

KENT COUNTY COUNCIL

PENSION FUND COMMITTEE

MINUTES of a meeting of the Pension Fund Committee held in the Council Chamber, Sessions House, County Hall, Maidstone on Wednesday, 22 June 2022.

PRESENT: Mr C Simkins (Chairman), Mr P Bartlett, Mrs P T Cole, Mr P Cole, Mr P C Cooper, Mr D S Daley, Cllr N Eden-Green, Mr J P McInroy, Mr J Parsons, Mr P Stepto, Cllr H Tejan (Substitute for Cllr R Thorne) and Mr J Wright.

IN ATTENDANCE: Mr B Watts (General Counsel), Mr J Betts (Interim Corporate Director of Finance), Mr N Buckland (Head of Pensions and Treasury), Ms C Chambers (Pensions Administration Manager), Ms L Savage (Pensions Administration Performance and Operations Manager), Mr S Tagg (Senior Accountant - Employer Governance and Compliance), Miss T A Grayell (Democratic Services Officer) and Mr M Dentten (Democratic Services Officer).

UNRESTRICTED ITEMS

50. Chairman's welcome

1. The Chairman welcomed Members to the first meeting of the committee since it had changed its name from the Superannuation Fund Committee to the Pension Fund Committee, following agreement of the new name by the County Council on 26 May 2022.
2. He also welcomed two new officers who were attending their first meeting of the committee:
 - John Betts, who had joined the County Council in the role of Interim Director of Finance to cover Zena Cooke's maternity leave; and
 - James Graham, who was joining the meeting remotely ahead of starting his new role with the County Council as Treasury and Investments Manager at the end of July, having previously worked in a similar role for The City of London Corporation.

51. Apologies and Substitutes

(Item 1)

1. Apologies for absence had been received from Cllr Paul Clokie, Ms Mel Dawkins and Cllr Richard Thorne.
2. Cllr Habib Tejan was present as a substitute for Cllr Thorne.
3. The Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services, Peter Oakford, and the Chair of the Pension Board, Rob Thomas, were unable to join committee.
4. The committee noted that Tony English and Robbie Sinnott from Mercer Ltd were joining the meeting remotely.

52. Declarations of interest by Members in items on the agenda for this meeting.
(Item 2)

1. Mr P Bartlett declared that he was employed by the Bank of New York Mellon, the parent company of Insight, which was managing the equity downside protection programme (agenda item 13). He was advised that he did not need to leave the meeting during discussion of that item as no decision was being sought.

53. Minutes of the meeting held on 30 March 2022
(Item 3)

1. It was RESOLVED that the minutes of the meeting held on 30 March 2022 are correctly recorded and that they be signed by the Chairman.

2. Under Minute 32, paragraph 1.a), referring to vacancies in the Pensions team, Mr Buckland advised that five new Pensions Assistants had been appointed in the preceding week and that James Graham would join the team at the end of July as Treasury and Investments Manager.

54. Future Meeting Dates
(Item 4)

The committee NOTED that the following dates had been reserved for its meetings in 2022/23:-

Wednesday 28 September 2022, 10.00 am
Thursday 8 December 2022, 10.00 am
Thursday 2 February 2023, 10.00 am
Wednesday 29 March 2023, 10.00 am
Thursday 22 June 2023, 10.00 am

And that all meetings were planned to take place at Sessions House, Maidstone.

55. Fund Employer and Governance Matters
(Item 5)

1. Mr Buckland and Mr Tagg introduced the report and responded to comments and questions from the committee, including the following:-

a) referring to the standardised local valuation results included in the report, which compared 2019 local bases with Scheme Advisory Board standard bases, comparison was welcomed but more explanation was requested. Mr Buckland undertook to provide more information about the method of calculation to the questioner after the meeting.

2. The committee RESOLVED to note the report and to agree:

a) to the admission to the Kent Pension Fund of The PCS Group Ltd (re Primary First Trust);

b) that the Chairman may sign the minute relating to recommendation a) at the end of today's meeting; and

- c) that, once legal agreements have been prepared for the above matter, the Kent County Council seal can be affixed to the legal documents.

56. Pensions Administration

(Item 6)

1. Mr Buckland introduced the report and he and Ms Savage responded to comments and questions from the committee, including the following:-
 - a) concern was expressed about the workload generated by large numbers of both new starters and leavers in the scheme;
 - b) concern was also expressed that the fund was required to absorb costs arising from the late provision of data, as this seemed unfair. Mr Buckland advised that work was in hand to develop an administration strategy for the fund, which would, in part, look to address performance of some employers; and
 - c) Ms Savage undertook to look into costs arising from the McCloud judgement. The regulatory framework for this would be covered by the New Burdens protocol.
2. It was RESOLVED that the information set out in the report be noted, with thanks.

57. Report from the Pension Board - verbal

(Item 7)

1. As the Chair of the Pension Board, Rob Thomas, was unable to attend the meeting due to attendance at pensions training, Mr Buckland gave a verbal update on the most recent gathering of the board members to discuss various issues relating to its future work. The committee Chairman, Mr Simkins, added that the board and committee enjoyed a good relationship, with the board scrutinising and approving what the committee did. This constructive relationship was vital to the successful working of both.
2. A view was expressed that a written update report rather than a verbal update would be more helpful and Mr Buckland acknowledged this, on behalf of Mr Thomas, and agreed that, for future meetings, a brief summary of the Board meeting would be written.
3. Mr Buckland advised that the aim was to increase the membership of the board and look into appointing an independent Chair.
4. It was RESOLVED that the verbal update be noted, with thanks.

58. Business considered as urgent

The Chairman sought and received the committee's agreement that agenda items 8 and 12 be considered as urgent business as they had been published late and hence had not been in the public domain long enough to meet the statutory requirement for the publication of papers.

59. ACCESS update

(Item 8)

1. Mr Buckland introduced the report and advised that it had been agreed that ACCESS meetings may have up to six Local Pension Board observer attendees at each meeting. A rota had been prepared to apportion opportunities to attend. Kent was in the third tranche and would take its turn to attend in March 2023. He responded to comments and questions from the committee, including the following:-

- a) asked about the White Paper on levelling up and the workstreams arising from it, and if the committee would have the opportunity to debate the White Paper and contribute to consultation, the Chairman advised that the start of the consultation had been delayed from summer to autumn 2022; and
- b) it was important that the committee make full use of the opportunity to comment on the White Paper and it was suggested that the recently retired Head of Pensions from the Local Government Association, Jeff Houston, be invited to attend on 28 September to address the key issues for the Local Government Pension Scheme, including this consultation, so the committee was able to prepare to make the most effective response possible.

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

60. Fund position

(Item 9)

1. Mr Buckland introduced the report, on which there were no questions.

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

61. Governance Review update

(Item 10)

1. Mr Buckland and Mrs Mings introduced the report, which sought approval from the committee for key changes to the non-voting membership of the committee. It was also important to expand the board's membership to ensure that it had sufficient members to achieve a quorum and be able to meet effectively. It was also proposed that part of the County Council's decision-making process be adapted for use by the committee, and that Democratic Services colleagues be consulted on achieving this.

2. Asked about the process for agreeing the committee's and board's new terms of reference, Mr Buckland advised that these would need to be considered by the Selection and Member Services Committee and then by full Council. Mrs Mings added that changes to the board's membership would need to be reported to the Selection and Member Services Committee for information only.

3. The report advised that the committee was able to call a meeting urgently, if needed, without giving the usual statutory requirement of five clear working days' notice of the date and the business to be transacted. The Democratic Services Officer appraised the committee of the practical limitations of arranging such a meeting, for example, of achieving a quorum of members and finding a meeting venue, as the meeting would need to be physical. The status of the business at such a meeting would be exclusively urgent as the usual public notice would not be able to be given.

4. Mr Buckland undertook to provide more information at the committee's September meeting about the issue of appointing an independent Chair for the Pension Board.

5. It was RESOLVED that the report be noted and that the following changes to the non-voting membership of the committee be approved:-
 - a) that a scheme member seat be re-allocated to a representative of the non-local council employers in the fund;
 - b) that the staff and Kent Active Retirement Fellowship member seats be re-designated as an active member representative and a pensioner member representative, respectively; and
 - c) that dual membership with the Local Pension Board of any type be not allowed.

62. 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.

EXEMPT ITEMS

Summary of minute 63, where access to this minute remains restricted.

Open access to minutes 64 to 70.

63. Woodford - verbal update

1. Mr Watts gave the committee an update on the Financial Conduct Authority (FCA) investigation and responded to comments and questions. He undertook to provide a written update to the committee's September meeting and to provide a link to the FCA website.
2. It was RESOLVED that the verbal update be noted, with thanks.

64. Responsible Investment update

(Item 11)

1. Mr Buckland introduced the report, about which there were no questions.
2. It was RESOLVED that the information set out in the report be noted, with thanks.

65. Pension Fund Risk Register

(Item 12)

1. Mr Buckland introduced the report and responded to questions of detail from the committee, including about the McCloud judgement and how risk associated with inflation would be covered within the register.
2. It was RESOLVED that the information set out in the report and given in response to questions be noted, with thanks.

66. Equity Protection update

(Item 13)

1. Mr Sinnott introduced the report and presented a series of slides setting out the performance of the Equity Protection strategy (the same slides were included as an appendix to the Investment Strategy report, agenda item 15). He responded to questions of detail from the committee, including about how the Equity Protection working group would respond to market changes.
2. It was RESOLVED that the information set out in the presentation and given in response to questions be noted, with thanks.

67. Cash Flow

(Item 14)

1. Mr Buckland introduced the report, about which there were no questions.
2. It was RESOLVED that the information set out in the report be noted, with thanks.

68. Investment Strategy

(Item 15)

1. Mr Buckland introduced the report and he and Mr English responded to comments and questions of detail from the committee, including about the share of investment between asset managers, managers' investment strategies and performance, communications and preparing for future opportunities.
2. It was RESOLVED that the information set out in the report and given in response to comments and questions be noted, with thanks, and that the recommendation in the exempt report be agreed.

69. Manager Presentation - DTZ Investors

(Item 16)

Jennifer Linacre and Peter O'Gorman from DTZ joined the meeting virtually for this item at the invitation of the committee.

1. The Chairman welcomed Ms Linacre and Mr O'Gorman to the meeting and thanked them for attending.
2. Ms Linacre and Mr O'Gorman presented a series of slides setting out a review of the portfolio which they managed on behalf of the committee, its content and performance, work on social impact initiatives and zero carbon, and responded to comments and questions from the committee, including about rent collection, responsible investment, predictions of interest rates and future plans.
3. It was RESOLVED that the information set out in the presentation and given in response to comments and questions be noted, with thanks.

70. Manager Presentation - Partners Group

(Item 17)

Sarah Brewer and Alex Hodgkins from Partners were present for this item at the invitation of the committee.

1. The Chairman welcomed Ms Brewer and Mr Hodgkins to the meeting and thanked them for attending.
2. Ms Brewer and Mr Hodgkins presented a series of slides setting out a review of the portfolio which they managed on behalf of the committee, its content and performance, work on Environmental Social Governance (ESG) issues and zero carbon, and future plans, and responded to comments and questions from the committee, including about figures being quoted in Euros rather than sterling, transparency around tax and the need to monitor it, cashflow projections and assumptions and ESG issues.
3. It was RESOLVED that the information set out in the presentation and given in response to comments and questions be noted, with thanks.