

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 Thursday, 8 December 2022.

PRESENT: Mr C Simkins (Chairman), Mr N J D Chard (Vice-Chairman), Cllr J Burden, Mrs P T Cole, Mr P Cole, Ms M Dawkins, Cllr N Eden-Green, Mr H Rayner (Substitute for Mr P C Cooper), Mr S Sim, Mr P Stepto, Cllr H Tejan (Substitute for Cllr R Thorne) and Mr J Wright.

ALSO PRESENT: Mr P J Oakford, Mr T English, Mr R Sinnott, Mr R J Thomas, Ms K Jamieson and Mr G Muir

IN ATTENDANCE: Mr N Buckland (Head of Pensions and Treasury), Mrs C Chambers (Pensions Administration Manager), Ms Z Cooke (Corporate Director of Finance), Mrs A Mings (Treasury and Pensions Strategic Advisor), Ms S Surana (Investments, Accounting and Pooling Manager), Miss T A Grayell (Democratic Services Officer) and Mr M Dentten (Democratic Services Officer).

UNRESTRICTED ITEMS

93. Membership update

(Item 1)

It was noted that Mr P Doust and Mr S Sim had joined the committee as Pensioner Rep and Active Member Rep, respectively. Mr Sim was present and was welcomed to the committee.

Cllr N Eden-Green advised that he would be standing down as a Canterbury City Cllr in May 2023 and so would leave the committee. He noted that the Kent fund had doubled in value during his time on the committee and had made great progress on issues such as ethical investment and ESG. He wished the committee well in its future work.

The Chairman thanked Cllr Eden-Green for his many years of service and contribution to the work of the committee.

94. Apologies and Substitutes

(Item 2)

Apologies for absence had been received from Mr P C Cooper, Mr D S Daley, Mr P Doust, Mr J McInroy and Cllr R Thorne.

Mr H Rayner was present as a substitute for Mr Cooper and Cllr H Tejan as a substitute for Cllr Thorne.

The committee noted that Mr P Bartlett was joining the meeting remotely.

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

(Item 3)

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.

96. Minutes of the meeting held on 28 September 2022

(Item 4)

It was RESOLVED that the minutes of the meeting held on 28 September 2022 are correctly recorded and that they be signed by the Chairman. There were no matters arising.

97. Date of next meeting

(Item 5)

It was noted that the next meeting of the committee would be held on Wednesday 29 March 2023, commencing at 10.00 am at Sessions House, Maidstone.

Thursday 2 February would be used instead as a training day.

98. Committee work programme and Action Log

(Item 6)

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

- a) paper copies of the agenda pack had not arrived in time for committee Members to use them to prepare. The DSO advised that the CC had a duty to publish and make available an agenda and papers five clear working days before a meeting but had no duty to produce and despatch paper copies of the agenda pack; this was offered as an extra as some Members preferred paper copies. Paper copies were produced and posted as soon as possible but then relied entirely on the postal service; postal strikes certainly would not help this;
- b) asked if papers could be published earlier, the DSO advised that the legal requirement was a minimum of five clear working days; material could in theory be published before that. However, to achieve this would rely on information (for instance, up to date market information) to be available earlier, and would place a heavy workload upon Mr Buckland and the pensions team to produce material earlier;
- c) another speaker pointed out that, the nearer the meeting the information was produced, the more current - and hence, more reliable – it would be; and
- d) a view was expressed that Members were sometimes given too much to read; papers could be more succinct and some information could be include in links rather than full reports.

2. It was RESOLVED that the work programme for the remainder of 2022/23, and the updated action log, be noted, with thanks.

99. Fund Business Plan - 2022/23 - 2024/25

(Item 7)

1. Mr Buckland introduced the report, about which there was no questions. He advised that, mindful of the request made in the previous discussion, the full Business Plan would be presented to the committee only once annually.
2. It was RESOLVED that the Business Plan for the Kent Pension Fund be noted, with thanks.

100. Fund Employer and Governance Matters (Item 8)

1. Mr Tagg introduced the report, about which there were no questions.
2. It was RESOLVED that the committee note the report and agree that:
 - a) a deed of novation be entered into with Southern Housing, conditional on the receipt of any outstanding information and completion of due diligence by Invicta Law;
 - b) Skanska Construction UK Ltd be admitted to the Kent Pension Fund;
 - c) resolutions a) and b) be set out in a Record of Decision at the end of today's meeting; and
 - d) that, once legal agreements have been prepared for matters a) and b) above, the Kent County Council seal be affixed to the legal documents.

101. Pensions Administration (Item 9)

1. Mrs C Chambers introduced the report and highlighted key challenges and areas of progress:-
 - staff recruitment had been successful, attracting candidates of a good standard;
 - a new way of working to support scheme member and employers had been established;
 - development of the member self-service portal had continued;
 - improvements in distributing mail and telephony services were expected to be completed by Christmas;
 - consultation for the admin strategy was due to commence after the Employer Forum on 9 December, with a deadline for responses by 31 January 2023.
2. The Chairman thanked Mrs Chambers for the great amount of improvement and design work she had led since joining the County Council in April 2022 and emphasised how aware Members were of the importance and complexity of the pensions admin role.
3. Mrs Chambers then responded to comments and questions from the committee, including the following:-
 - a) asked for a brief explanation of the Guaranteed Minimum Pension (GMP) rectification project, Mrs Chamber advised that this involved reconciling Fund data with DWP data and adjusting any over- or underpayment. This would involve a large scale project, which would be contracted out to an external

company, with work set to start on 1 February, to free up pensions staff to concentrate on other admin work;

- b) Regulations arising from the McCloud judgement on local authority pensions admin was still awaited from Central Government, so the impact on local authority pensions admin could not yet be identified. Kent Pension Fund were in the process of recruiting a programme manager to handle the project work relating to this (and other major projects), and an options paper to explore the likely impact of the new regulations and identify appropriate solutions would be prepared for the committee. Unfortunately, the intended timetable for issuing the new regulations had changed several times. Mr Buckland added that the team had started preparing in anticipation of receiving the new regulations, working through approximately 150,000 records. Once issued, the new regulations would have a deadline by which they would need to be introduced;
- c) asked if the team would need more resources to manage this work, Mrs Chamber advised that well qualified and capable administrators would be needed but that pensions teams all across the UK would be competing to recruit the same people to do the same work in response to the new regulations; and
- d) asked how the consultation on the new Admin Strategy was progressing, Mrs Chambers advised that the employers forum would meet on 9 December to start this and would then review the feedback and adjust work accordingly. It was hoped that the new Admin Strategy would be ready to be implemented on 1 April 2023. Mr Buckland added that a report on the new Admin Strategy would be presented to the committee's March meeting;
- e) asked what would happen to payment due to any of the 150,000 pensioners affected who had passed away since the McCloud judgement, Mrs Chambers confirmed that any payment due would be paid to their estate. Guidance on this would be included in the new Regs; and
- f) asked if Kent Pension Fund had considered re-employing retired pensions admin staff to help manage this and any other peaks of workload, Mrs Chambers advised that options were being examined.

2. It was RESOLVED that the update on work being undertaken by the pensions admin team be noted, and that the committee's thanks and appreciation be passed on to all staff.

102. Annual Report - verbal

(Item 10)

1. Mr Buckland advised the committee that the Annual Report and draft accounts considered by the cttee at its previous meeting had been published on the Pension Fund website. The accounts would remain draft until they had been certified by the auditors.
2. The verbal update was noted, with thanks.

103. Report from the Pension Board - verbal

(Item 11)

1. Mr R Thomas, chair of the Pension Board, gave a verbal update on the most recent meeting of the board. After having vacancies for some time, the board now had full membership and had been able to hold a quorate meeting on 24 November 2022 and welcome Cllr Rachel Carnac from Canterbury CC as a new DC rep. Since then, two additional new Members – Kelly King and Grahame Ward – had joined as Active Scheme Member Representative and Pensioner Representative, respectively, and Alison Mings would join the board in January 2023 to complete the membership.
2. The board had considered and noted updates on the governance review, for which they noted the great amount of work put into implementing Barnett Waddingham's recommendations, and Access, for which they noted that the Chair and Vice-Chair would attend and observe the March Access meeting. The board also considered the risk register.
3. Mr Thomas apologised that he had not produced a written update and suggested that, in advance of the next meeting, he circulate a written update. Mr Buckland undertook to liaise with Mr Thomas about how best to manage this.
4. The committee welcomed the advent of full membership for the board so it could meet as intended and fulfil its previous reciprocal relationship with the committee.
5. The verbal update was noted, with thanks.

104. ACCESS update

(Item 12)

1. Mr Buckland introduced the report and responded to comments and questions from the committee, including the following:-
 - a) asked about a ceiling for the percentage of the fund which could be pooled, Mr Buckland advised that, out of the 11 members of the Access pool, Kent had the lowest percentage – 40% - of its assets pooled. He advised that Government guidance on pooling, currently expected in spring 2023, was expected to encourage funds to increase the speed of pooling and to include the majority of their assets. The Kent Fund continued to investigate opportunities to pool further assets. The Chairman reminded the committee that one of the benefits of asset pooling was reduced management fees;
 - b) a view was expressed by several Members that it would be helpful for newer Members to have a briefing on the aims of and background to asset pooling. Mr Buckland undertook to include a section on pooling at the planned Committee training day. He also suggested that it would be helpful to arrange a separate training session in 2023, and the team would also draft a briefing paper; and
 - c) asked why, if pooling was considered beneficial, Kent had limited its pooling to only 40% of the Fund, and if greater pooling would mean relinquishing some control. The Chairman advised that the Kent Fund was keen to continue to pool assets, but there needed to be

appropriate vehicles available to implement the Investment Strategy of the Kent Fund. Under asset pooling investment manager selection became the responsibility of the Pool, however each fund retained sovereignty over their own investment strategy.

2. It was RESOLVED that the update report be noted, with thanks.

105. Fund Position

(Item 13)

1. Mr Buckland introduced the report and, in response to a question about benchmarking and how this was set, advised that the benchmark for any asset class was a composite of the committee's investment strategy and asset managers' own benchmarks, divided by the percentage of the fund held in that asset class. If the fund's overall value exceeded the Actuarial valuation, the benchmark would be set slightly higher.
2. It was RESOLVED that the update report be noted, with thanks.

106. Governance review - update

(Item 14)

1. The Chairman thanked Mrs Mings for the great amount of work she had put it into commissioning the governance review and actioning its recommendations.
2. Mrs Mings introduced the report and the four draft policies which the committee was being asked to approve. She responded to comments and questions from the committee, including the following:-
 - a) asked about the abatements policy, Mrs Chambers advised that this related to people returning to work after retiring and taking their pension, which the Government had tried to discontinue. Committee Members sought more detail and clarity around this policy before being asked to approve it (rec d)); and
 - b) problems with conflicts of interest (rec a)) which could arise in theory should not occur, given the way in which the Kent fund was run.
3. It was RESOLVED that the report be noted and that the committee approve the following draft policies, as appended to the report:
 - a) a Fund Conflicts of Interest Policy;
 - b) a policy for reporting breaches of the law; and
 - c) an administering authority discretions policy;and
 - d) an abatements policy, subject to the committee being given more detail and clarity around this policy.

4. The committee placed on record its thanks to Mrs Mings, on behalf of the fund and its members, for her many years' service in supporting and advising the fund and the committee.

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

The committee 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

108. Pension Fund Risk Register

(Item 15)

1. Mr Buckland introduced the report and advised that, in future, only changes to the register would be reported to the committee rather than the whole register. The register had been re-categorized to match the format of the Business Plan.
2. It was RESOLVED that the updated risk register be approved.

109. Actuarial Valuation 2022 Update

(Item 16)

Graeme Muir and Karen Jamieson from Barnett Waddingham were present for this item at the invitation of the committee.

1. Mr Muir and Ms Jamieson presented a series of slides setting out the purpose and process of the triennial valuation, the financial and demographic assumptions on which a valuation was based and the outstanding issues, for example, the Regs arising from the McCloud judgement, which would have a future bearing on the valuation.
2. The committee commended the clarity and extent of the information presented. Mr Muir and Ms Jamieson responded to comments and questions of detail from the committee, including about data sources used to inform assessment of climate risk, the method for monitoring the fund value between the formal triannual valuations and the current trend for people to take earlier retirement.
3. It was RESOLVED that the initial results of the 2022 Actuarial Valuation and the timeline, inclusion the review and revision of the Funding Strategy Statement, be noted.

110. Investment Strategy

(Item 17)

A revised report on the Investment Strategy had been issued after the main agenda. This included an additional recommendation d) to take account of recommendations arising from a meeting of the Equity Protection Working Group which had taken place on the day of despatching the main agenda pack.

1. Mr English and Mr Sinnott introduced the report and responded to comments and questions of detail from the committee, including issues which the committee wished to include in the training day planned for February.
2. The committee commended the clarity and extent of the information set out and agreed the expanded recommendations set out in the revised report.

111. Responsible Investment update

(Item 18)

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