

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, 11 June 2024.

PRESENT: Mr R J Thomas (Chair), Mr D Jeffrey, Mrs A Mings, Mr J Parsons and Mr G Ward

ALSO PRESENT: Mr C Simkins

IN ATTENDANCE: Ms S Surana (Investments, Accounting and Pooling Manager), Mr J Graham (Pension Fund Treasury and Investments Manager), Mrs C Chambers (Pensions Administration Manager), Mr N Buckland (Head of Pensions and Treasury) and Ms J Hilton (Senior Pension Fund Finance Officer)

UNRESTRICTED ITEMS

1. Apologies and Substitutes

(Item 1)

Apologies for absence were received from Cllr Carnac, Ms Hartley and Mrs King.

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

(Item 2)

No declarations were made.

3. Minutes of the meeting held on 12 March 2024

(Item 3)

RESOLVED that the minutes of the meeting held on 12 March 2024 were correctly recorded and that they be signed by the Chair.

4. Future Meeting Dates

(Item 4)

RESOLVED to note the future meeting dates.

5. Update from the Chairman of the Pension Fund Committee

(Item 5)

1. Mr Simkins, Chairman of the Pension Fund Committee, provided the Board with a verbal update on the work of the Pension Fund Committee. During the update, the following points were noted:
 - a. At its meeting in March the Committee considered the Business Plan and agreed the Budget for 2024/25 to 2026/27. The Member Training Strategy and Communications Strategy were also agreed.

- b. The Committee reviewed investment performance up to 31 December 2024, and noted the factors that had led to below benchmark performance. 2024 performance had shown some improvement, however, the situation would be kept under close review.
- c. The actions flowing out of the Investment Strategy, that was agreed last summer, were nearly complete and there were plans to undertake an asset class review that would initially look at Equity Funds.
- d. Mr Simkins attended the ACCESS meeting on 12 June. They received a presentation from Tavistock who had been appointed as communication consultants, and there had been a good paper about resources detailing the complexity of the ACCESS pool. There would be a review of the ACCESS pool to establish if its objectives had been achieved, and if the governance was correct.
- e. There was concern that the Government did not fully understand how the Pool operated. Efforts would be made to reach out to Government following the General Election.

2. RESOLVED to note the verbal update.

6. Governance Update

(Item 6)

- 1. Mr Buckland introduced the report detailing the Business Plan and Budget Update with key tasks, and an update on a number of polices. During consideration of the item the following points were noted:
 - a. A three year Business Plan was agreed by the Pension Fund Committee in March 2024.
 - b. The budget for 2023/24 was underspent by just under £3million. The underspend was largely due to investment management costs being less than expected. Administration costs showed an overspend mainly because of a correction to an accrual in 2022/23 amounting to £0.2million.
 - c. The Fund commissioned Barnett Waddingham to undertake an assessment of how well the Fund meet the requirements of the General Code. The Code was issued by the Pension Regulator in January 2024. The exercise was due to be complete by the end of June 2024, and the results would be reported back to the Board.
 - d. A letter regarding efficiencies within Local Government Pension Schemes had been received from the Local Government Minister Simon Hoare. A response would be submitted by the 19 July deadline.

2. RESOLVED to note the report.

7. Kent Pension Fund Audit Plan

(Item 7)

- 1. Ms Surana introduced the item noting that Grant Thornton UK LLP (GT) had been award the contract to audit the Fund for the next 5 years.
- 2. Mr Williams, Key Audit Partner - GT, provided the Board with a presentation detailing the indicative Audit Plan for the year ending 31 March 2024. The

Plan had been agreed with Managers and by the Governance and Audit Committee. During consideration of the item, the following points were noted:

- a. GT would commence the final accounts audit imminently and intended to complete the task in September 2024.
- b. The audit fee had increased in line with the Public Sector Audit Appointments' scale of fees set for 2023/24.
- c. The Plan did not include an audit of net zero carbon emission commitments; however, this may form part of GT's audit remit in the future.
- d. GT was fully resourced to undertake the work. The Pension Fund Audit was prioritised in recognition that it was a key audit. A separate GT team would undertake the audit of the Council's main accounts which were planned for completion by the end of October 2024.

3. RESOLVED to note the report.

8. Pensions Administration

(Item 8)

1. Mrs Chambers introduced the report noting some of the key areas of progress. During consideration of the item, the following points were noted:

- a. Reporting of the Key Performance Indicators was going well. The Report had been updated to make it easier to identify where improvements were required.
- b. The recruitment process was ongoing and had provided opportunities for career progression within the existing teams.
- c. The My Pension Online self-service system was now live, and a new telephony system would go live in July 2024.
- d. Users were encouraged the use of the self-service system as this would enable staff to focus on more complicated, higher priority cases.
- e. Staff were thanked for their efforts that had resulted in just nine outstanding returns for the year end exercise.
- f. The roll-out of the iConnect system had the potential to generate significant workload efficiencies. It was intended that all employers would be using the iConnect system by the end of 2025.
- g. In the past there had been some variation in how staff designated cases. This had led to some inaccuracies in case work performance reporting, which had now been addressed through a change in reporting.
- h. The Chairman drew Member's attention to the new Pension Overpayment and Write Off Policy that was included as an annex to the report.

2. RESOLVED to note the report.

9. Investment Update

(Item 9)

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

- a. A significant amount of due diligence was undertaken as part of the transition of assets to Emerging Markets Equities.

- b. The new strategic asset allocation had now been implemented, and there would now be a review of the underlying portfolio composition within each asset class.
 - c. Work had been underway to develop the Responsible Investment Policy. The Policy had been drafted with input from the Responsible Investment Working Group (RIWG) and any comments from the Board were welcome.
 - d. RIWG now had formal Terms of Reference and the Board was asked to nominate a representative to observe the Group.
2. During consideration of the item, it was noted that:
- a. Mr Parsons had attended the RIWG in the past.
 - b. Mr Buckland agreed to speak to the RIWG Chairman about the potential to allow Board Members to substitute for their nominated observer.
 - c. Over the long term, equity protection had proved itself to be a successful strategy to reduce risk, however, it had contributed to the below benchmark performance of the Fund over the last year.
3. RESOLVED to note the report and nominate Mr Parsons as the Board's observer on 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)

10. Cyber Security

(Item 10)

- 1. Mr Perera, Mercer, provided the Board with a presentation about cyber security. He gave some recent examples of cyber attacks on pension schemes and provided an overview of cyber security legislation. The final element of the presentation explained what the Kent Pension Fund was doing to prepare and protect itself.
- 2. During consideration of the item the following points were noted:
 - a. Mercer had assisted the officers to produce a draft Cyber Security Policy and Incident Response Plan.
 - b. A statement could be placed on the website to advise employers and members of what the Fund was doing to promote cyber security and remind users of their own responsibilities.
 - c. The Fund would help to protect its members by having strong cyber controls, such as multistep verification when accessing accounts.
 - d. A cyber attack was the highest scoring risk on the Fund's Risk Register.
 - e. Consideration would be given to the best way of circulating confidential agenda papers to Board Members.

- f. The Chair's email address needed amendment from Rob to Robert on page six of the Incident Response Plan.
 - g. Payroll was managed on behalf of KCC, it was understood that there was a backup of data that could be used if a cyber attack took place. Mr Buckland offered to investigate whether the payer would be liable for the costs incurred to a member as a result of lack of payment due to a cyber attack.
 - h. In the event of a data breach, those affected would be advised in accordance with KCC's guidance and procedures on data breaches.
3. RESOLVED to note Kent Pension Fund Cyber Security Policy and Incident Response Plan, and recommended them to the Pension Fund Committee for approval.

11. Risk Register

(Item 11)

1. Mr Buckland introduced the report noting that it was in a new format that would continue to evolve as it became embedded. He highlighted that 29 key risks had been identified, of which there were no risks with a red rating, 7 risks with an amber rating and 22 risks with a green rating.
2. During consideration of the item the following points were noted:
 - a. Failure to achieve the net zero commitment was currently considered a low risk because there was a plan of action in place. It was expected that the risk level may rise and fall over time and progress would be closely monitored.
 - b. The full Risk Register would continue to be presented to the Board going forwards.
 - c. In future the report would have green and red arrows to indicate changes in risk rating.
 - d. The inclusion of political risk would be considered.
3. RESOLVED to note the Risk Register and the revised format.

12. Employer Governance Matters

(Item 12)

1. Mr Graham introduced the report that comprised of two parts. The first part provided an update on employer admissions, noting that the number of employers had increased by four. The second part provided an update on backdated admissions and noted that there were 33 cases currently outstanding.
2. During consideration of the item, the following points were noted:
 - a. There was regular engagement with employers to try and minimise backdated admissions. A financial incentive may help to encourage employers to focus on good practice.
 - b. It was good for the Board to be able to monitor progress on the number of backdated admissions.

- c. There had been instances when an employee had been impacted due to the backdated admission process. In some cases, a payment could be made that was then adjusted once the process was complete.

3. RESOLVED to note the report.

13. ACCESS Pooling Update

(Item 13)

1. Mr Graham introduced the report summarising the activities of the ACCESS pool. The report provided an overview of the discussions at the ACCESS Joint Committee held in March 24. Mr Graham also noted that Mr Simkins had provided the Board with a brief update from the most recent June ACCESS Joint Committee during his Chairman's update earlier in the agenda.
2. During consideration of the item, the following points were noted:
 - a. The Local Pension Board observer arrangements were due to be reviewed following a year of formal implementation. Any feedback from Board Members could be passed on to the ACCESS Support Unit. The main comments from Members were:
 - i. The room layout led to a difficulty in hearing what was said.
 - ii. Consideration should be given to allowing observers to speak during the meeting, not just at the end.
 - iii. An option to attend virtually would enable more people to attend.
3. RESOLVED to note the report.

14. McCloud & Data Rectification Update

(Item 14)

1. Mrs Chambers introduced the report and noted that ITM were undertaking a significant amount of data cleansing and data validation work. ITM have also been chasing employers who have been slow to comply with data requests.
2. During consideration of the item the following points were noted:
 - a. A tender exercise was underway to find a provider to undertake clearance of the backlog. ITM were unable to carry out the work because they did not have access the Altair system which was owned by Heywood.
 - b. ITM have been issued with a contract change notice.
 - c. The backlog involved a couple of thousand records.
3. RESOLVED to note the report.