

To: Pension Fund Committee – 11 December 2025

From: Chairman – Pension Fund Committee
Interim Corporate Director of Finance

Subject: Governance Update

Classification: Unrestricted

Summary:

There are several hot topic governance issues for the Fund currently. The key issues currently impacting the Fund's governance are: LGPS consultation response (access and protections) which is covered in the Administration paper, Pension Board Independent Chair appointment, and Local Government Reorganisation. The paper also contains an update on the Fund's budget for 2025/26.

The Committee is recommended to:

- APPROVE the appointment of an Independent Member to Pension Board subject to relevant recruitment and selection processes
- DELEGATE authority to the Head of Pensions & Treasury to undertake the selection process and appoint the successful candidate to the Board
- NOTE that there is scope for the Independent Member to be considered for the role of Independent Chair for Pension Board in 2026.
- NOTE the report

FOR DECISION

1. Fund Policies

- 1.1 There is one policy change and that relates to the Fund's Funding Strategy Statement (FSS) and this is covered elsewhere on today's agenda. There are no other policy updates to report to Pension Fund Committee at this meeting. Officers are awaiting confirmation of a range of regulatory changes (impacting governance in areas such as Member training and risk management). These changes will then be used to update the Fund's policy documents in 2026.

2. Business Plan and Budget

- 2.1 Officers continue to work as per the strategy set in the Fund's business plan. The following paragraphs highlight key issues.

Investment and Funding

- 2.2 There are two significant aspects to the Investment and Funding plan for this year:
- delivering the Triennial Actuarial Valuation in a timely way.
 - delivering on the Committee's decision on the future asset pool for the Kent Fund.
- 2.3 There is a separate paper on today's agenda which covers the Fund's progress on Triennial Valuation and other Employer Governance matters. A separate paper has been prepared by Officers to update the Committee on progress regarding the future asset pool for the Fund.
- 2.4 The Fund's external audit by Grant Thornton of the Fund's accounts 24/25 has been completed. The Fund's Annual Report of Accounts for 24/25 have been approved.

Governance

- 2.6 Members of Board and Committee undertook a National Knowledge Assessment hosted by Hymans Robertson in September 2025. The collective results have recently been received by Officers. The results will be used to inform a robust training plan, which will be presented to Pension Board in 2026.
- 2.7 Earlier this year MHCLG launched consultations on Fit for Future and LGPS access and fairness. The Fund submitted responses but is still awaiting confirmation on how and when the regulations will be changed. Changes are anticipated to include governance requirements and set training expectations for Members. Any regulatory changes for pensions administration could mean the altering of past, present and future pensions, in what would be a serious increase in workload for the Fund and other Funds in the LGPS.
- 2.8 A further consultation was launched by MHCLG on 13 October 2025. The consultation is due to close on 22 December 2025. Officers intend to submit a consultation response. The consultation focuses on LGPS access and protections and there are four main areas where Funds are being asked to consider proposals:
- Academies in the LGPS
 - New Fair Deal
 - Normal minimum pension age
 - Pension access for councillors and mayors

- 2.9 Proposals from the consultation suggest that service impacts to the Fund would be broad ranging. Officers have flagged risk concerns due to resource availability and system functionality not being ready. The difficulty will be that any regulatory changes will be on-top of other recent complicated changes and potentially create a new backlog of work because cases cannot be dealt with. Please see details in the Risk Register paper.
- 2.10 Officers have completed the Fund's annual Scheme Return for the Pensions Regulator. This has involved the collation of Fund data which will determine the Fund's annual financial contribution.

Administration

- 2.11 As well as business as usual commitments, there are a number of important projects for the Pensions Administration team, including the concluding of McCloud Remedy Rectification in 2026. Members will be aware there has been a huge undertaking of resource on this project, which involves receiving records from the Fund's Employers.
- 2.12 Another important area of focus has been in data cleansing and backlog clearance, as part of the Fund's preparations for the national dashboard going live. Please see full details in the Pension Administration paper.

Continuous improvement projects

- 2.13 Officers across the Fund have been involved with KCC's adoption of Oracle Cloud. This has significantly impacted the delivery of financial operational processes across the Fund, such as budget management, budget monitoring, reconciliation and invoice payment. Full details are in the Projects Paper but are noted here due to the scale of the impact on the services of the Fund.

Budget update

- 2.14 The Fund's budget for 2024/25 has been reviewed and the position as at 31 October 2025 is shown in the **Appendix 1** to this report. The update shows some changes to budget, and these are noted below:
- The **Data Rectification** project is a multi-year exercise and is progressing, but the invoicing is dependent on progress made, and the profile of the payments is difficult to assimilate. It is anticipated that by the 31 March it will be closer to the total budget.
 - **Actuarial Fees** are always a little difficult to estimate in a Valuation year, and there is likely to be a small overspend of circa £50,000 due to the exceptional work needed.
 - **Pooling advice** – Due to the Government consultation and need to move swiftly an estimate of the support needed was made, which has proven to be overly pessimistic, and is likely to be significantly lower than this. However, the work is yet to be completed, and it is likely that additional support will be needed from the Investment consultant in 2026/27.

- Governance Staffin costs appear to be higher than the estimate, however this includes a reorganisation and includes some costs that were originally in Administration.
- **Fund manager fees** have increased when compared to the budget due to sharp increases in fund values during the year, and as fees are paid on the value of asset under management, this has led to an increase in fees.
- **Transaction costs** are always a challenge to estimate as they relate to individual transactions and transitions which are not known when setting the budget. These level of costs relate to two property purchases that are anticipated to take place in December. In addition, due to the transition to Border to Coast it is likely there will be higher than average transaction costs over the next year or two, however officers are working with Border to Coast colleagues to manage this.

3. Pension Board Independent Chair appointment

3.1 Members will recall that at the last meeting it was noted that the Pension Board would be starting the process to appoint an Independent Chair to support the Board in its scrutiny and oversight role. Further to this meeting the process was confirmed, and as the Board is a non-decision-making body, it is the Committee's responsibility to approve the appointment.

3.2 In addition, the proper process is for an independent member to be appointed to the Board, and the Board themselves then elect that member as Chair.

3.3 It is therefore proposed that the Committee:

- APPROVE the appointment of an Independent Member to the Pension Board subject to relevant recruitment and selection processes;
- DELEGATE authority to the Head of Pensions & Treasury to undertake the selection process and appoint the successful candidate to the Board;
- NOTE that there is scope for the Independent Member to be considered for the role of Independent Chair for Pension Board in 2026.

3.4 Subject to approval by the Committee, the search process will commence, with the objective of having the new member in place by the next meeting of the Board in March 2026. After appointment, the Independent Member can then be elected as Chair of Pension Board by members of the Board.

3.5 The selection of the Independent Member of Pension Board will be in accordance with the Pension Board's Terms of Reference ([Terms of reference for the Kent Local Pension Board](#)), as set out previously. This states that 'one of the independent members may be appointed as Chair' and that they must meet the criteria for being a reasonable member of the Board.

4. Local Government Reorganisation

4.1 Officers are considering the potential impacts of Local Government Reorganisation (LGR) on Kent Pension Fund. Current proposals indicate that Kent County Council and the District and Borough Councils in Kent will cease to exist in 2028 and be replaced by unitary authority(ies). Member may be aware that proposal(s)

have to be submitted to Government by the end of November 2025, and that a response will be received by the summer of 2026 at the latest.

- 4.2 Officers have been in discussions with colleagues from the Surrey Pension Fund, as Surrey County Council is ahead of Kent in its LGR work as it has a vesting day of 1 April 2027. Officers of the Surrey Pension Fund have been working on proposals for the future of the Fund, which is currently administered by Surrey County Council, and have developed a proposal to create a Single Purpose Pension Authority (SPPA). The proposal has received the support of the Fund's Pension Committee and will now continue through the governance process, ultimately requiring approval by the Secretary of State. Should it be approved, Surrey would become the third SPPA in the LGPS, following South Yorkshire Pension Authority and London Pension Fund Authority.
- 4.3 Officers will be working closely with Surrey to understand the case for a SPPA and to assess its relevance to Kent. Given LGR in Kent, Kent Pension Fund will need to be administered by a new authority. As KCC will no longer exist, it will be appropriate to consider all options.
- 4.3 Work continues ahead of the government decision on LGR given the tight timeframes for implementation, and updates will be given to the Board and Committee as further details about Kent's LGR emerge. Once the final shape of Local Government becomes clearer in 2026, it will shape the recommendation for the future of the Kent Pension Fund.

5. Committee Action Log

- 5.1 No actions have been recorded so far for 24/25. Should actions be identified during Committee meetings these will be added to the log.

Emma Green – Senior Pensions Programme Manager (Kent Pension Fund)
T: 03000 410 761
E: emma.green2@kent.gov.uk
December 2025

Appendix 1: Budget Forecast 25/26 as at 31 October 2025.