

By: Chairman Superannuation Fund Committee  
Director of Finance

To: Governance & Audit Committee –30 June 2010

Subject: **SUPERANNUATION FUND EXTERNAL AUDIT**

Classification: Unrestricted

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Summary: To provide a statement of assurance.

**FOR DECISION**

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**INTRODUCTION**

1. Under KCC's Constitution Governance & Audit Committee has responsibility for the overall governance framework within which the Council operates. This report is from the Superannuation Fund Committee and is intended to provide assurance over the arrangements the Superannuation Fund Committee has in place for overseeing the activities of the Fund.

**STATUTORY POSITION**

2. The Local Government Pension Scheme is a national scheme administered locally. The Council has determined that the Superannuation Fund Committee should be responsible for Superannuation Fund issues. The work is undertaken in-accordance with the Local Government Pension Scheme Regulations.
3. Administering authorities have very varied approaches to governance. Many have the Fund's activities managed through a panel or sub-committee which may be less transparent in-terms of of decision making. As a main Committee of the County Council the Superannuation Fund Committee is more transparent and all papers which are not commercially sensitive are publicly available.
4. Given that the Fund has over 250 employers in it we have broadened the membership. In-addition to County Councillors, the Committee included District Council, Medway Council, pensioner, Unison and staff representatives. There is an annual Pensions and Investments Conference which all employers are invited to.

5. Prior to it being a statutory requirement the Committee commissioned and paid for a separate audit of the Fund, as KCC's audit focussed only on those accounts included in KCC's reported accounts.
6. The Director of Finance under KCC's Constitution is responsible for "supporting the Superannuation Fund Committee in the management of the Kent Pension Fund". Day to day activities are managed by the Head of Financial Services with the Treasury & Investments Manager and the Pensions Manager. Officers are supported by the fund actuary, Barnett Waddingham, and investment consultant Hymans Robertson.

## **GOVERNANCE FRAMEWORK**

7. Central Government and more recently CIPFA have put in place a governance framework for administering authorities to work within. The key elements required by CLG are:
  - Statement of Investment Principles
  - Funding Strategy Statement
  - Environmental, Social and Governance Investment Policy Statement
  - Governance Compliance Statement
  - Communications Policy

All of these documents are available on the KCC website.

8. CIPFA published a new document for Pension Funds in late 2009 the Investment Decision Making and Disclosure Guide. This is not a mandatory document but given its comprehensiveness and the support of the CIPFA Pensions Panel it is a significant new consideration.

## **COMMITTEE MEETINGS**

9. The Committee meets quarterly. The main issues covered at the meetings are:
  - Detailed scrutiny of the external investment managers.
  - Monitoring the overall financial position of the Fund.
  - Developing and implementing investment strategy.
  - Appointing investment managers and professional advisers.

- Approving the Fund report and accounts.
  - Responding to consultations on the LGPS.
  - Oversee Pensions Administration.
  - Approve admissions to the Fund.
10. Looking back at 2009-10 major decisions of the Committee have been:
- Review of the 2 Fixed Income mandates with major changes made to these mandates on advice from Hymans Robertson.
  - Following an EU tender process the appointment of a new fund actuary, Barnett Waddingham.
  - Development of a separate Superannuation Fund Treasury Strategy and separate bank accounts.
  - Implementation of the strategy to increase Alternative Investments through 2% allocations to Private Equity and Infrastructure fund of funds.
  - Continuation of the policy of running down the Cash balance held.
  - An additional allocation of £50m to Property pooled funds.
  - Investment of £25m in an environmental equity fund where all companies must derive at least 50% of their income from environmental themes.
  - Review of the way the Committee functions with a decision to move to 6 meetings in 2011.
  - Self-evaluation against the new CIPFA Investment Decision Making and Disclosure Guide and an action plan agreed.

## **SUMMARY**

11. On the basis of the work the Committee has undertaken during the year and the core responsibilities of the Officers supporting the Fund we believe that Governance & Audit Committee can take assurance that the Superannuation Fund accounts have been properly prepared and that there has been nothing to indicate a failure of governance.

## **RECOMMENDATION**

12. Members are asked to agree this report.

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