on the Authority's [and group's] financial statements. The Acting Corporate Director of Finance is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

2023 CONTENT - TO BE UPDATED

Opinion on other matters required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements, the other information published together with the Pension Fund's financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters in relation to the Pension Fund.

Responsibilities of the Authority and the Acting Corporate Director of Finance

As explained more fully in the Statement of Responsibilities set out on page 18, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Acting Corporate Director of Finance. The Acting Corporate Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Acting Corporate Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Acting Corporate Director of Finance is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Pension Fund without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003).

We enquired of management and the Governance and Audit Committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management and the Governance and Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and any other fraud risks identified for the audit. We determined that the principal risks were in relation to the valuation of Level 2 and 3 Investments. Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on year-end journals,
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of Level 2 and 3 Investments,
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

2023 CONTENT - TO BE UPDATED

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including [add details of risks]. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government pensions sector
- understanding of the legal and regulatory requirements specific to the Pension Fund including:
  – the provisions of the applicable legislation
  – guidance issued by CIPFA/LASAAC and SOLACE
  – the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Dossett
Key Audit Partner
for and on behalf of Grant Thornton UK LLP,
Local Auditor
London
18th March 2023

Kent Pension Fund Report and Accounts

For the year ended 31 March 2024

Kent Pension Fund

Delivering an outstanding service to our customers

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