

KENT COUNTY COUNCIL

SUPERANNUATION FUND COMMITTEE

MINUTES of a meeting of the Superannuation Fund Committee held online on Friday, 13 November 2020.

PRESENT: Mr C Simkins (Chairman), Mr N J D Chard (Vice-Chairman), Mr P V Barrington-King, Mr P Bartlett, Cllr J Burden, Cllr P Clokie, OBE, Mr P C Cooper, Mr D S Daley, Cllr N Eden-Green, Mr P J Homewood, Mr J P McInroy, Mr J Parsons, Cllr S Tranter and Mr J Wright.

ALSO PRESENT: Mr P J Oakford, Mrs M E Crabtree, Mr D L Brazier, Mr T English, Mr N Page and Mr R Sinnott

IN ATTENDANCE: Ms Z Cooke (Corporate Director of Finance), Mrs B Cheatle (Pensions Manager), Mrs A Mings (Treasury and Investments Manager, and Acting Business Partner for the Kent Pension Fund), Ms S Surana (Principal Accountant - Investments), Ms K Gray (Senior Accountant - Investments), Mr S Tagg (Senior Accountant - Pension Fund), Mr B Watts (General Counsel), Miss T A Grayell (Democratic Services Officer), Mrs A Hunter (Principal Democratic Services Officer) and Mr C Ratcliffe (Principle Auditor).

UNRESTRICTED ITEMS

26. Apologies and Substitutes

(Item 1)

Apologies for absence had been received from Mr D Coupland and Mrs M Wiggins.

Pension Board members Mrs R Binks and Ms A Kilpatrick were also unable to attend.

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

(Item 2)

1. Mr P Bartlett declared an interest in agenda item 15 as he was employed by Bank of New York Mellon, the parent company of Insight, which was managing the Equity Downside Protection project on behalf of the committee.

2. Mrs M Crabtree declared an interest in agenda item 18 as a small part of her personal pension was invested with Woodford and left the meeting before the discussion of the exempt business.

28. Minutes of the meeting held on 4 September 2020

(Item 3)

It was RESOLVED that the minutes of the meeting held on 4 September 2020 are correctly recorded and a paper copy be signed by the Chairman when this can be done safely.

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29. Internal Audit action plan update - verbal item

(Item 4)

Members of the Pension Board and the Chairman of the Governance and Audit Committee, Mr D L Brazier, had been invited for this item and Mr Brazier was present.

Annemarie van Bochove Allen from Barnett Waddingham was present for this item at the invitation of the committee.

1. Ms Cooke gave a verbal update on progress against the 18 actions listed in the action plan arising from the Internal Audit Review, including the following:

- a) the work programme would be reviewed as part of the governance review;
- b) the establishment of a regular update of the Investment Strategy Statement had been achieved with the support of Mercer;
- c) the finance function commitment had been reviewed and revised;
- d) training was being addressed, both for Members and officers;
- e) interim arrangements for the finance function were in place, and the structure and capacity of the finance function were included in the governance review;
- f) a log of investment decisions was being reviewed as part of the governance review; and
- g) the roles of the committee and the Pension Board were being reviewed as part of the governance review.

2. Ms van Bochove Allen introduced the governance review which Barnett Waddingham had been commissioned to undertake on behalf of the committee and presented a series of slides which set out the topics looked at as part of the review, how the work had been grouped around common themes, the planned timetable so any new ways of working could be introduced in time for the KCC elections in May 2021, the method of work, reviewing documents before meeting members of the committee and the pension board for face to face discussion and the formation of a 'roadmap' for reporting and implementation. Ms van Bochove Allen responded to comments and questions from the committee, including the following:-

- a) the planned date for the final report was April 2021. Urgent items were being addressed first, for instance the need for training so that it could be put in place for newly-elected Members;
- b) there were many ways in which engagement with employers could be managed, for example, by use of fora, and some may be more ready than others to engage with the process; and
- c) referring to the report of the internal audit review, the target end date for the governance review now seemed unrealistic.

3. Ms Cooke explained that parcels of work within the review would be completed at different times. The County Council's external auditor, Grant Thornton, met with Ms Cooke regularly to monitor progress.

4. It was RESOLVED that the verbal update and presentation be noted, with thanks.

5. The Chairman thanked Ms van Bochove Allen for attending and responding to the committee's questions.

30. Superannuation Fund Report and Accounts and External Audit (Item 5)

1. Mrs Mings introduced the report and advised that the accounts had taken longer than usual to produce and Grant Thornton had yet to issue their audit certificate on the Fund's annual report. Mrs Mings and Ms Surana responded to comments and questions from the committee, including the following:-

- a) Grant Thornton had taken longer than usual to examine the accounts prior to signing them off and issuing a certificate but had been very thorough, partly due to the fact that the Pensions Administration Standards Association had set higher standards this year. Members were assured, however, that no challenge to the accounts had been raised and that auditors' questions had related only to minor points of internal review. The accounts could not be signed off finally until the outstanding questions had been answered;
- b) the higher standards of assessment were welcomed;
- c) concern was raised about the format of the accounts and a view expressed that, as a public document, they could be more accessible, with an executive summary and highlighted sections. They could seek to show more clearly how ACCESS and the pension fund worked together. Ms Cooke explained that local authority accounting procedures governed the format to a large extent but agreed that an executive summary could be added in future; and
- d) local authority processes also meant that district and borough councils in Kent had to wait for the County Council to have its accounts signed off before they could achieve the same for theirs, and a request made that s151 officers around the county seek to improve the process to reduce the delay. Ms Cooke advised that the capacity of external auditors was limited so would affect all local authorities in the UK. This issue was being addressed by s151 officers, and a Government response to the Redmond review of the external audit process was awaited.

2. It was RESOLVED that:-

- a) the content of the 2019-20 Superannuation Fund Accounts and the Annual Report, the external auditor's Audit Findings Report and the position with regards to Governance and Audit Committee be noted;

- b) the Chairman of the Superannuation Fund Committee and the Corporate Director of Finance authorise the Annual Report on receipt of the audit certificate;
- c) once the report is authorised, the Report and Accounts be published to the Kent Pension Fund website; and
- d) the updated Fund policies be approved.

31. Responsible investment update

(Item 6)

1. Mrs Mings introduced the report, which provided an update on the consultation on the Fund's Responsible Investment (RI) policy and recommended the establishment of an RI working group to consider the responses and the implementation of the policy. She responded to comments and questions from the committee, including the following:-

- a) concern was expressed about the policy of stock lending, which did not allow shareholders to vote on decisions being made which affected their investment. A view was expressed that the income gained from such practices was not worth the loss of control;
- b) asked how long stock could be lent for, Mrs Mings advised that it was short term and that stock could be recalled by investment managers for voting purposes;
- c) the working group would consider a range of issues and would report back to the committee in March 2021.

2. The new working group would be chaired by the Vice-Chairman of the committee, Mr N J D Chard, and would include county and district council Unison members – Mr P Bartlett, Mr P Cooper, Mr N Eden-Green and Mr J Parsons. The Chairman thanked them for agreeing to serve on the group.

3. The Cabinet Member for Finance, Mr P J Oakford, expressed concern about the lobbying of the Council about investment in fossil fuels and tobacco products, and welcomed the formation of the new working group to address the RI policy. He reminded Members, however, that the duty of the committee was to maximise the value of the Fund, and he expressed a view that the committee needed to be robust about its investment decisions. Some oil companies were now investing in renewable energy, which was not taken into account by those lobbying. This view was supported by other Members of the committee.

4. It was RESOLVED that the committee note the report and agree that:-

- a) a working group be set up, comprising Members and officers, to consider the further development of the policy and its implementation, taking account of the feedback from stakeholders as well as the recent environmental initiatives; and
- b) the RI policy be finalised, taking account of the recommendations of the working group at a future meeting of the committee.

32. Fund Employer and Governance Matters

(Item 7)

1. Mrs Mings introduced the report, which provided an update on Fund employers and set out the issues involved in the McCloud judgement remedy and the £95k cap on exit payments.
2. Mrs Cheatle advised that the majority of the recommendations in the McCloud judgement were expected to be applied and would affect current and previous scheme members. The Pensions admin team had prepared a form for employers to use to supply the required retrospective data. The exit cap had become law on 4 November 2020 and would require the Pensions Scheme Regulations to be amended to take account of it.
3. Mrs Mings and Mrs Cheatle responded to comments and questions from the committee, including the following:-
 - a) asked about the costs and workload arising from the McCloud judgement remedy, for example, admin changes, Mrs Mings advised that the County Council and Fund employers were required to implement it and bear the cost and impact on resources, which included new software; and
 - b) asked about the exit cap and if this affected just local authority scheme members, and how it would apply to voluntary sector employers, private companies and academies, Mrs Cheatle undertook to supply more information outside the meeting.
4. It was RESOLVED that the Superannuation Fund Committee note the report and agree:-
 - a) to the admission to the Kent County Council Superannuation Fund of PT Commercial t/a Ecoclean Ltd re Coppice Primary Partnership Trust;
 - b) to the admission to the Kent County Council Superannuation Fund of Cleantec Services Ltd re Dartford Grammar School for Girls Academy;
 - c) that officers may return a surplus, if any, having regard to any relevant considerations and the LGPS (Amendment) Regulations 2020 to Invicta Telecare Ltd.
 - d) that the Chairman may approve the minutes relating to recommendations a) to c) at the end of today's meeting; and
 - e) that, once legal agreements have been prepared for these matters, the Kent County Council seal can be affixed to the legal documents.

33. Pensions Administration

(Item 8)

1. Mrs Cheatle introduced the report and highlighted the increase in workload brought by the McCloud judgement and the exit cap. Ms Cooke added that much work was going into clearing the backlog of casework, with progress being reviewed monthly.

2. The committee much appreciated the workload being managed by the pensions admin team and was very supportive of them. Ms Cooke advised that the team was seeking to recruit additional staff and would ask the committee to approve new appointments at its February meeting. Mrs Cheatle added that work on the self-service portal for scheme members' queries was progressing but had been impacted by the

covid-19 crisis. A pilot scheme would shortly be launched and all scheme members would be contacted with details of it.

3. The Chairman thanked Mrs Cheatle and her team for their work and assured her of the committee's support and appreciation.

4. It was RESOLVED that the information set out in the report be noted and that the committee's thanks and appreciation be passed to the pensions admin team.

34. Pension Fund Business Plan

(Item 9)

1. Mrs Mings introduced the report and advised that the increased involvement of Barnett Waddingham and Mercer had led to an increase in costs, and that a further increase was expected to arise from work to address the issues faced by the pensions admin team, set out above.

2. It was RESOLVED that the updated Business Plan and the related budget for 2020-21 be noted, with thanks.

35. ACCESS update

(Item 10)

1. Mrs Mings introduced the report providing an update on the work being undertaken by the ACCESS pool, and in particular reported that changes to the Inter-Authority Agreement (IAA) had been agreed by the County Council in October.

2. The Chairman added that that the ACCESS pool was well supported by the ACCESS Support Unit (ASU), hosted by Essex County Council, and that he was confident of the governance of the Joint Committee. In response to a question about potential central government involvement in the work of pools around the UK, he advised that no such issue had so far arisen but that the Joint Committee was prepared to respond to any such approach.

3. It was RESOLVED that the information set out in the report be noted, with thanks.

36. Committee Member Training

(Item 11)

1. The Chairman advised that many of the committee had responded to the National Knowledge Assessment Survey run by Hymans. Mrs Mings thanked those who had responded and advised that the results for the Kent Fund had been published. The results compared Kent Members' knowledge with that of other Funds and highlighted future training needs, which Barnett Waddingham would follow up.
2. It was RESOLVED that the results of the survey and next steps be noted.

37. Report on the Pension Board meeting on 15 October 2020 (Item 12)

1. The Chairman of the Pension Board, Mrs M Crabtree, presented a summary of the proceedings and said that the committee and the board were working well together.
2. It was RESOLVED that the information set out in the report be noted, with thanks.

38. Fund Position (Item 13)

1. Mrs Mings introduced the report and advised that in the three months to the end of September 2020, the Fund had performed well compared to the benchmark. Ms Surana added that markets were recovering from the effects of covid-19 and that October and November had seen a good performance across all asset classes. The latest valuation of the Fund was £7bn.
2. It was RESOLVED that the Fund's asset allocation and performance as at 30 September 2020 be noted.

39. Date of next meeting (Item 14)

It was NOTED that the next meeting of the committee would be held on Friday 5 February 2021, commencing at 10.00 am. *An additional meeting was subsequently arranged for 12 January 2021.*

40. Motion to exclude the press and public for exempt business

It was RESOLVED 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.

EXEMPT BUSINESS (open access to minutes)

41. Equity Downside Protection (EDP) (Item 15)

Mrs M Crabtree, Deputy Cabinet Member for Finance, did not attend for this part of the meeting.

Marc Pautz, Emily Tann and Joe Ratenbury from Insight were present for this item at the invitation of the committee.

Tony English, Robbie Sinnott and Nick Page from Mercer were also present for this item.

Mr P Bartlett had previously declared an interest as he was employed by Bank of New York Mellon, the parent company of Insight, and took no part in the discussion of this item or the subsequent vote.

1. The Chairman reminded the committee of the work of the EDP working group and thanked the group for its work. Mr Page presented a summary of the two meetings of the working group and its proposals and recommendations to the committee. The Insight and Mercer teams responded to questions and advised Members of the next steps for the implementation of the equity downside programme.
2. The committee then voted on the recommendations set out in the report, which were carried with one abstention. Mr P Bartlett did not vote.
3. The Chairman thanked Mr English, Mr Sinnott and Mr Page, and Mr Pautz, Ms Tann and Mr Ratenbury for their work on the project and for attending and responding to the committee's questions.
4. The Vice-Chairman, Mr Chard, thanked the Chairman for the work he had done in establishing and supporting the programme.

42. Presentation by Fund Manager *(Item 16)*

Lars Nielsen and Tony Cousins from Pyrford were in attendance for this item at the request of the committee.

1. Mr Nielsen and Mr Cousins introduced themselves and presented a series of slides which set out the performance of the portfolio. They then responded to questions of detail from the committee, including the range of international markets used, benchmarking, protection of capital, flexibility of strategy and management of risk.
2. The Chairman thanked Mr Nielsen and Mr Cousins for attending and for their presentation and answers to the committee's questions.
3. The committee NOTED the information set out in the presentation.

43. Investment Strategy *(Item 17)*

1. The Chairman introduced the report, which set out the performance of the Fund since the committee had last discussed its investment strategy in September 2020.
2. The committee then debated and agreed the recommendations set out in the report.

The Vice-Chairman Mr N J D Chard, and Cllr Stuart Tranter left the meeting at this point, with the Chairman's thanks for their participation.

44. Woodford update - verbal item

(Item 18)

1. Mr Watts, General Counsel, gave a verbal update and he and Ms Surana responded to questions of detail from the committee.
2. It was RESOLVED that the verbal update be noted, with thanks.

45. Pension Fund Cash Flow

(Item 19)

1. Mrs Mings and Ms Surana introduced the report and advised that there had been little change since reporting to the committee's September meeting.
2. It was RESOLVED that the updated cashflow information be noted, with thanks.

46. Risk register

(Item 20)

1. Mrs Mings introduced the report and advised that there had been little change since reporting to the committee's September meeting.
2. It was RESOLVED that the information set out in the report be noted, with thanks.