

Kent County Council Superannuation Fund

Report & Accounts 2013



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Chairman's Introduction

The Kent Fund as with most Local Government Pension Funds has remained predominately invested in equities and the last year saw the benefits of this. As equity markets performed strongly particularly in the latter part of the year the Fund made very significant cash gains. Across the year the Fund increased in value by £502m.

At year end the Fund was overweight in equities with an allocation of 70.4% against a target weight of 64%. This reflected the strong performance of major equity markets in 2012/13 with Global Equities returning +17.1% and UK Equities +16.8%.

The total return on the Fund was +14.7% and this compares with the benchmark return of 13.6% and the Local Authority Average return of 13.8%, putting the 1 year performance in the 29th percentile. Over 3 and 5 year periods investment performance was in the top one-third of local authority funds.

This strong performance is particularly welcome given the Fund's triennial actuarial valuation at 31 March 2013. This is always a critical event for employers and investment returns across the three year period are well ahead of those assumed by the actuary. We also expect some limited cost savings from the new Local Government Pension Scheme which will be introduced on 1 April 2014. However, low gilt yields which the actuary uses to value liabilities will be a negative factor and we are also aware that all local authorities are seeing significant reductions in their active workforce thus increasing the burden of the pension liabilities. We will work hard to communicate with employers through the valuation process.

The Committee is also aware that whilst the rise in markets has been highly beneficial there will be volatility in markets moving forward. The Fund is well diversified and we are ever vigilant to protect the gains the Fund has made.



James Scholes
Chairman - Superannuation Fund Committee

Management and Financial Performance Report

Scheme management and advisors

Kent County Council Officers

Andy Wood, Corporate Director of Finance and Procurement	email: andy.wood@kent.gov.uk
Nick Vickers, Head of Financial Services	email: nick.vickers@kent.gov.uk
Alison Mings, Treasury and Investments Manager	email: alison.mings@kent.gov.uk
Pat Luscombe, Pensions Manager	Email: pat.luscombe@kent.gov.uk

Investment Managers

Baillie Gifford & Co	Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN
Goldman Sachs Asset Management Limited	Christchurch Court, 10-15 Newgate Street, London EC1A 7HD
GMO	1 Angel Court, Throgmorton, London EC2R 7HJ
HarbourVest Partners	HarbourVest Partners (U.K.) Limited 8th Floor, Berkeley Square House Berkeley Square, London W1J 6DB
Henderson Fund Management / Equity Partners	201 Bishopsgate, London EC2M 3AE
Impax Asset Management	Mezzanine Floor, Pegasus House 37-43 Sackville Street, London W15 3EH
Invesco Asset Management Limited	43-45 Portman Square, London W1H 6LY
Partners Group	Partners Group Management II S.à r.l. 55, Avenue de la Gare L-1611 Luxembourg
Schroder Investment Management Limited	31 Gresham Street, London EC2V 7QA
State Street Global Advisers Limited	20 Churchill Place, London E14 5HJ
YFM Equity Partners	St. Martins House 210-212 Chapeltown Road, Leeds, LS7 4HZ
DTZ Investment Management Limited	125 Old Broad Street, London, EC2N 2BQ
Pyrford International	79 Grosvenor Street, London W1K 3JU

Other Organisations providing services to the Kent Fund

Custodian	
JP Morgan Chase	Investor Services, J P Morgan Bank Street, Canary Wharf London E14 5JP
Banker	
National Westminster Bank	NatWest Corporate Banking, 2 nd floor, County Gate 2, Maidstone ME14 1ST
Actuary	
Barnett Waddingham LLP	163 West George Street Glasgow G2 2JJ
Investment Consultant	
Hymans Robertson LLP	One London Wall, London EC2Y 5EA
Auditors	
Grant Thornton LLP (with effect from October 2012)	Grant Thornton House, Melton Street Euston Square, London NW1 2EP
Performance Measurers	
The WM Company	Investment Analytics, 525 Ferry Road Edinburgh EH5 2AW
Investment Property Databank Limited	1 St John's Lane London EC1M 4BL
AVC Providers	
Equitable Life Assurance	PO Box 177, Walton Street, Aylesbury, Bucks, HP21 7YH
Prudential Assurance Company	Laurence Pountney Hill, London, EC4R 0HH
Standard Life Assurance	Standard Life House, 30 Lothian Road, Edinburgh, EH2 2 DH
Legal Advisors	
Kent County Council Legal Services	Sessions House County Hall Maidstone ME14 1XQ

Risk Management

Kent County Council as the Administering Authority for the Kent County Council Superannuation Fund has delegated responsibility for the management of risk to the Superannuation Fund Committee. Details of the arrangements for the management of the Fund's administrative, management and investment risk are included in its Fund Strategy Statement (FSS) and Statement of Investment Principles (SIP) The FSS is reviewed annually and the SIP is updated as necessary to reflect changes in activity and market conditions. Further details of the Fund's policy on investment risk management are disclosed in note 18 to the Financial Statements.

Kent County Council's internal audit team provide assurance on the management of risk and during 2012-13 undertook 2 reviews of investment income and employer contributions.

Third party risk such as late payment of contributions is managed through monitoring the timeliness of receipts from employers.

Assurance over third party operations is provided by investment managers who are required to provide annual AAF 01/06 reports and SSAE16 reports.

Financial Performance

During 2012-13 the Fund increased in value by £502m (15.2%) as the result of a net return on investments of £482.5m (14.7%) and net additions from dealings with members of £19.5m.

Net cash inflows from members fell during the year mainly due to an increase in the benefits paid to Pensioners. Management costs of the fund, including investment management expenses, were higher than forecast at £14.866m. Administrative costs were lower than forecast due to more actuarial fees being charged directly to employers and savings on audit fees following the transfer of the audit work from the Audit Commission to Grant Thornton. Investment expenses were higher than forecast as most managers' fees are based on funds under management, and markets rose steeply during the year.

Five Year Summary of the Fund's performance

Fund Account (excl investment gains / losses)

	2008-09 £000's	2009-10 £000's	2010-11 £000's	2011-12 £000's	2012-13 £000's
Contributions	218,955	224,380	229,688	214,037	213,713
Investment and other income	81,807	80,901	74,057	85,499	79,125
Sub Total	300,762	305,281	303,745	299,536	292,838
Benefits and Other Payments	(164,558)	(184,966)	(190,604)	(210,428)	(214,920)
Total	136,204	120,315	113,141	89,108	77,918

Net Assets

	31 March 2009	31 March 2010	31 March 2011	31 March 2012	31 March 2013
	£000's	£000's	£000's	£000's	£000's
Net Assets	2,075,687	2,885,463	3,202,442	3,310,588	3,812,698
Investments at Valuation	1,895,169	2,745,201	3,084,739	3,169,326	3,670,696

Amounts due to the fund from employers

During 2012-13 £161.5m, 95% of total contributions were received by the due date of the 19th of the month following. The option to levy interest on overdue contributions was not exercised.

Five year analysis of pension overpayments, recoveries and write offs

Overpayments

The overpayments identified over the last 5 years as the result of the Fund's participation in the National Fraud Initiative are:

Year	No	Value £	Action
2009	1	5,000	Being recovered in instalments of £100 a month
		11,655	Written off
Total	1	16,655	
2011	1	1,973	Written off
	1	3,690	Recovered
	1	10,631	Being recovered at £50 a month
	3	2,816	Write off pending
	2	25,460	Referred to solicitors
Total	8	44,570	
2013	2	2,847	The recovery of these amounts is currently being undertaken
Total	2	2,847	

Note: the number of cases has decreased as a mortality screening service is now used on a monthly basis to identify registered deaths.

Pension overpayments write offs

Details of the write offs made in the last 5 years:

Year	No of cases	Value £
2009-10	57	25,103
2011-12	53	24,684
2012-13	60	18,979

Administrative management performance

The Pension administration section is subject to performance monitoring, both internally and externally. The performance outcomes are shown in the table below.

Type of Case	Target Time	Number Processed	Processed Within Target
Calculation and payment of retirement award	20 days from receipt of paperwork	2,056	99%
Calculation and payment of dependants benefit	15 days from receipt of paperwork	305	99%
Provision of estimates	20 days from receipt of paperwork	2,672	99%
Correspondence	Full reply within 15 working days	1,152	99%

CIPFA Benchmark Survey

The Kent Pension Fund administration section participates annually in the CIPFA Benchmark survey. The survey compares the cost of administration with 62 other Local Authority Administering Bodies across the UK. The results contained in these accounts are in respect of the Kent Pension Section performance in the year ending 31 March 2012.

	Kent Pension Scheme	All Scheme Average
	£	£
Total cost of administration per scheme member	19.57	21.54
Payroll costs per pensioner (including staff)	1.65	3.04
Staff costs per Scheme Member (ex Payroll)	9.61	9.58
IT Costs per member	1.94	2.52
Communication costs per member	2.07	0.81
Actuarial costs per member	2.15	1.48
Accommodation costs per member	1.21	0.83

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The results place Kent 29th of 62 authorities in terms of the cost of administration per member of the scheme.

Member Age Profile

As at 31 March 2013, contributing membership is made up of the following age bands:-

Under 20	348
20 – 25	2,150
26 – 30	2,661
31 – 35	3,294
36 – 40	4,526
41 – 45	6,861
46 – 50	7,911
51 – 55	6,934
56 – 60	5,221
61 – 65	2,237
66 – 70	376
Over 70	35

Five year analysis of the Fund's membership

Type of Members	31 March 2009	31 March 2010	31 March 2011	31 March 2012	31 March 2013
Contributors	43,385	44,509	43,408	41,423	42,554
Pensioners	27,898	29,107	30,549	32,258	33,731
Deferred Pensioners	26,607	30,691	32,618	35,430	37,835

List of Employing Bodies

	Contributions received 2012-13	
	Employer	Employee
	£	£
Local Authorities and District Councils		
Kent County Council	60,375,878	18,302,899
Medway Council	14,322,033	4,672,582
Ashford Borough Council	2,609,595	618,600
Canterbury City Council	3,086,802	670,149
Dartford Borough Council	2,173,416	440,417
Dover District Council	2,602,472	459,591
Gravesham Borough Council	2,740,360	700,597
Maidstone Borough Council	2,551,125	646,408
Sevenoaks District Council	2,621,687	577,602
Shepway District Council	2,230,084	500,248
Swale Borough Council	2,100,072	477,116
Thanet District Council	3,141,519	631,218
Tonbridge & Malling Borough Council	1,158,979	544,380
Tunbridge Wells Borough Council	2,103,048	568,568
Scheduled Bodies		
Allington Primary School	43,178	11,136
All Souls CE Primary School	24,331	6,750
Angley School	46,407	13,334
Archbishops CE School	97,276	27,616
Astor College of the Arts	25,272	7,330
Aycliffe CEP	23,549	6,481
Aylesford School	90,351	25,713
Barton Junior School	4,617	1,280
Bredgar School	8,944	2,483
Charles Dickens High School	185,896	53,182
Chaucer Technology School	126,881	37,340
Crockenhill Primary	15,667	4,699
Dartford Grammar School for Girls	124,510	36,264
Ditton CE Junior School	15,623	4,198
Dover Grammar School for Girls	84,136	24,311
Downsview Infants School	45,710	12,446
East Borough Primary School	80,827	23,400
Five Acre Wood School	200,030	56,425
Gateway Community Primary School	23,616	6,475
Greatstone County Primary School	59,242	16,343
Herne Bay Junior School	58,522	16,465
Hextable School	95,008	28,001
High Firs Primary School	21,383	5,876
Holy Family RC Primary	9,395	2,510
Holy Trinity CE Primary School (Gravesend)	91,574	25,842
Holy Trinity CE Primary School (Dartford)	59,658	16,313
Horton Kirby County Primary School	35,392	9,722
Hugh Christie School	76,965	22,331
Judd School Tonbridge	103,787	30,832
Lady Boswells CE Primary School	16,049	4,343

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Laleham Gap School	203,487	54,474
Larkfield Brookfield County Junior	18,985	4,125
Meopham Secondary School	60,392	17,516
Northfleet Technical College	144,753	42,263
Northfleet School for Girls	163,398	47,708
Our Lady of Hartley RC Primary	17,215	4,702
Parkway Primary	44,234	12,219
Pent Valley Secondary School	215,231	61,504
Riverview Infants School	43,181	11,623
Riverview Junior School	49,521	13,711
Robert Napier School	80,976	24,700
Roseacre Junior School	35,876	10,051
Sandling CP	48,577	13,234
Shatter Locks Infants	7,101	1,958
Simon Langton Grammar School for Boys	117,976	35,415
Snodland CE Primary School	51,847	16,690
St Anselm's RC Comprehensive	132,369	37,812
St Bartholomew RC Primary School	26,348	7,594
St Botolphs CE Primary School	29,884	8,317
St Edmund of Canterbury Comprehensive	86,438	25,188
St Francis RC Primary	6,439	
St George's CE School (Broadstairs)	139,881	39,428
St Gregory's Catholic Comprehensive	179,043	51,285
St John's RC Comprehensive Gravesend	137,899	41,251
St John's CEP School Tunbridge Wells	95,666	26,474
St Joseph RC Primary School	26,760	7,369
St Mary's CEP	59,463	21,157
St Peter's Aylesford	21,981	6,113
St Simon Stock School	102,062	29,236
Staplehurst School	45,380	12,370
Stella Maris RC Primary School	43,722	10,425
Thamesview School	131,637	38,531
The Howard	139,219	43,413
The Skinners Company School	72,363	22,188
Tunbridge Wells Girls Grammar School	82,911	24,847
Valence Special School	347,117	99,737
White Cliffs Primary	5,437	1,517
Whitehill Primary	64,849	15,953
Wrotham School	97,636	24,349
Ash Parish Council	2,997	1,254
Borough Green Parish Council	5,031	1,308
Broadstairs & St Peters Town Council	9,100	
Chesterfield Parish Council	4,544	1,268
Cranbrook Parish Council	8,845	2,616
Darenth Parish Council	8,961	1,667
Deal Town Council	15,179	6,980
Ditton Parish Council	24,135	9,157
Dover Town Council	37,415	13,093
Downswood Parish Council	1,620	569
Eastry Parish Council	1,246	583
East Kent Arms Length Management	601,490	222,673
East Kent Services Thanet	750,529	373,964
Edenbridge Town Council	38,747	12,495
Eynsford Parish Council	1,140	741
Farningham Parish Council	1,589	568

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Faversham Town Council	9,415	2,739
Folkestone Town Council	28,197	9,791
Great Mongeham Parish Council	382	180
Hartley Parish Council	6,665	2,222
Hawkinge Parish Council	4,888	2,138
Hawkhurst Parish Council	5,273	1,656
Herne & Broomfield Parish Council	6,219	1,937
Horton Kirby and South Darenth Parish Council	6,101	1,322
Hythe Town Council	16,184	4,713
Kent & Essex Sea Fisheries Committee	8,204	
Kent and Medway Fire and Rescue Authority	1,514,944	516,804
Kent Police Authority	5,716,668	2,467,035
Kent Probation	2,290,751	655,916
Kent Top Temps	69,444	34,693
Kent Valuation Tribunal	42,000	
Kings Hill Parish Council	13,327	5,452
Leigh Parish Council	1,985	683
Littlebourne Parish Council	1,828	837
Longfield & New Barn Parish Council	1,656	776
Margate Charter Trustees	3,008	1,344
Medway (Lower) IDB	54,336	10,833
Medway (Upper) IDB	42,026	8,893
Minster-on-Sea Parish Council	4,889	2,409
Otford Parish Council	2,795	1,143
Otham Parish Council	738	259
Pembury Parish Council	11,985	5,174
Ramsgate Town Council	15,397	4,774
River Stour IDB	25,418	9,095
Romney Marsh Level IDB	30,825	10,064
Sandwich Town Council	22,592	6,742
Seal Parish Council	2,518	880
Sevenoaks Town Council	19,862	4,355
Snodland Town Council	7,679	2,299
Southborough Town Council	45,836	8,762
Staplehurst Parish Council	2,104	751
Stone Parish Council	26,986	8,112
Sturry Parish Council	753	255
Swanley Town Council	98,455	28,060
Swanscombe & Greenhithe Town Council	45,079	8,793
Temple Ewell Parish Council	1,655	524
Tenterden Town Council	23,033	5,884
Thanet Joint Computer Committee	15,000	
The Police and Crime Commissioner for Kent	2,808,266	1,201,523
West Kingsdown Parish Council	2,035	1,225
Westerham Parish Council	7,917	10,501
Woodnesborough Parish Council	398	188
Further Education Colleges		
K College	1,038,264	425,772
Canterbury College	835,432	332,349
East Kent College (Formally Thanet College)	392,396	157,740
Hadlow College	350,895	142,467
Hilderstone College	33,843	13,103
Mid Kent College	825,604	332,860

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North West Kent College	753,547	268,014
Admitted Bodies		
Active Life Limited	144,365	47,096
Amicus Horizon	259,472	19,831
APCOA (M.B.C and Swale B.C)	23,035	6,657
Ashford Leisure Trust Limited	48,561	21,382
Avante Partnership	176,515	25,853
Avenues Trust	4,255	1,168
Avenues Trust Community Support Services	81,801	7,803
Brenwards	3,000	
Caldercott Community	190,174	67,548
Canterbury Archaeological Trust	17,509	2,264
Children & Families Ltd	4,677	2,277
Christchurch College, Canterbury	2,667,116	991,961
Compass Group UK & Ireland Limited	5,416	1,476
Connexions Partnership Kent & Medway	33,759	11,143
Connexions Partnership Kent & Medway (Tab)	21,255	7,762
Enterprise (AOL) Limited	133,579	47,420
Epic Trust	45,349	16,208
Fusion Lifestyle	49,026	21,539
Gravesham Community Leisure	94,405	44,193
Hope (Kent) Limited	19,763	8,418
Hyde Housing	201,000	
Invicta Telecare Limited	94,977	34,863
Kent College, Canterbury	4,313	1,438
Kent College Pembury	3000	
Kent University	52,399	2,534
Kier Facilities Management	29,971	8,201
Knotley Hall School	2000	
Maidstone Housing Trust / Golding Homes	377,485	203,838
MCCH Society Limited	12,550	3,638
Medway Housing Society (MHS)	630,657	158,322
Mitie Cleaning & Support Services	1,688	431
Mitie PFI Limited	30,563	10,776
Mytime Active	8,233	3,392
Northgate Managed Services –St Georges School	1,205	378
Northgate Managed Services – St Johns School	1,445	578
Northgate Managed Services –Thamesview School	1,083	378
Northgate Managed Services Limited	16,146	6,542
Norwest Holst Limited	23,974	8,075
NSL	28,525	9,861
Orchard Theatre Dartford Limited	38,055	11,580
Principal Catering Consultants	363	158
Principal Catering Solution Ltd (Our Lady of Hartley School)	680	219
Project Salus	57,807	33,653
Quadron Services Limited	25,565	8,169
Reliance Secure Task Management	17,619	6,895
Remade South East Limited	29,953	8,280
Rochester Bridge Trust	64,556	12,445
Roffa Limited	3,688	1,122
Russet Homes	434,474	83,316
Sevenoaks Leisure Ltd	176,404	65,495

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Sevenoaks School	378,620	119,827
Shaw Healthcare (FM Services) Ltd	2,080	568
Sodexo Catering	8,876	2,730
Steria	53,483	19,728
Superclean	882	258
Thanet Community Housing/Orbit South Housing Association	116,780	30,129
Thanet Leisure Force	86,523	23,940
Total Catering	557	168
Tourism South East	5,478	1,967
Town & Country Group	292,573	91,781
Veolia	35,697	10,580
West Kent Housing Association	1,246,560	288,487
West Kent Water	7,000	
Academies		
All Faiths Academy	77,965	21,227
Amherst School Academy	51,998	13,588
Astor College & Academy	138,690	36,722
Barton Court Grammar School (Academy)	89,977	23,666
Barton Junior	22,825	5,852
Bennett Memorial Diocesan Academy	148,550	39,916
Bishop of Rochester Academy	231,297	65,827
Borden Grammar School (Academy)	97,613	26,054
Brockhill Park Performing Arts College (Academy)	158,863	42,469
Brompton Academy	266,811	78,791
Canterbury Academy	278,189	65,133
Castle Community College Academy	129,516	34,467
Chatham Grammar School For Boys (Academy)	133,877	29,999
Chatham Grammar School For Girls Academy	94,220	24,386
Chatham House Grammar School Academy	101,706	27,312
Chattenden Primary School Academy	20,952	5,876
Chiddingstone Primary School Academy	21,211	7,589
Christchurch School Academy Folkestone	9,829	2,456
Clarendon House Grammar School Academy	75,244	19,695
Cliffwoods Primary School Academy	32,200	8,407
Cornwallis Academy	217,638	64,672
Cranbrook School (Academy)	254,585	66,362
Dame Janet Primary Academy	49,295	12,339
Dane Court Grammar School (Academy)	92,947	24,486
Dartford Grammar School for Boys Academy	118,887	33,039
Dover Christchurch Academy	182,986	34,471
Drapers Mills Primary School Academy	42,712	10,731
Duke of York's Military Academy	246,610	77,866
Folkestone Academy	340,439	114,159
Folkestone School for Girls (Academy)	133,358	34,836
Fort Pitt Grammar Academy Trust	123,531	28,754
Fulston Manor School Academy	200,501	51,960
Graveney Primary School Academy	21,805	5,400
Gravesend Grammar School (Boys) Academy	152,418	38,317
Greenacre School	149,408	41,274
Grove Park Primary School	62,099	15,191
Hampton Primary	81,953	21,040
Hartsdown Technology College (Academy)	240,540	63,508

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Harvey Grammar School Academy	90,201	24,048
Hayesbrook High School for Boys Academy	216,192	57,320
Herne Bay High School Academy	258,745	59,960
Hersden Village Primary School Academy	7,460	1,837
High Weald Academy	72,859	15,651
Highstead Grammar School Academy	56,673	14,879
Highworth Grammar School Academy	139,654	36,298
Hillview School for Girls (Academy)	191,162	50,892
Homewood School Academy	330,756	68,821
Invicta Grammar School Academy	130,135	34,536
John Wallis Academy	254,183	65,379
Joydens Infant School Academy	34,788	7,869
Joydens Junior School Academy	34,412	8,506
Kemnal Academy Trust : Pluckley Primary School	26,255	6,674
Kemnal Academy Trust: Smerden Primary School	10,411	2,619
Kemnal Academy Trust: Horizons Primary School	21,076	5,374
Kemnal Academy Trust :Orchards Academy	82,613	21,384
Kemnal Academies Trust :Rainham School for Girls	195,537	55,736
King Ethelbert School (Academy)	130,354	34,550
Knole Academy	150,721	39,508
Leigh Technology Academy	150,079	68,415
Longfield Academy	193,449	51,376
Luddenham School Academy	24,376	6,117
Lynsted and Norton Primary School Academy	22,260	5,399
Maplesden Noakes School Academy	148,224	38,431
Marlowe Academy	293,300	90,127
Marsh Academy	177,275	63,998
Mascalls School (Academy)	179,504	48,471
Mayfield Grammar School (Academy)	135,599	35,538
Meopham Community Academy	14,127	3,730
Meopham Primary Academy	48,041	12,133
Milstead and Frinsted CE Primary School Academy	10,459	2,544
Milestone Academy	291,416	75,271
Molehill Academy	63,473	15,697
New Line Learning Academy	118,173	30,631
Newlands Primary School Academy	57,984	14,553
Northdown Primary Academy	48,815	12,371
Norton Knatchbull	126,028	27,715
Oaktrees Community Academy	33,242	8,370
Oakwood Park Grammar School (Academy)	148,389	32,459
Phoneix Academy	26,774	7,288
Queen Elizabeth's Grammar School (Academy)	104,872	27,532
Rainham Mark Grammar School Academy	116,706	33,606
Regis Manor Community Primary School Academy	63,678	15,679
Rochester Grammar School for Girls Academy	108,293	31,259
Salmestone Primary School Academy	45,778	11,503
Sandwich High School Academy	163,934	42,189
Selling CE Primary Academy	30,510	7,580
Shatterlocks Infant Academy	36,865	9,182
Sheldwich CE Primary Academy	41,487	10,327
Sir Roger Manwood School Academy	107,391	25,333
Sittingbourne Community College Academy	237,359	61,990
Skinnners Academy	109,328	27,049
Spires Academy	100,069	36,348
St Augustine Academy	117,410	28,058

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St Eanswythe's CEP School Academy	6,530	1,617
St George's CE School (Gravesend)	148,754	31,646
St James The Great Academy	37,826	9,442
St John's CE Primary School Academy	37,152	8,969
St Laurence in Thanet CEJ School Academy	13,688	3,463
St Mary's CEP School Academy (Folkestone)	15,225	3,805
St Stephen's Junior School Academy	87,381	23,199
Strood Academy	232,541	59,054
Sturry CE Primary School Academy	27,037	6,709
Temple Grove Academy	17,003	4,242
The Abbey School Academy	184,201	47,455
The Isle of Sheppey Academy	391,410	93,496
The Robert Napier School Academy	132,733	37,755
The Tiger Primary School	3,370	1,014
Thomas Aveling School (Academy)	165,141	47,907
Tonbridge Grammar School for Girls Academy	140,156	38,536
Towers School and Sixth Form Centre	256,962	68,156
Tree Tops Academy	77,404	19,579
Valley Park Academy	180,009	48,035
Walderslade Girls School Academy	130,446	32,709
Warden House Primary School	21,671	5,340
Weald of Kent Grammar School Academy	129,527	22,410
Wentworth Primary School Academy	64,961	16,554
West Malling CEP School Academy	25,935	6,508
Westlands & Woodgrove Academy	254,620	65,644
Westlands Primary Academy	96,969	23,904
Whitecliffs Primary College Academy	37,389	9,597
Wilmington Primary School Academy	17,807	3,818
Williamson Academy Trust Elaine Primary School Academy	56,087	15,373
Williamson Academy Trust High Halstow Primary School Academy	19,745	5,493
Williamson Academy Trust Hundred Of Hoo School Academy	192,441	55,195
Williamson Academy Trust Sir Joseph Williamsons Mathematical School Academy	149,014	39,909
Williamson Academy Trust St James CEVA Primary School Academy	20,553	5,907
Wilmington Academy	133,366	35,561
Wilmington Girls Grammar School (Academy)	104,014	28,361
Wilmington Grammar School for Boys (Academy)	122,485	23,113
York Road Primary Academy	91,785	23,442

Investment Policy and Performance Report

Progress made against the Fund's investment strategy during the year is set out in the investment policy and performance report

Asset Allocation

In May 2012 the Superannuation Fund Committee agreed to change the strategic allocations to Private Equity, Infrastructure and Absolute Return asset classes, reducing the allocations to Equities.

At its regular meetings during 2012-13 the Committee reviewed the actual Fund Asset Allocation compared to the benchmark, and where the variance was in excess of the tolerance level of +/- 2 %, as per the Fund's Statement of Investment Principles (SIP), agreed any action to be taken.

The position as at the yearend compared to the strategic allocation is as follows:

Asset Class	Benchmark		Actual at 31 March 2013	
	%	%	%	%
Equities:				
UK	32.0		35.6	
Global	32.0	64.0	34.8	70.4
Fixed Income		15.0		13.6
Property		10.0		7.9
Absolute Return		5.0		4.1
Infrastructure		2.5		1.0
Private Equity		2.5		0.5
Cash		1.0		2.4
		100.0		100.0

Market Returns to 31 March 2013

During 2012-13 all equity markets other than European Equities ex UK and Pacific ex Japan markets, performed strongly. Returns in the major asset classes were:

Asset Class	1 year	3 year	5 year
	%	%	%
UK Equities	16.8	8.8	6.7
North American Equities	19.3	11.8	11.5
European Equities ex UK	18.0	4.0	2.9
Japan Equities	14.3	3.5	5.1
Pacific ex Japan equities	18.1	8.9	10.7
Other International Equities	17.6	8.5	8.7
UK Bonds	5.2	8.2	7.1
Overseas Bonds	4.5	4.0	9.0
UK Index Linked	10.2	11.5	8.6
UK Property	2.5	6.6	1.0
Cash/Alternatives	0.4	0.4	1.1

Source: WM Company

The relative performance of the Fund for 2012-13 was:

Period	Kent Fund	WM Local Authority Universe Average Return
	%	%
1 Year	14.7	13.8
3 Year	8.7	8.1
5 Year	7.1	6.5

Source: WM Company

This performance places the Fund in the 29th percentile over 1 year, 34th percentile over 3 years and 34th percentile over 5 years compared with other Local Authority Funds

Investment Managers

All assets of the Fund other than cash are under external management. All appointments of Managers are made through European Union public service tender processes; in a small number of cases direct investments are made in funds.

The Superannuation Fund Committee met six times during 2012-13 and received detailed reports on the performance of each manager. 7 managers, being mainly responsible for the Fund's segregated and actively managed portfolios, attended the Committee meetings to explain their strategy and answer questions from members of the Committee. There was also regular contact between officers of KCC and the other fund managers in relation to their activities.

The External Manager Structure as at 31 March 2013 was:

Manager	% of Fund
Schroder Investment Management Limited	26.6
Baillie Gifford & Co	18.5
Invesco Asset Management Limited	12.7
State Street Global Advisors Limited	12.5
DTZ Investment Management Limited	7.9
Goldman Sachs Asset Management Limited	7.9
GMO	5.8
Pyrford	4.1
Partners Group	0.9
Impax Asset Management	0.7
HarbourVest Partners	0.4
Henderson Equity Partners	0.2
YFM Equity Partners	0.1

More details of the mandates are contained in the Statement of Investment Principles at page and committee papers available at www.kentpensionfund.co.uk

Performance Returns to 31 March 2013

Asset Class Manager	1 Year		3 Years (pa)		5 Years (pa)	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
	%	%	%	%	%	%
Total Fund	14.7	13.6	8.7	8.3	7.1	6.8
UK Equities						
Schroder Investment Management	17.8	16.4	9.2	8.6	8.1	6.7
StateStreet Global Advisors	16.8	16.8	8.9	8.8		
Invesco Asset Management	20.1	16.8	13.6	8.8	9.5	6.7
Global Equities						
Baillie Gifford	19.8	17.3	11.0	7.3	10.8	7.4
GMO	15.0	17.7	7.1	8.4	6.6	8.2
Schroder Investment Management	16.7	17.7	7.4	8.4	8.4	8.2
StateStreet Global Advisors	17.5	17.5	8.3	8.4		
Impax	11.6	17.7				
Fixed Income						
Goldman Sachs Asset Management	10.1	8.9	8.8	8.1		
Schroder Investment Management	6.2	4.1	4.7	4.7	6.2	5.1
Property						
DTZ Investment Management	7.4	1.9	9.8	7.6	2.7	0.4
Private Equity						
HarbourVest	1.9	0.4				
YFM	9.4	0.4	20.5	0.4		
Infrastructure						
Partners Group	-0.7	0.4				
Henderson	-2.0	0.4				
Absolute Return						
Pyrford	6.7	8.3				

Source: WM Company

Note: DTZ figures are for calendar years and are measured against a Customised Investment Property Databank benchmark

Investment Performance Analysis

One Year

The Fund had a strong return in the year of +14.7% and exceeded the benchmark by +1.1%.

The three largest mandates; Schroder UK Equities, Invesco UK Equities and Baillie Gifford Global Equities all saw strong outperformance.

The two quantitative value orientated global equity mandates; GMO and Schroders marginally underperformed in a year which did not favour their investment styles.

Both Fixed Income mandates outperformed in the year.

DTZ, the Fund's property manager, continued to perform well.

Three Years

The Fund returned +8.7% per annum and was ahead of benchmark.

Invesco UK Equities and Baillie Gifford Global Equities produced very strong returns with Invesco outperforming by +4.8% per annum and Baillie Gifford by +4.7% per annum. These 2 mandates account for 30% of the total fund and have driven the 3 year performance.

Schroders UK Equities are also ahead of benchmark.

Over the 3 year period both the quantitative value orientated equity mandates are slightly behind benchmark.

The Goldman Sachs Fixed Income mandate is ahead of benchmark by 0.7% per annum and Schroders were at the benchmark.

DTZ have outperformed across 3, 5 and 10 year periods.

Responsible Investments Policy

Details of the Fund's responsible investment policies and environmental, social and governance issues are included in the Statement of Investment Principles (SIP) at.....

The Fund complies with the UK Stewardship Code through the outsourcing to its external investment managers responsibility for Governance engagement and voting activity. The Superannuation Fund Committee receives quarterly monitoring reports from the managers.

Voting by Equity Fund Managers 2012-13

	For	Against	Abstain
	No of companies		
Baillie Gifford	140	68	8
Schroders	47	3	2

The Fund is a member of The National Association of Pension Funds (NAPF) and The Institutional Investors Group on Climate Change (IIGCC).

Actions taken by the Fund to demonstrate compliance with the Myners principles are detailed in the SIP at.....

Investment Administration and Custody

Kent County Council (KCC) is responsible for the day to day operations and management of the Fund, implementing the decisions of the Superannuation Fund Committee. This includes the power to seek professional advice and devolve day to day handling of the Fund to professional fund managers and advisers within the scope of the regulations. KCC undertakes the monitoring and accounting for the investments of and income due to the Fund.

The Fund uses an independent custodian JP Morgan, to safeguard its segregated financial assets. The custodian is responsible for the safe-keeping of those assets, the settlement of transactions, income collection and other administrative actions in relation to assets

Scheme Administration Report

Kent County Council administers the Kent Pension Fund on behalf of its own employees and the other employing bodies. Scheme regulations are set by Central Government. From April 2008 major changes were made to the benefit structure by Central Government.

Benefits

The scheme is a defined benefit occupational pension scheme which provides a significant range of benefits to its members. Membership is open to all employees of qualifying employers who are under the age of 75, and most are automatically admitted to membership of the scheme upon commencing employment.

Scheme benefits are based upon the individual's length of period of membership and 'final salary' which will generally be the final 12 months pensionable pay of the scheme member.

For membership built up after 31 March 2008 members will receive an annual pension based on 1/60th of their final year's pensionable pay and will have the option to take part of the pension as a tax free lump sum. For membership before 1 April 2008 they will receive an annual pension based on 1/80th of their final year's pensionable pay and an automatic tax free lump sum of 3 times the pension.

The amount that the employee contributes has been amended from April 2008, these contributions range between 5.5% and 7.5 % of pay with the rate being determined by the level of the member's pay.

If a member has to leave work at any age due to permanent ill health the scheme provides a tiered ill health retirement package. If the member is unlikely to be capable of gainful employment within a reasonable time after they leave they will receive increased benefits payable immediately. A scheme member needs to have total membership of at least 3 months to qualify for ill health benefits.

Where a scheme member dies in service a lump sum is payable by way of a death grant equal to three years' pay. Scheme members are able to make an 'expression of wish' concerning to whom the grant should be payable in the event of their death.

The scheme also makes provision in the event of death for the payment of pensions to surviving spouses, civil partners, eligible children and, subject to certain qualifying conditions, nominated co-habiting partners.

Increasing benefits

In addition to the scheme benefits members may, if they wish, pay extra to increase their retirement benefits. They can do this either by paying additional contributions to buy extra LGPS pension, by making payments to the scheme's Additional Voluntary Contributions (AVC) arrangements, or by making payments to a personal pension, stakeholder pension or Free-standing AVC scheme of their choice.

Full details of the scheme are provided at www.kentpensionfund.co.uk

Communications

The Pension Section communicates with members and employers in a variety of ways. Newsletters are sent to pensioners. Pension forums are used to communicate with employers. Scheme members and pensioners have access to the Pensions Section to make written, e-mail or telephone enquiries. Scheme members receive an annual benefit illustration and each pensioner and deferred pensioner is advised annually of the indexation increase to their pension.

The Kent Active Retirement Fellowship (KARF) has been established as a facility in which pensioners can become members and participate in a wide variety of activities. KARF has established groups throughout the County and would welcome new members.

Internal Dispute Procedure

The Kent Pension Scheme has a formal Internal Dispute Procedure to consider a member dispute over a decision made either by a scheme employer or Kent County Council acting as the administering body. An independent person is appointed by each employer to consider an appeal made by a scheme member.

2012/13 Disputes considered	2012/13 Appeals upheld
4	0

Actuarial Report on Funds

Introduction

The last full triennial valuation of the Kent County Council Pension Fund was carried out as at 31 March 2010 and the results were published in our report dated March 2011.

2010 Valuation

The 2010 valuation certified a common contribution rate of 20.8% of pensionable pay to be paid by each employing body participating in the Kent County Council Pension Fund. In addition to this, each employing body has to pay an individual adjustment to reflect its own particular circumstances and funding position within the Fund. Details of each employer's contribution rate are contained in the Statement to the Rates and Adjustment Certificate in the triennial valuation report.

Employer Contribution rates

Employers' contributions rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet

- The ongoing annual accrual of benefits for active members in respect of each employer that build up each year within the Fund, allowing for future pay increases and increases to pension in payment when these fall due.
- Plus an amount to fund the difference between each participating employer's notional share of value of the Fund's assets compared with 100% of their liabilities in the Fund.

Asset Value and Funding Level

The value of the Fund's assets as at 31 March 2010 for valuation purposes was £2,780m which represented 77% of the Fund's accrued liabilities at that date allowing for future increases in pay and pensions in payment.

The contribution rates were calculated using the Projected Unit Method.

The liabilities were valued allowing for expected future investment returns and increases to benefits as determined by market levels at the valuation date as follows;

- Rate of return on investments 6.6% per annum
- Rate of increases in pay 5.0% per annum
- Rate of Increases to pensions in payment 3.0% per annum

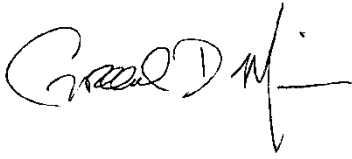
Post Valuation Events – Changes in market conditions

Since March 2010, we estimate that investment returns are likely to have been slightly higher than assumed at the 2010 valuation and so the assets will be higher than projected. The liabilities as at 31 March 2013, based on updated market conditions, are however also expected to be slightly higher than assumed at the 2010 valuation.

Overall, we estimate that the current financial position of the Fund will be similar to the position as at the 2010 valuation in terms of funding level.

We will be reviewing the methods and assumptions to be used at the 2013 valuation including the determination of discount rates as well as the allowance for future mortality improvements. There may also be other changes to the assumptions and methodology reflecting more recent experience and data that has become available.

The contribution rates resulting from the 2013 valuation will take effect from 1 April 2014 and will also allow for the expected changes to the benefits that will come into force from that date.

A handwritten signature in black ink, appearing to read 'Graeme D Muir'.

Graeme D Muir FFA

Partner

14 June 2013

For and on behalf of Barnett Waddingham

Governance

The Superannuation Fund Committee

The Superannuation Fund Committee exercises all of the powers and duties of the Council in relation to its functions as Administering Authority. The Committee is responsible for setting investment strategy, appointing professional fund managers and carrying out regular reviews and monitoring of investments. It also monitors the administration of the Pension Scheme and determines Pension Fund policy in regard to employer admission arrangements.

The membership of the Committee during 2012/13 is detailed below. There were 6 meetings during the year.

	Voting rights	Total Attendances
Kent County Council Members		
James Scholes, Chairman	Full	6
Dan Daley, Vice Chairman	Full	5
Alan Marsh	Full	4
John Davies	Full	4
John London	Full	5
Michael Jarvis	Full	5
Michael Snelling, to August 2012	Full	3
Peter Homewood, from September 2012	Full	2
Richard Parry	Full	6
District Council Representatives		
John Burden, Gravesham Borough Council	Full	4
Nick Eden Green, Canterbury City Council	Full	6
Paul Clokie, Ashford Borough Council	Full	5
Medway Council Representative		
David Carr		5
Staff Representative		
Janet De Rochefort		6
Kent Active Retirement Fellowship		
Alice Dickenson		5
Mary Wiggins		3
Union Representative		
Stephen Richards		3

Compliance Statement

Regulation 31 of the LGPS (Administration) Regulations 2008 requires the administering authority to prepare a Governance Compliance Statement

Principle		Full Compliance
Structure	<ul style="list-style-type: none"> • the management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing Council. • that representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee • that where a secondary committee or panel has been established, the structure ensures effective communication across both levels. • that where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel. 	<p style="text-align: center;">Yes</p> <p style="text-align: center;">See Statement of Investment Principles</p>
Committee Membership and Representation	<ul style="list-style-type: none"> • that all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: <ul style="list-style-type: none"> - Employing authorities (including non-scheme employers, eg admitted bodies) - Scheme members (including deferred and pensioner scheme members) - Independent professional observers - Expert advisers (on an ad hoc basis) • that where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights 	<p style="text-align: center;">Yes</p> <p style="text-align: center;">Yes</p>
<ul style="list-style-type: none"> • During 2012/13 the Superannuation Fund Committee included 8 County Council members (9 with effect from May 2013), 3 representatives nominated by the 12 District Councils, a Medway Council representative, 1 Unison representative, 1 Kent County Council staff representative and 2 Kent Active Retirement Fellowship representatives. • The Fund's investment advisers, Hymans Robertson, attend the Committee meetings as required and facilitate workshops on any significant changes to investment strategy. It is not the Committee's policy to use independent advisers. 		

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Principle		Full Compliance
Selection and Role of Lay Members	<ul style="list-style-type: none"> that committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee. that at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda 	<p>Yes</p> <p>Yes</p>
Voting	<ul style="list-style-type: none"> the policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees. 	<p>Yes</p>
Training / Facility Time / Expenses	<ul style="list-style-type: none"> that in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision – making process. that where such a policy exists, it applies equally to all members of committees, subcommittees, advisory panels or any other form of secondary forum. 	<p>Yes</p>
<p>Note: All additional costs of attending training courses are reimbursed from the Fund.</p>		
Meetings - Frequency	<ul style="list-style-type: none"> that an administering authority's main committee or committees meet at least quarterly. that an administering authority's secondary committee or panel meets at least twice a year and is synchronised with the dates when the main committee sits. that administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented. 	<p>Yes</p>
<p>All employers are invited to attend a half-day conference which takes place annually. The Pensions Forum meets twice a year for all employers focussing on administration issues.</p>		

Principle		Full Compliance
Access	<ul style="list-style-type: none"> that subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that fails to be considered at meetings of the main committee. 	Yes
Scope	<ul style="list-style-type: none"> that administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements. 	Yes
<p>The Committee includes pensions administration issues in its work The Committee has developed a scrutiny type approach to its review of investment managers.</p>		
Publicity	<ul style="list-style-type: none"> that administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed can express an interest in wanting to be part of those arrangements. 	Yes
<p>The Kent Pension Fund website is a comprehensive source of information. All unrestricted committee papers are published on the website.</p>		

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The authority is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Corporate Director of Finance and Procurement.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

These Accounts were approved by the Governance and Audit Committee at its meeting on 24 July 2013 on behalf of Kent County Council

Corporate Director of Finance and Procurement's Responsibilities

The Corporate Director of Finance and Procurement is responsible for the preparation of the Authority's Superannuation Fund's Statement of Accounts in accordance with proper practices as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and is required to give a true and fair view of the financial position of the Superannuation Fund at the accounting date and its income and expenditure for the year ended 31 March 2013.

In preparing this statement of accounts, the Corporate Director of Finance and Procurement has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code.

The Corporate Director of Finance and Procurement has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I confirm that these accounts give a true and fair view of the financial position of the Superannuation Fund at the reporting date and its income and expenditure for the year ended 31 March 2013.

Certificate of the Corporate Director of Finance and Procurement



Andy Wood
Corporate Director of Finance and Procurement

Audit Opinion

Independent Auditor's report to the Members of Kent County Council

Opinion on the pension fund financial statements

We have audited the pension fund financial statements of Kent County Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of Kent County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Corporate Director of Finance and Procurement and auditor

As explained more fully in the Statement of the Corporate Director of Finance and Procurement Responsibilities, the Corporate Director of Finance and Procurement is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporate Director of Finance and Procurement; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Opinion on financial statements

In our opinion the pension fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2013 and the amount and disposition of the fund's assets and liabilities as at 31 March 2013, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.



Paul Creasey

Director

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

1020 Eskdale Road
Winnersh
Wokingham
Berkshire
RG41 5TS

24 July 2013

Description of the Fund

General

In accordance with Government legislation, a Pension Fund has been established and is administered by Kent County Council for the purpose of providing pensions and other benefits for the pensionable employees of Kent County Council, Medway Council, the district councils in Kent and a range of other scheduled and admitted bodies within the county area. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The Pension Fund is a contributory defined benefit pension scheme and is contracted out of the State Second Pension.

The Fund is governed by the Superannuation Act 1972. The Fund is administered in accordance with the following secondary legislation:

- the LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended)
- the LGPS (Administration) Regulations 2008 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2009

The Fund is overseen by the Kent County Council Superannuation Fund Committee which is a committee of Kent County Council.

Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join or remain in the scheme or to make personal arrangements outside the scheme. Employing Bodies include Scheduled Bodies which are Local Authorities and similar bodies whose staff are automatically entitled to be members of the Fund; and Admitted Bodies which participate in the Fund by virtue of an admission agreement made between the Authority and the relevant body. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following a specific business transfer to the private sector.

There are 370 employing bodies participating in the Fund and the profile of the members is as detailed below:

	Contributors		Pensioners		Deferred pensioners	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Kent County Council	21,384	21,752	17,993	17,213	20,887	19,768
Other employers	21,170	19,671	15,738	15,045	16,948	15,662
Total	42,554	41,423	33,731	32,258	37,835	35,430

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund and range from 5.5% to 7.5% of pensionable pay for the financial year ending 31 March 2013. Employee contributions are matched by employers' contributions which are determined by the Fund's actuary based on triennial actuarial funding valuations at a level necessary to assure that the Fund is able to meet 100% of its existing and prospective liabilities. Any shortfall is being spread over a period of up to a maximum of 20 years. The last such valuation was at 31 March 2010.

The 2010 valuation certified a common contribution rate of 20.8% of pensionable pay to be paid by each employing body participating in the Kent County Council Pension Fund. In addition to this, each employing body has to pay an individual adjustment to reflect its own particular circumstances and funding position within the Fund. Details of each employer's contribution rate are contained in the Statement to the Rates and Adjustment Certificate in the triennial valuation report.

Benefits

Pension benefits under the LGPS are based on final pensionable pay and length of pensionable service, summarised below:

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable salary	Each year worked is worth 1/60 x final pensionable salary
Lump sum	Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. For more details, please refer to the Kent Pension Fund website: www.kentpensionfund.co.uk.

Benefits are index linked to keep pace with inflation. In June 2010, the Government announced that the method of indexation would change from the retail prices index to the consumer prices index. This change took effect from 1 April 2011.

LGPS 2014

A new Scheme (LGPS 2014) is being introduced with effect from 1st April 2014. It will apply to all service that builds up on and after 1st April 2014 and all pensions in payment or built up before April 2014 will be protected.

The table below shows the main provisions of the proposed new Scheme (LGPS 2014) for membership compared with those of the current scheme (LGPS 2008).

	LGPS 2014	LGPS 2008
Basis of Pension	Career Average Revalued Earnings (CARE)	Final Salary
Accrual Rate	1/49th	1/60th
Revaluation Rate	Consumer Prices Index (CPI)	Based on Final Salary
Pensionable Pay	Pay including non-contractual overtime and additional hours for part time staff	Pay excluding non-contractual overtime and non-pensionable additional hours
Employee Contribution Rates	See LGPS 2014 Employee Contribution Rate below	See LGPS 2008 Employee Contribution Rate below
Contribution Flexibility	Yes, members can pay 50% contributions for 50% of the pension benefit	No
Normal Pension Age	Equal to the individual member's State Pension Age	65
Lump Sum Trade Off	Trade £1 of pension for £12 lump sum	Trade £1 of pension for £12 lump sum
Death in Service Lump Sum	3 x Pensionable Pay	3 x Pensionable Pay
Death in Service Survivor Benefits	1/160th accrual based on Tier 1 ill health pension enhancement	1/160th accrual based on Tier 1 ill health pension enhancement
Ill Health Provision	Tier 1 - Immediate payment with service enhanced to Normal Pension Age	Tier 1 - Immediate payment with service enhanced to Normal Pension Age (65)
	Tier 2 - Immediate payment with 25% service enhancement to Normal Pension Age	Tier 2 - Immediate payment with 25% service enhancement to Normal Pension Age (65)
	Tier 3 - Temporary payment of pension for up to 3 years	Tier 3 - Temporary payment of pension for up to 3 years
Indexation of Pension in Payment	CPI	CPI (RPI for pre-2011 increases)
Vesting Period	2 years	3 months

Future Scheme Cost Management

If the costs of the LGPS change beyond certain limits still to be agreed, there will be negotiations between unions, employers and government about how to meet those cost changes.

Pension Protection on Transfer

LGPS members who are compulsorily transferred will be able to retain membership of the Scheme.

Future Contribution Rates

LGPS 2014 Rates payable 2014-15			LGPS 2008 Rates payable 2013-14		
From	To	Gross Rate %	From	To	Gross Rate %
Up to £13,500		5.5	Up to £13,700		5.5
£13,501	£21,000	5.8	£13,701	£16,100	5.8
£21,001	£34,000	6.5	£16,101	£20,800	5.9
£34,001	£43,000	6.8	£20,801	£34,700	6.5
£43,001	£60,000	8.5	£34,701	£46,500	6.8
£60,001	£85,000	9.9	£46,501	£87,100	7.2
£85,001	£100,000	10.5	More than £87,100		7.5
£100,001	£150,000	11.4			
More than £150,000		12.5			
Average		6.5	Average		6.5

Fund Account for the year ended 31 March

	Notes	2012-13 £000's	2011-12 £000's
Dealings with members, employers and others directly involved in the Fund			
Contributions	5	213,713	214,037
Transfers In from other pension funds	6	8,840	11,561
		<u>222,553</u>	<u>225,598</u>
Benefits	7	(192,463)	(187,903)
Payments to and on account of leavers	8	(7,591)	(8,090)
Administrative and other expenses	9	(2,922)	(2,954)
		<u>(202,976)</u>	<u>(198,947)</u>
Net additions from dealings with Members		19,577	26,651
Returns on Investments			
Investment Income	10	72,971	76,835
Taxes on Income		(2,686)	(2,897)
Profits and losses on disposal of investments and changes in the market value of investments	13a	424,192	19,038
Investment Management Expenses	12	(11,944)	(11,481)
Net Return on Investments		482,533	81,495
Net increase in the Net Assets available for benefits during the year		502,110	108,146
Opening Net Assets of the Scheme at 1 April		3,310,588	3,202,442
Closing Net Assets of the Scheme at 31 March		3,812,698	3,310,588

Net Assets Statement as at 31 March

	Notes	31 March 2013 £000's	31 March 2012 £000's
Investment Assets		3,680,068	3,176,020
Cash Deposits		108,532	98,850
Total Investments		3,788,600	3,274,870
Investment Liabilities		(1,610)	(173)
Net Investments	13	3,786,990	3,274,697
Current Assets	21	38,402	45,890
Current Liabilities	22	(12,694)	(9,999)
Net Assets available to fund benefits at the period end		3,812,698	3,310,588

The financial statements do not take into account liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits (determined in accordance with IAS 19) are disclosed in note 20 to the accounts.

Notes to the Accounts

1. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2012-13 financial year and its position at 31 March 2013.

The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 which is based upon International Financial Reporting Standards, as amended for the UK public sector. The accounts are prepared on a going concern basis.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard 19 basis is disclosed at note 20 of these accounts.

2. Summary of Significant Accounting Policies

a) Contribution income

Normal contributions, both from the members and from the employers, are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the payroll period to which they relate.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Bulk transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment income

Dividends, interest, and stock lending income on securities and rental income on property have been accounted for on an accruals basis and where appropriate from the date quoted as ex-dividend (XD). Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year. A large number of the Fund's investments are held in income accumulating funds that do not distribute income. The accumulated income on such investments is reflected in the unit market price at the end of the year and is included in the realised and unrealised gains and losses during the year.

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the year end. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

e) Taxation

The Fund has been accepted by the HM Revenue and Customs as a registered pension scheme in accordance with paragraph 1(1) of Schedule 36 to the Finance Act 2004 and, as such, qualifies for exemption from tax on interest income and gains on selling transactions. Income arising from overseas investments is subject to deduction of withholding tax unless exemption is permitted by and obtained from the country of origin. Investment income is shown net of non-recoverable tax, and any recoverable tax at the end of the year is included in accrued investment income.

By virtue of Kent County Council being the administering authority, VAT input tax is recoverable on all Fund activities including investment and property expenses.

f) Investment management and administrative expenses

All expenses are accounted for on an accruals basis. Costs relating to Kent County Council staff involved in the administration of the Fund are incurred by the Kent County Council and recharged to the Fund at the end of the year. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

Notes to the Accounts

g) Financial assets

Financial assets other than debtors are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. Any purchase or sale of securities is recognised upon trade and any unsettled transactions at the year-end are recorded as other investment assets or liabilities. From this date any gains or losses arising from changes in the fair value of the asset are recognised by the Fund.

The values of investments as shown in the Net Assets Statement have been determined as follows:

- Quoted investments are stated at market value based on the closing bid price quoted on the relevant stock exchange on 31 March 2013.
- Fixed interest securities are recorded at net market value based on their current yields.
- Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.
- Investments in private equity funds and unquoted listed partnerships are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers. The valuation standards followed by the managers are in accordance with the industry guidelines and the constituent management agreements. Such investments may not always be valued based on year end valuation as information may not be available, and therefore will be valued based on the latest valuation provided by the managers adjusted for cash movements to the year end.
- Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, the change in market value also includes income which is reinvested in the fund.
- The industrial and commercial properties were valued at open market prices in accordance with the valuation principles laid down by the Royal Institution of Chartered Surveyors. The last valuation had been undertaken by Colliers International, as at 31 December 2012. The valuer's opinion of market value and existing use value was primarily derived using comparable recent market transactions on arm's length terms. The results of the valuation have then been indexed in line with the Investment Property Databank Monthly Index movement to 31 March 2013.
- Debtors / receivables are measured at amortised cost using the effective interest rate method, as required by IAS 39.

h) Derivatives

The Fund uses derivative instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes. Currently the Fund only holds forward currency contracts. The future value of the forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract.

i) Foreign currency transactions

Assets and liabilities in foreign currency are translated into sterling at exchange rates ruling at the year-end. Differences arising on the translation of investments are included in investment gains. All foreign currency transactions are translated into sterling at exchange rates ruling at the transaction date. Foreign income has been translated into sterling at the rate ruling at the date of the transaction.

j) Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

Cash held as demand deposits and all cash equivalents whether managed by Kent County Council or other fund managers are included in investments. All other cash is included in Current Assets.

k) Financial Liabilities

The Fund recognises financial liabilities other than creditors at fair value as at the reporting date. A financial liability is recognised in the Net Assets Statement on the date the fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund. Creditors are measured at amortised cost using the effective interest rate method, as required by IAS 39.

l) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 20).

Notes to the Accounts

3. Judgements and Assumptions made in applying accounting policies

Item	Uncertainties	Effect if actual results differ from
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £0.63m. A 0.25% increase in assumed earnings inflation would increase the value of liabilities by approx £0.17m, and a one year increase in assumed life expectancy would increase the liability by approx £0.23m.
Private Equity	Valuation of unquoted private equity including infrastructure investments is highly subjective and inherently based on forward looking estimates and judgements involving many factors. They are valued by the investment managers using guidelines set out by the British Venture Capital Association.	The total private equity including infrastructure investments in the financial statements are £59m. There is a risk that this investment may be under-or-over stated in the accounts.

4. Events after the Balance Sheet date

There have been no events since 31 March 2013, and up to the date when these accounts were authorised, that require any adjustments to these accounts.

Notes to the Accounts

5. Contributions Receivable

	2012-13 £000's	2011-12 £000's
Employers	168,282	167,318
Members	45,431	46,719
	213,713	214,037

Analysis by Employer		2012-13 £000's	2011-12 £000's
	Kent County Council	85,295	91,056
	Scheduled Bodies	115,984	111,258
	Admitted Bodies	12,434	11,723
		213,713	214,037

6. Transfers In

	2012-13 £000's	2011-12 £000's
Individual	8,840	9,680
Group	0	1,881
	8,840	11,561

7. Benefits Payable

	2012-13 £000's	2011-12 £000's
Pensions	150,713	136,263
Retirement Commutation and lump sum benefits	38,553	47,728
Death benefits	3,197	3,912
	192,463	187,903

Analysis by Employer		2012-13 £000's	2011-12 £000's
	Kent County Council	89,473	87,550
	Scheduled Bodies	94,606	92,176
	Admitted Bodies	8,384	8,177
		192,463	187,903

8. Payments to and on account of leavers

	2012-13 £000's	2011-12 £000's
Individual transfers	7,590	8,031
Refunds of contributions	1	59
	7,591	8,090

9. Administrative and other expenses

	2012-13 £000's	2011-12 £000's
Internal Administration	2,522	2,455
Actuarial Fees	169	240
Audit Fee	28	45
Legal and Other Professional Fees	150	157
Other miscellaneous expenses	53	57
	2,922	2,954

Notes to the Accounts

10. Summary of Income from Investments

	Notes	2012-13		2011-12	
		£000's	%	£000's	%
Fixed Interest Securities		2,135	3.0	685	0.9
Equities		35,411	48.5	37,161	48.4
Pooled Investments		15,343	21.0	15,350	20.0
Private Equity / Infrastructure		3,153	4.3	3,014	3.9
Property	11	12,366	16.9	11,345	14.8
Pooled Property Investments		3,934	5.4	3,959	5.1
Total Income From Investments		72,342	99.1	71,514	93.1
Cash Deposits		374	0.5	5,103	6.6
Other Sub-Underwriting Commission / other Stock Lending		255	0.4	218	0.3
Total		72,971	100.0	76,835	100.0

11. Property Income and Expenditure

	2012-13		2011-12	
	£000's	£000's	£000's	£000's
Rental Income from Investment Properties		12,366		11,345
Management Fees		(743)		(686)
Direct Operating Expenses on investment properties generating rental income				
- Miscellaneous property expenses	(854)		(819)	
- Insurance net of recovered	6		(126)	
- Disbursements paid	(641)		(630)	
- Other expenses recovered	849		711	
Net operating income from Property		(640)		(864)
		10,983		9,795

12. Investment Management Expenses

	2012-13	2011-12
	£000's	£000's
Investment Managers	11,041	10,354
Custody fees	128	114
Actuarial (Investment Consultancy)	79	97
Performance Measurement	56	52
Direct Operating Expenses on investment properties generating rental income (note 11)	640	864
	11,944	11,481

The management fees disclosed above include all investment management fees directly incurred by the Fund including those charged on pooled fund investments.

Notes to the Accounts

13. Investments

Investment Assets	Market Value as at 31 March 13 £000's	Market Value as at 31 March 12 £000's
Fixed Interest Securities	280,104	34,990
Equities	1,264,169	1,057,570
Pooled Investments	1,764,778	1,720,756
Private Equity / Infrastructure	58,952	45,360
Property	222,027	222,576
Pooled Property Investments	78,000	88,074
Derivative contracts - Forward Currency contracts	2,666	0
Cash Deposits	108,532	98,850
Investment income due	8,505	6,654
Amounts receivable for sales	867	40
Total Investment Assets	3,788,600	3,274,870
Investment Liabilities		
Amounts payable for purchases	(1,610)	(173)
Total Investment Liabilities	(1,610)	(173)
Net Investment Assets	3,786,990	3,274,697

Notes to the Accounts

13a. Analysis of Change in Market Value of Investments and derivatives

	Market Value as at 31 March 12 £000's	Purchases at Cost £000's	Sales Proceeds £000's	Change in Market Value £000's	Market Value as at 31 March 13 £000's
Fixed Interest Securities	34,990	360,360	(127,074)	11,828	280,104
Equities	1,057,570	293,407	(256,143)	169,335	1,264,169
Pooled Investments	1,720,756	188,937	(389,109)	244,194	1,764,778
Private Equity / Infrastructure	45,360	13,602	0	(10)	58,952
Property	222,576	18,108	(24,250)	5,593	222,027
Pooled Property Investments	88,074	0	(7,360)	(2,714)	78,000
	3,169,326	874,414	(803,936)	428,226	3,668,030
Derivative contracts					
- Forward Currency contracts	0	752,599	(745,899)	(4,034)	2,666
	3,169,326	1,627,013	(1,549,835)	424,192	3,670,696
Other Investment balances					
- Cash Deposits	98,850				108,532
- Debtors - Outstanding Sales	40				867
- Creditors - Outstanding Purchases	(173)				(1,610)
- Investment Income due	6,654				8,505
Net Investment Assets	3,274,697			424,192	3,786,990

Notes to the Accounts

13a. Analysis of Change in Market Value of Investments and derivatives (contd.)

	Market Value as at 31 March 11 £000's	Purchases at Cost £000's	Sales Proceeds £000's	Change in Market Value £000's	Market Value as at 31 March 12 £000's
Fixed Interest Securities	34,731	26,172	(31,985)	6,072	34,990
Equities	1,062,652	220,942	(188,753)	(37,271)	1,057,570
Pooled Investments	1,680,490	89,478	(101,295)	52,083	1,720,756
Private Equity / Infrastructure	26,296	20,536	0	(1,472)	45,360
Property	190,955	31,268	0	353	222,576
Pooled Property Investments	89,615	108	(922)	(727)	88,074
	3,084,739	388,504	(322,955)	19,038	3,169,326
Derivative contracts					
-Forward Currency contracts	0				0
	3,084,739	388,504	(322,955)	19,038	3,169,326
Other Investment balances					
- Cash Deposits	72,972				98,850
- Debtors - Outstanding Sales	656				40
- Creditors - Outstanding Purchases	0				(173)
- Investment Income due	4,433				6,654
Net Investment Assets	3,162,800			19,038	3,274,697

Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the Pension Fund such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £965,610 (2011-12 £880,221). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Pension Fund.

Notes to the Accounts

14. Analysis of Investments (excluding Derivative Contracts)

	Market Value as at 31 March 2013 £000's	Market Value as at 31 March 2012 £000's
FIXED INTEREST SECURITIES		
UK		
Public Sector Quoted	0	34,990
Corporate Quoted	20,205	0
OVERSEAS		
Public Sector Quoted	50,524	0
Corporate Quoted	209,375	0
	280,104	34,990
EQUITIES		
UK		
Quoted	656,558	555,603
OVERSEAS		
Quoted	607,611	501,967
	1,264,169	1,057,570
POOLED FUNDS - Additional Analysis		
UK		
Fixed Income Unit Trusts	215,772	343,487
Unit Trusts	689,334	612,887
OVERSEAS		
Fixed Income Unit Trusts	0	76,790
Unit Trusts	859,672	687,592
	1,764,778	1,720,756
PROPERTY, PRIVATE EQUITY AND INFRASTRUCTURE		
Property		
UK		
	222,027	222,576
Property Unit Trusts		
UK		
	63,001	72,111
Overseas	14,999	15,963
Private Equity Funds		
UK		
	3,912	3,574
Overseas	14,465	5,334
Infrastructure		
UK		
	8,209	8,441
Overseas	32,366	28,011
	358,979	356,010
TOTAL	3,668,030	3,169,326

14a. Analysis of Investments - Derivative Contracts

Objectives and policy for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and the investment manager.

Notes to the Accounts

14a. Analysis of Investments - Derivative Contracts (contd)

Open forward currency contracts

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant portion of the Fund's fixed income portfolio managed by Goldman Sachs Asset Management is invested in overseas securities. To reduce the volatility associated with fluctuating currency rates, the investment manager fully hedges the overseas, excluding emerging markets', exposure of the portfolio. This is approximately 75% of the portfolio managed by Goldman Sachs.

Settlement	Currency bought	Local value £000's	Currency sold	Local value £000's	Asset value £000's	Liability value £000's
Up to one month	GBP	1,664	USD	-2,521	3	
Up to one month	GBP	6,692	USD	-10,030	87	
Up to one month	GBP	2,333	USD	-3,481	41	
Up to one month	GBP	731	EUR	-836	23	
Up to one month	GBP	1,854	USD	-2,815		0
Up to one month	GBP	89	USD	-135	0	
One to six months	GBP	1,047	USD	-1,574	10	
One to six months	GBP	100,427	USD	-150,948	1,016	
One to six months	GBP	100,460	USD	-150,948	1,049	
One to six months	GBP	16,957	EUR	-19,562	413	
One to six months	GBP	1,646	CHF	-2,332	24	
					2,666	0
Net forward currency contracts at 31 March 2013						2,666
Prior year comparative						
Open forward currency contracts at 31 March 2012					0	0
Net forward currency contracts at 31 March 2012						0

14b. Property Holdings

	Year ending 31 March 13 £000s	Year ending 31 March 12 £000s
Opening Balance	222,576	190,955
Additions	18,108	31,268
Disposals	(24,250)	0
Net increase in market value	5,593	353
Closing balance	222,027	222,576

15. Investments analysed by Fund Manager

	Market value at 31 March		Market value at 31 March	
	£000's	%	£000's	%
Baillie Gifford	699,449	18.5	582,653	17.8
DTZ	300,027	7.9	310,651	9.5
GMO	220,778	5.8	192,010	5.9
Goldman Sachs	296,954	7.9	270,503	8.3
HarbourVest	14,465	0.4	5,334	0.2
Henderson	8,209	0.2	8,441	0.3
Impax	26,251	0.7	23,517	0.7
Invesco	479,239	12.7	398,911	12.2
Partners Group	32,366	0.9	28,011	0.8
Pyrford	153,450	4.1	80,354	2.4
Schroders	1,005,812	26.6	874,007	26.8
State Street Global Advisors	474,052	12.5	441,211	13.5
YFM	3,912	0.1	3,574	0.1
Kent County Council Investment team	64,262	1.7	49,000	1.5
	3,779,226	100.0	3,268,176	100.0

All the external fund managers above are registered in the United Kingdom. The Fund Manager totals exclude investment debtors and creditors.

Notes to the Accounts

15a. Single investments 5% or more by value of their asset class

Asset Class / Investments	31 March 2013	
	£000's	%
	<u>(of asset class)</u>	
POOLED FUNDS		
UK Fixed Income Unit Trusts		
Schroder Institutional Stlg Broadmarket 'X' Acc	109,729	6
SISF Strategic Bond GBP Hedged	106,043	6
UK Unit Trusts		
Invesco Perpetual Income Fund	479,239	27
MPF UK Equity Index Sub-Fund	183,531	10
Overseas Unit Trusts		
BMO Investments (Ireland PLC) Global Total Return-Pyrford	153,450	9
GMO Developed World Equity Investment (U.S.\$)	216,701	12
MPF International Equity Index Sub-Fund	290,521	16
Schroder GAV Unit Trust	168,670	10
PROPERTY UNIT TRUSTS		
L & G Leisure	7,713	10
Henderson Shopping Centre	4,222	5
Falcon	6,760	9
Hercules	9,309	12
Quercus	5,204	7
Airport Fund	9,085	12
Lothbury	7,880	10
Welput	10,754	14
Aurora	14,999	19
PRIVATE EQUITY AND INFRASTRUCTURE FUNDS		
Private Equity		
UK		
Chandos Fund (YFM)	3,912	7
Overseas		
HIPEP VI- Cayman	7,393	13
HarbourVest Partners IX	7,072	12
Infrastructure		
UK		
Henderson Secondary PFI Fund I	5,432	10
Overseas		
Partners Group Global Infrastructure 2009	28,192	48
Partners Group Direct Infrastructure 2011	4,174	7

PROPERTY Location	Type of Property	31 March 2013	
		£000's	%
		<u>(of asset class)</u>	
3-5 Charing Cross Road, London	Office	20,476	9
102 - 114 Wardour Street, London	Mixed Use	13,117	6
Drury House, London	Office	22,189	10
49/59 Battersea Park Road, London	Industrial	16,227	7
Hertsmere Industrial Estate, Borehamwood	Industrial	13,731	6
Kings Park, Manchester	Industrial	11,229	5

Properties purchased during the year	Date of purchase	Purchase Cost	
		£000's	
Vine Hill and Wren House	Office	03/10/2012	16,715
Millbrook Estate Plot 1904	Industrial	01/09/2012	439
Additions / Cost adjustments to existing properties			953

Notes to the Accounts

15a. Single investments 5% or more by value of their asset class (contd)

Properties sold during the year

	Date of sale	Sale Value £000's
14-15 Conduit Street, London	15/08/2012	24,250

16. Stock Lending

The Custodians undertake a conservative programme of stock lending to approved UK counterparties against non-cash collateral mainly comprising of Sovereigns and Treasury Bonds.

The amount of securities on loan at year end, analysed by asset class and a description of the collateral is set out in the table

Loan Type	Market Value £000's	Fair Value of Collateral £000's	Collateral type
Equities	59,031	62,710	Sovereigns and Treasury Bonds
Corporate Bonds - Euro	770	797	Sovereigns and Treasury Bonds
	59,801	63,507	

17. Financial Instruments

17a. Classification of Financial Instruments

The following table analyses the carrying amounts of financial assets and liabilities by category and Net Assets Statement heading.

	31 March 2013			31 March 2012		
	Designated as fair value through profit and loss £000's	Loans and receivables £000's	Financial liabilities at amortised cost £000's	Designated as fair value through profit and loss £000's	Loans and receivables £000's	Financial liabilities at amortised cost £000's
Financial Assets						
Fixed Interest Securities	280,104			34,990		
Equities	1,264,169			1,057,570		
Pooled Investments	1,764,778			1,720,756		
Property Pooled Investments	78,000			88,074		
Private Equity/Infrastructure	58,952			45,360		
Derivative contracts	2,666			0		
Cash		109,214			104,307	
Other Investment Balances	9,372			6,694		
Debtors/ Receivables		37,720			40,433	
	3,458,041	146,934	0	2,953,444	144,740	0
Financial Liabilities						
Other Investment balances	(1,610)			(173)		
Creditors			(12,694)			(9,999)
	(1,610)	0	(12,694)	(173)	0	(9,999)
Total	3,456,431	146,934	(12,694)	2,953,271	144,740	(9,999)

Notes to the Accounts

17b. Net Gains and Losses on Financial Instruments

	31 March 2013	31 March 2012
	£000's	£000's
Financial assets		
Fair value through profit and loss	418,599	18,684
Loans and receivables	0	0
Financial assets measured at amortised cost	0	0
Financial Liabilities		
Fair value through profit and loss	0	0
Loans and receivables	0	0
Financial liabilities measured at amortised cost	0	0
Total	418,599	18,684

17c. Fair Value of Financial Instruments and Liabilities

The following table summarises the carrying values of the financial assets and financial liabilities by class of instrument compared with their fair values.

	31 March 13		31 March 12	
	Carrying value	Fair Value	Carrying value	Fair Value
	£000's	£000's	£000's	£000's
Financial assets				
Fair value through profit and loss	3,458,041	3,458,041	2,953,444	2,953,444
Loans and receivables	146,934	146,934	144,740	144,740
Total financial assets	3,604,975	3,604,975	3,098,184	3,098,184
Financial liabilities				
Fair value through profit and loss	(1,610)	(1,610)	(173)	(173)
Financial liabilities at amortised cost	(12,694)	(12,694)	(9,999)	(9,999)
Total financial liabilities	(14,304)	(14,304)	(10,172)	(10,172)

17d. Valuation of Financial Instruments carried at Fair Value

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Investments include quoted equities, quoted index linked securities and unit trusts.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available or where valuation techniques are used to determine fair value. These techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. They include private equity and infrastructure investments the values of which are based on valuations provided by the General Partners to the funds in which the Pension Fund has invested.

Notes to the Accounts

17d. Valuation of Financial Instruments carried at Fair Value (contd)

The following tables provide an analysis of the financial assets and liabilities of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
Values at 31 March 2013	Level 1	Level 2	Level 3	Total
	£000's	£000's	£000's	£000's
Financial assets at fair value through profit and loss	3,321,089	78,000	58,952	3,458,041
Financial liabilities at fair value through profit and loss	(1,610)			(1,610)
Net financial assets at fair value through profit and loss	3,319,479	78,000	58,952	3,456,431

	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
Values at 31 March 2012	Level 1	Level 2	Level 3	Total
	£000's	£000's	£000's	£000's
Financial assets at fair value through profit and loss	2,820,010	88,074	45,360	2,953,444
Financial liabilities at fair value through profit and loss	(173)			(173)
Net financial assets at fair value through profit and loss	2,819,837	88,074	45,360	2,953,271

Notes to the Accounts

18. Nature and extent of Risks Arising From Financial Instruments

Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Council manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Superannuation Fund Committee. Risk management policies are established to identify and analyse the risks faced by the Council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund has a strategic allocation to Equities at around 64% and this is typical of local authority funds. It does mean that returns are highly correlated with equity markets.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risks. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short is unlimited.

The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the fund investment strategy.

Other price risk - sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisors, the Council has determined that the following movements in market price risk are reasonably possible for the 2013-14 reporting period.

Asset Type	Potential Market Movements (+/-)
UK Equities	11.43%
Overseas Equities	12.25%
Global Pooled inc UK	12.41%
Bonds	3.26%
Alternatives	5.13%

The potential price changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment advisor's most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same. Had the market price of the Fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown below):

Notes to the Accounts

18. Nature and extent of Risks Arising From Financial Instruments (contd)

Asset Type	Value as at 31	Percentage	Value on	Value on
	March 2013	change	increase	decrease
	£000's	%	£000's	£000's
Cash and cash equivalents	108,532	0.00	108,532	108,532
Investment portfolio assets:				
UK Equities	656,558	11.43	731,603	581,513
Overseas Equities	607,611	12.25	682,044	533,179
Global Pooled inc UK	1,842,778	12.41	2,071,466	1,614,089
Bonds	280,104	3.26	289,235	270,972
Private Equity	18,377	5.13	19,320	17,434
Infrastructure Funds	40,575	5.13	42,657	38,494
Net derivative assets	2,666	0.00	2,666	2,666
Investment income due	8,505	0.00	8,505	8,505
Amounts receivable for sales	867	0.00	867	867
Amounts payable for purchases	(1,610)	0.00	(1,610)	(1,610)
Total	3,564,963		3,955,285	3,174,641

Asset Type	Value as at 31	Percentage	Value on	Value on
	March 2012	change	increase	decrease
	£000's	%	£000's	£000's
Cash and cash equivalents	98,850	0.00	98,850	98,850
Investment portfolio assets:				
UK Equities	555,603	11.43	619,108	492,097
Overseas Equities	501,967	12.25	563,458	440,476
Global Pooled inc UK	1,808,830	12.41	2,033,306	1,584,354
Bonds / Index Linked securities	34,990	3.26	36,131	33,849
Private Equity	8,908	5.13	9,365	8,451
Infrastructure Funds	36,452	5.13	38,322	34,582
Net derivative assets	0	0.00	0	0
Investment income due	6,654	0.00	6,654	6,654
Amounts receivable for sales	40	0.00	40	40
Amounts payable for purchases	(173)	0.00	(173)	(173)
Total	3,052,121		3,405,061	2,699,180

Notes to the Accounts

18. Nature and extent of Risks Arising From Financial Instruments (contd)

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is routinely monitored by the Council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The Fund's direct exposures to interest rate movements as at 31 March 2013 and 31 March 2012 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset Type	31 March 2013	31 March 2012
	£000's	£000's
Cash and cash equivalents	108,532	98,850
Fixed Interest Securities		
- Directly held securities	280,104	34,990
- Pooled Funds	215,772	420,277
Total	604,408	554,117

Interest rate risk - sensitivity analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy. The Fund's investment advisor has advised that long-term average rates are expected to move less than 100 basis points from one year to the next and experience suggests that such movements are likely. The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS change in interest rates:

Asset Type	Carrying amount as at 31 March 2013	Change in year in the net assets available to pay benefits	
		+100bps	-100bps
	£000's	£000's	£000's
Cash and cash equivalents	108,532	1,085	(1,085)
Fixed Interest Securities			
- Directly held securities	280,104	2,801	(2,801)
- Pooled Funds	215,772	2,158	(2,158)
Total change in assets available	604,408	6,044	(6,044)

Asset Type	Carrying amount as at 31 March 2012	Change in year in the net assets available to pay benefits	
		+100bps	-100bps
	£000's	£000's	£000's
Cash and cash equivalents	98,850	989	(989)
Fixed Interest Securities			
- Directly held securities	34,990	350	(350)
- Pooled Funds	420,277	4,203	(4,203)
Total change in assets available	554,117	5,542	(5,542)

Notes to the Accounts

18. Nature and extent of Risks Arising From Financial Instruments (contd)

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Through their investment managers, the Fund holds both monetary and non-monetary assets denominated in currencies other than £UK, the functional currency of the Fund. Most of these assets are not hedged for currency risk. The Fund is exposed to currency risk on these financial instruments. However, a large part (£209m) of the assets managed by Goldman Sachs Asset Management held in non £UK currencies is hedged for currency risk through forward currency contracts. The Fund's currency rate risk is routinely monitored by the Council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the range of exposure to current fluctuations.

The following table summarises the Fund's currency exposure, excluding the hedged investments, as at 31 March 2013 and as at the previous period end:

Currency exposure - asset type	Asset value as at 31 March 13	Asset value as at 31 March 12
	£000's	£000's
Overseas Equities	607,611	501,967
Overseas Pooled Funds	874,671	780,345
Overseas Bonds	50,524	0
Overseas Private Equity and Infrastructure	46,831	33,345
Non GBP Cash	47,374	38,873
Total overseas assets	1,627,011	1,354,530

Currency risk - sensitivity analysis

Following analysis of historical data and expected currency movement during the financial year, in consultation with the Fund's investment advisors, the Council has determined that the following movements in the values of financial assets denominated in foreign currency are reasonably possible for the 2012-13 reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant.

A relevant strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency exposure - asset type	Asset value as at 31 March 2013	Percentage change	Value on increase	Value on decrease
	£000's		£000's	£000's
Overseas Equities	607,611	5.08	638,478	576,745
Overseas Pooled Funds	874,671	5.08	919,104	830,238
Overseas Bonds	50,524	5.08	53,091	47,958
Overseas Private Equity and Infrastructure	46,831	5.08	49,210	44,452
Non GBP Cash	47,374	5.08	49,781	44,968
Total	1,627,011		1,709,664	1,544,361

Currency exposure - asset type	Asset value as at 31 March 2012	Percentage change	Value on increase	Value on decrease
	£000's		£000's	£000's
Overseas Equities	501,967	5.08	527,467	476,467
Overseas Pooled Funds	780,345	5.08	819,987	740,703
Overseas Bonds	0	5.08	0	0
Overseas Private Equity and Infrastructure	33,345	5.08	35,039	31,651
Non GBP Cash	38,873	5.08	40,848	36,898
Total	1,354,530		1,423,341	1,285,719

Notes to the Accounts

18. Nature and extent of Risks Arising From Financial Instruments (contd)

b) Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment of a receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Council has also set limits as to the maximum amount may be placed with any one financial institution. The Fund's cash was held with the following institutions:

Summary	Rating	Balances as at 31 March 2013 £000's	Balances as at 31 March 2012 £000's
Funds managed under internal treasury arrangements			
Money Market Funds			
JP Morgan Sterling Liquidity Fund	AAA	0	17,088
JP Morgan US Dollar Liquidity Fund	AAA	0	20,230
Blackrock Sterling Government Liquidity Fund	AAA	63	3,100
Blackrock USD Fund	AAA	16,205	0
Goldman Sachs Sterling Government Fund	AAA	0	2,952
SWIP Global GBP Liquidity Fund	AAA	6,337	0
Insight Sterling Liquidity Fund	AAA	19,911	0
		42,516	43,370
Bank Deposit Accounts			
NatWest SIBA	A	19,835	3,809
		62,351	47,179
Bank Current Accounts			
NatWest Current Account	A	50	84
NatWest Current Account - Euro	A	29	2,767
Barclays - DTZ client monies account	A	603	2,606
		682	5,457
Total		63,033	52,636
Funds Managed by Fund Managers			
Money Market Funds			
JP Morgan Sterling Liquidity Fund	AAA	9,060	47,674
Goldman Sachs Sterling Liquid Reserve	AAA	14,010	0
Bank Current Accounts			
JPMorgan Chase- Current Account	A+	23,111	3,996
Total		46,181	51,670

Notes to the Accounts

18. Nature and extent of Risks Arising From Financial Instruments (contd)

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Pension Fund has adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payroll costs; and also cash to meet investment commitments.

The Council has immediate access to its Pension Fund cash holdings.

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund investment strategy.

All financial liabilities at 31 March 2013 are due within one year.

Refinancing risk

The key risk is that the Council will be bound to replenish a significant proportion of its Pension Fund financial instruments at a time of unfavourable interest rates. The Council does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

Notes to the Accounts

19. Funding Arrangements

In line with Local Government Pension Scheme (Administration) Regulations 2008, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2010. The next such valuation will take place as at 31 March 2013.

The key elements of the funding policy are:

- Ensure the long-term solvency of the Fund
- Ensure that sufficient funds are available to meet all benefits as they fall due for payment
- Enable employer contribution rates to be kept as nearly constant as possible and at a reasonable cost to taxpayers.
- Maximise the returns from investments within reasonable risk parameters.

The aim is to achieve 100% solvency over a period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time.

The market value of the Fund's assets at the valuation date was £2,780m and the liabilities were £3,623m. The assets therefore, represent 77% (2007- 73%) of the Fund's accrued liabilities, allowing for future pay increases. The main actuarial assumptions used were as follows:

Valuation of assets:-	assets have been valued at a 6 month smoothed market rate
Rate of return on investments	6.6% p.a.
Rate of general pay increases	5.0% p.a.
Rate of increases to pensions in payment (in excess of guaranteed minimum pension):-	3.0% p.a.

The actuarial valuation has been undertaken on the projected unit valuation method where there is an expectation that new employees will be allowed to join an employer and the attained age valuation method for employers who were closed to new entrants.

These methods assess the costs of benefits accruing to existing members during the year following valuation and the remaining working lifetime respectively, allowing for future salary increases. The resulting contribution rate is adjusted to allow for any difference in the value of accrued liabilities and the market value of assets.

20. Actuarial Present Value of Promised Retirement Benefits

In addition to the triennial funding valuation, the Fund's actuary undertakes a valuation of the Fund's liabilities on an IAS19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year.

The actuarial present value of promised retirement benefits as at 31 March 2013 was £6,044.4m (31 March 2012: £5,490.5m). The Fund accounts do not take account of liabilities to pay pensions and other benefits in the future. Based on the latest valuation, the fair value of net assets of the Fund represents 63% of the actuarial valuation of the promised retirement benefits. Future liabilities will be funded from future contributions from employers.

The liability above is calculated on an IAS19 basis and therefore differs from the results of the 2010 triennial funding valuation because IAS19 stipulates a discount rate rather than a rate which reflects market rates.

Assumptions used:	% p.a.
Salary increase rate	4.8%
Pensions increase rate	2.6%
Discount rate	4.5%

Notes to the Accounts

21. Current Assets

	31 March 2013		31 March 2012	
	£000's	£000's	£000's	£000's
Debtors				
- Contributions due -Employees	3,611		3,530	
- Contributions due -Employers	26,976		26,141	
- Sundry Debtors	<u>1,944</u>	32,531	<u>738</u>	30,409
Amounts due from Kent County Council		5,189		10,024
Cash		<u>682</u>		<u>5,457</u>
		<u>38,402</u>		<u>45,890</u>

Analysis of debtors

Central Government Bodies		0		262
Other Local Authorities		27,491		27,268
Other Entities and Individuals		<u>5,040</u>		<u>2,879</u>
		<u>32,531</u>		<u>30,409</u>

Notes to the Accounts

22. Current Liabilities

	31 March 2013		31 March 2012	
	£000's	£000's	£000's	£000's
Benefits payable		(3,688)		(4,291)
Sundry Creditors		(6,957)		(5,708)
Prepaid income		(1,881)		0
Owing to Kent County Council		(168)		0
Total		(12,694)		(9,999)

Analysis of creditors

Central Government Bodies		(40)		0
Other Local Authorities		(3,301)		(2,976)
Public Corporations		0		(11)
Other Entities and Individuals		(9,353)		(7,012)
Total		(12,694)		(9,999)

23. Additional Voluntary Contributions

Scheme members have the option to make additional voluntary contributions to enhance their pension benefits. In accordance with regulation 4(2)(b) of the LGPS (Management and Investment of Funds) Regulations 2009, these AVC contributions are not included within the Pension Fund Accounts. These contributions are invested separately from the Pension Fund, with either Equitable Life Assurance Company, Prudential Assurance Company or Standard Life Assurance Company. The AVC provides secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. The sum deducted from Kent County Council members and paid over to the AVC providers was: £580,538 (£811,233 in 2011-12). These amounts are included within the disclosure note figures below.

	Prudential		Standard Life		Equitable Life	
	2012-13 £000's	2011-12 £000's	2012-13 £000's	2011-12 £000's	2012-13 £000's	2011-12 £000's
Value at 1 April	5,028	4,390	2,035	2,058	975	1,136
Value at 31 March	5,335	5,028	2,045	2,035	936	975
Contributions paid	1,209	1,309	132	188	4	7

Notes to the Accounts**24. Related Party Transactions**

The Kent Pension Fund is administered by Kent County Council. Consequently there is a strong relationship between the Council and the Pension Fund.

	2012-13	2011-12
	£000's	£000's
The council is the largest single employer of members of the Pension Fund and during the year contributed:	66,300	70,943
A list of all contributing employers and amount of contributions received is included in the Fund's annual report available on the pension fund website at: www.kentpensionfund.co.uk		
Transactions between the KCC Pension Fund and Kent County Council, in respect of Pensions administration costs, investment monitoring, legal and other services.	2,673	2,612
Year end balance due (to) / from Kent County Council arising out of transactions between Kent County Council and Pension Fund	(168)	3,313

Key management personnel

The disclosures required by Regulation 7(2)-(4) of the Accounts and Audit (England) Regulations can be found in the main accounts of Kent County Council under information for officers' remuneration and members' allowances via the following link: [Kent County Council Statement of Accounts 2012-13](#)

25. Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) as at 31 March 2013 totalled £97m (31 March 2012: £109m)

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over the life of each fund.

26. Contingent Assets

34 admitted body employers in the Kent Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default.

Funding Strategy Statement

Introduction

This is the Funding Strategy Statement (FSS) of Kent County Council Superannuation Fund (the Fund) which is administered by Kent County Council (the administering authority).

The administering authority is required to prepare the FSS under Regulation 35 of the Local Government Pension Scheme (Administration) Regulations 2008.

Benefits payable under the Scheme are guaranteed by statute and the pensions promise to members is guaranteed. Members' contributions are fixed by statute to bands relating to salary ranging from 5.5% to 7.5%. Employers pay the balance of the cost of delivering the benefits to members.

Employer contributions are determined in accordance with the Regulations (principally Regulation 36) which require that the appointed actuary completes an actuarial valuation every three years. For the Kent Fund the actuary is Barnett Waddingham.

Purpose of the FSS in policy terms

The purpose of the FSS is:

- To establish a clear and transparent fund specific strategy which will identify how employers' pension liabilities are best met going forward.
- To support the regulatory framework to maintain as nearly as constant employer contribution rates as possible.
- To take a prudent longer-term view of funding those liabilities.

These objectives are desirable individually but may be mutually conflicting. This statement seeks to set out how the administering authority has balanced the conflicting aims of affordability of contributions, transparency of processes, stability of employers' contributions and prudence in the funding basis.

Aims and Purpose of the Fund

The aims of the Fund are to:

- Ensure the long-term solvency of the Fund.
- Ensure that sufficient funds are available to meet all benefits as they fall due for payment.
- Enable employer contribution rates to be kept as nearly constant as possible and at a reasonable cost to taxpayers.
- Maximise the returns from investments within reasonable risk parameters.

The purpose of the Fund is to:

- Receive monies in respect of contributions, transfer values and investment income.
- Pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses.

Responsibilities of Key Parties

The administering authority should:

- Operate the Pension Fund
- Collect employer and employee contributions.
- Pay from the Pension Fund the relevant entitlements as stipulated in LGPS Regulations
- Invest surplus monies in accordance with the LGPS regulations.
- Ensure that cash is available to meet liabilities as and when they fall due.
- Take measures as set out in the regulations to safeguard the fund against the consequences of employer default
- Manage the valuation process in consultation with the fund's actuary.
- Prepare and maintain the FSS and SIP.
- Monitor all aspects of the Fund's performance and funding and keep the FSS and SIP under regular review.
- Properly account for all monies received.
- Prepare the Fund accounts.
- Effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and scheme employer

Each individual employer should:

- Deduct contributions from employees' pay correctly.
- Pay all contributions, including their own as determined by the actuary, promptly by the due date.
- Exercise discretion within the regulatory framework.
- Make additional contributions in accordance with agreed arrangements particularly in respect of augmentation of scheme benefits and early retirement strain.
- Notify the administering authorities promptly of all changes or proposed changes to membership, which may affect future funding.

The Fund actuary should:

- Prepare valuations including the setting of employer contribution rates after agreeing assumptions with the administering authority and having regard to the FSS.
- Prepare advice and calculations in connection with bulk transfers and individual benefit-related matters.

- Prepare advice and valuations on the termination of admission agreements.
- Provide advice to the administering authority on bonds or other forms of security against the financial effect on the fund of employer default.
- Assist the administering authority in assessing whether employer contributions need to be revised between valuations as required by the regulations.
- Ensure that the administering authority is aware of any professional guidance or other professional requirements which may be of relevance to his or her role in advising the fund.

The Fund's external auditor should:

- Undertake a full audit of the pension fund accounts.

Solvency Issues and Target Funding Levels

Employer contributions are normally made up of two elements:

- The estimated cost of future benefits being accrued referred to as the future service rate.
- An adjustment for the funding position of accrued benefits, the past service adjustment.

The Fund's actuary is required to report on the solvency of the whole Fund every three years. Solvency is defined as the ratio of the value of assets to the value placed on accrued benefits by the Fund actuary on an ongoing basis. This figure is known as the funding level and as at the 31 March 2007 the Kent Fund was 73% funded, this increased to 77% with the 31 March 2010 valuation.

The actuary sets the financial and demographic assumptions to be used at each valuation. The key financial assumptions at the 2010 valuation were:

	% pa Nominal	% pa Real
Investment Return		
Equities / absolute return	7.3	3.8
Gilts	4.5	1.0
Bonds & Property	5.6	2.1
Discount Rate	6.7	3.2
Risk adjusted Discount Rate	6.6	3.1
Pay increases	5.0	1.5
Price Inflation	3.5	-
Pension Increases	3.0	-0.5

Note. The pay increase assumption is zero for 2 years for those earning over £21,000.

In relation to demographic issues the actuary takes a view on:

- The incidence of future ill health retirements.
- Pensioner mortality.
- Membership profile between active members, deferred members and pensioners.

Actual pensioner mortality in the intervalation period was higher than expected. The actuary has reviewed the mortality assumptions used to bring them closer to recent experience but also allow for improvements in mortality over the next 20 years.

For the 2010 valuation the contribution rates for employers were calculated assuming a 20 year deficit recovery period. Where these contribution rates would have given a large change compared to the previous rate, the employer is being moved gradually to the new rate at successive valuations.

All employers in the scheme have an individually calculated rate apart from connected employers, Colleges and Academies. Connected employers are those where we understand that the organisation controls all of the employers or has responsibility for all of the pension obligations. Examples include parents/subsidiaries or former Transferee Admission Bodies who have ceased to participate where the legacy liabilities have been passed back to the Letting Authority. The Colleges have had a pooled rate since they left local authority control in 1991.

The actuary has also set rates for Academies to be equal to the rate that their former Council would have paid during 2010-11. These along with all contribution rates, will be reviewed as part of the actuarial valuation as at 31 March 2013.

The actuary's funding basis makes no allowance for premature retirement except on grounds of ill health. Employers are required to pay additional contributions wherever an employee retires before attaining the age at which the valuation assumes that benefits are payable.

On the cessation of an employer's participation in the Scheme, the actuary will be asked to make a termination assessment. Any deficit in the Scheme in respect of the employer will be due to the Scheme as a termination contribution, unless it is agreed by the administering authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the Scheme to another participating employer. In assessing the deficit on termination, the actuary may adopt a discount rate based on gilt yields and adopt different assumptions to those used at the previous valuation to protect the other employers in the Fund from having to fund any future deficits from the liabilities that will remain in the Fund.

Links to Investment Strategy

The key decisions for the Superannuation Fund Committee in relation to investment strategy are:

- The proportion of assets to be invested in each asset class.
- The choice of investment managers appointed to manage the assets.

The Committee's decision on which asset classes to invest in is based upon sophisticated financial modelling undertaken by the Fund's investment consultant Hymans Robertson to help determine the most appropriate long term asset strategy in light of the Fund's long term objectives and the Committee's tolerance for risk. Risk in this context refers to the degree of future volatility in expected funding levels and contribution rates, and the trade off between these two parameters that is deemed most acceptable.

The current allocation of Scheme assets is:

Asset Class	%
UK Equities	32
Global Equities	32
Private Equity	2.5
Infrastructure	2.5
Commercial Property	10
Absolute Return	5
Total Growth	84
Fixed Income	15
Cash / Other	1
Total	100

Over the inter-valuation period the Fund has made major changes to asset allocation:

- £75m Private Equity fund of funds mandate.
- £75m Infrastructure fund of funds mandate.
(both these funds still have to be fully funded).
- £50m pooled property funds.
- £150m Absolute Return Mandate
- Revised fixed income mandates incorporating more absolute return.
- Significant element of passive management of equities.

The Investment Strategy reflects a view that in the long term higher returns from equities and property justify the higher risk and volatility of returns.

The Committee's Statement of Investment Principles (SIP) sets out more detail on the management of the Fund.

The Identification of Risk and Counter Measures

The measures which the administering authority has in place to control key risks are summarised below and examined in detail in the Appendix:

- Financial
- Demographic
- Regulatory
- Governance
- Reputational
- Ethical

Monitoring and Review

A full review of the statement will take place not less than once every three years to coincide with the full actuarial valuation.

The administering authority will monitor progress of the funding strategy between full actuarial valuations.

The current version of this document is at www.kentpensionfund.co.uk

Funding Strategy Risk Assessment

Financial risks	Actions to control risks
Fund assets fail to deliver returns in line with the anticipated returns.	<ul style="list-style-type: none"> • Prudent actuarial assumptions. • Diversified portfolio. • Monitor against targets.
Inappropriate long term investment strategy.	<ul style="list-style-type: none"> • Set fund specific benchmark informed by financial modelling. • Diversified manager structure.
Investment managers fail to achieve performance targets over the longer term.	<ul style="list-style-type: none"> • Ensure good understanding of what investment managers are trying to achieve and how. • Detailed monthly and quarterly monitoring of investment managers. • Keep manager appointments under constant review and make changes where appropriate.
Pay and Price inflation significantly more than expected.	<ul style="list-style-type: none"> • Actuarial valuation focuses on real returns. • Some investment in bonds to mitigate this risk. • Absolute return element in the Fund.
Effect of possible increase in employer contribution rate on service delivery and on the financial standing of admitted/schedule bodies.	<ul style="list-style-type: none"> • Mitigate impact through deficit spreading and phasing in of contribution rates.
Demographic risks	Actions to control risks
Pensioners live longer.	<ul style="list-style-type: none"> • Monitoring of mortality by employer. • Comparison by the actuary with experience elsewhere in the LGPS.
Deteriorating patterns of early retirement.	<ul style="list-style-type: none"> • Employers meet full financial costs of non-ill health retirements. • Employer ill health experience is monitored. • National changes to the scheme will lead to individuals working longer.

Funding Strategy Risk Assessment (contd.)

Regulatory risks	Actions to control risks
<p>Implementation of the LGPS 2014 reforms</p> <p>Adverse changes to other Legislation, tax rules, etc.</p>	<ul style="list-style-type: none"> • Respond to consultation documents. • Keep employers informed. • Copies of all submissions are available on www.kentpensionfund.co.uk
Governance risks	Actions to control risks
<p>Administering Authority unaware of structural changes in an employer's membership.</p>	<ul style="list-style-type: none"> • Ensure good communication with employers. • Annual Pensions & Investments Conference. • Twice yearly Pensions Forum
<p>Late notification / engagement on admission issues.</p>	<ul style="list-style-type: none"> • Employers reminded of the need for early engagement.
<p>An employer ceasing to exist with insufficient funding.</p>	<ul style="list-style-type: none"> • Ensure adequate bonding or liabilities underwritten by relevant employer.
Reputational risks	Actions to control risks
<p>Adverse publicity for administering authority.</p>	<ul style="list-style-type: none"> • Maintain good communication with employers. • Produce high quality written material. • Better use of the website.
Ethical risks	Actions to control risks
<p>Investment in companies with poor corporate governance.</p>	<ul style="list-style-type: none"> • Clear guidance to investment managers and clear accountability by them for their actions.
<p>Exposure to environmental / sustainability issues.</p>	<ul style="list-style-type: none"> • Monitor good practice.

Statement of Investment Principles

Introduction

Under Regulation 12 of the LGPS (Management and Investment of Funds) Regulations 2009, administering authorities are required to prepare, maintain and publish a statement of investment principles (SIP).

Requirements of the Regulations

The regulations state:

An administering authority must, after consultation with such persons as they consider appropriate, prepare, maintain and publish a written statement of the principles governing their decisions about investments.

The statement must cover the policy on:-

- the types of investment held
- the balance between different types of investment
- risk
- the expected returns on investments
- the realisation of investments
- the extent (if at all) to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments, and
- the exercise of the rights (including voting rights) attaching to investments, if they have any such policy; and
- stock lending.

Kent County Council (KCC) Policy

Fund Objectives

- The primary objective of the Fund is to provide for scheme members' pensions and lump sum benefits on their retirement or for their dependants' benefits on death before or after retirement, on a defined benefits basis
- The funding objective is that, in normal market conditions, the accrued benefits are fully covered by the actuarial value of the Fund and that an appropriate level of contributions is agreed by the administering authority to meet the costs of future benefits accruing. For employee members, benefits will be based on actual service completed but the actuary will take account of future salary increases.
- The assumptions used to assess the funding are those used for the actuarial valuation. The position will be reviewed at least at each statutory triennial valuation.

Investments

Investment Managers

The Committee will ensure that one or more investment managers are appointed who are authorised under the LGPS (Management and Investment of Funds) Regulations 2009 to manage the assets of the Fund. The Fund's investment managers are:

UK Equities:

- Schroder Investment Management Limited
- Invesco Asset Management Limited
- State Street Global Advisers Limited

Overseas Equities:

- Baillie Gifford & Co
- GMO
- Schroder Investment Management Limited
- State Street Global Advisers
- Impax Asset Management

Fixed Income:

- Schroder Investment Management Limited
- Goldman Sachs Asset Management Limited

Property:

- DTZ Investment Management Limited

Private Equity:

- YFM Equity Partners
- HarbourVest Partners

Infrastructure / PFI:

- Partners Group
- Henderson Equity Partners

Absolute / Total Return:

- Pymfords International

Each manager's remuneration is based on a percentage of funds under management in accordance with the rates quoted in their tender documents.

Performance Benchmark

The Committee, advised by Hymans Robertson, has set a scheme performance benchmark which is set out in Appendix 1. The Fund allows a normal variation of +/- 2% from the target allocation to each asset class. The Committee monitors deviations from its asset allocation benchmark at its regular meetings. If the ranges are breached as a result of relative performance of assets, the Committee may choose to delay bringing the weights back within guideline ranges.

Investment Objectives

The investment objectives for each mandate are set out in Appendix 2.

Choice of Investments

The managers have been given full discretion over the choice of individual stocks and are expected to maintain a diversified portfolio. All funds are managed on an active basis except for State Street.

For the UK property portfolio no single property can account for more than 10% of the total portfolio. The property manager determines sales and purchases subject to final agreement by Committee. The mandate includes limited investment in indirect property funds. There is also a separate set of investments in indirect funds. The European investment is through the DTZ Aurora Fund.

Risk

The adoption of a performance benchmark (as described above) and the explicit monitoring of performance relative to the performance target, constrains the investment managers from deviating significantly from the intended approach, while permitting flexibility to manage funds in such a way as to enhance returns.

Realisation of Investments

The majority of assets held by the Fund are quoted on major stock markets and could be realised quickly if required. The property investments by their nature would take longer to realise but as they are in selected first class properties they should be realisable within a short period of time.

Cash

The Fund has a positive cashflow and each month there is a surplus of income over payments. The Committee has its own agreed Treasury Strategy.

The Cash balance is reported to the Committee on a quarterly basis. Determinations are then made as to whether to hold as a deliberate investment decision, hold to fund forthcoming investments or allocate to existing managers.

Monitoring of Investments

- The Superannuation Fund Committee meets five / six times a year. It receives detailed reports on the performance of the Fund as a whole and the performance of each manager. All managers attend the Committee meetings to explain their strategy and answer questions from members of the Committee. Those managers who are responsible for the Fund's segregated and actively managed portfolios equating in value to 5% or more of total fund assets, attend the Committee meetings at least once a year. All other managers attend the Committee meetings at least every 2 years. There is also regular contact between officers of KCC and all the fund managers in relation to their activities.

- Major reviews of investment strategy follow the actuarial valuation.
- All fund managers are on one month's notice and their contracts can be terminated at any time. Fund managers are appointed through open tendering processes in accordance with European Union purchasing legislation. The Fund will at times take decisions to invest directly in an investment product.

Investment Advice

Professional advice on investment matters is taken from the investment practice of Hymans Robertson Actuaries and Consultants. General guidance on benchmarking is provided by Hymans Robertson but the investment managers are responsible to the Committee for their investment decisions. Hymans Robertson are remunerated on an hourly rate basis.

Investment Principles

A comparative position statement against the CIPFA Investment Decision Making and Disclosure Guide is attached in Appendix 3.

Environmental, Social and Governance Considerations

The Fund's policy statement on Environmental, Social and Governance investing is at appendix 4.

Stock Lending

The Fund custodians, JP Morgan undertake a conservative programme of stock lending to approved UK counterparties against non-cash collateral mainly comprising of Sovereigns and Treasury Bonds.

Review of Statement of Investment Principles

The document will be reviewed regularly or as is made necessary by changes to the Scheme Regulations. The current version of this document is at www.kentpensionfund.co.uk

Statement of Investment Principles

APPENDIX 1

Aggregate Scheme Benchmark

Asset Class	Benchmark %	Index
UK Equities	32	FTSE All Share
Overseas Equities	32	MSCI World NDR
Fixed Income	15	BAML GBP BROAD MARKET
Property	10	IPD All Properties Index
Private Equity and Infrastructure	5	GBP 7 Day LIBID
Absolute Return	5	RPI +5%
Cash	1	GBP 7 Day LIBID
Total	100	

Statement of Investment Principles

APPENDIX 2

Investment Manager Mandates

Asset Class / Manager	Benchmark	Performance Target
UK Equities:		
Schroder Investment Management	Customised	+1.5%
Invesco Perpetual	FTSE All Share TR	Unconstrained
State Street Global Advisors	FTSE All Share TR	Passive
Global Equities:		
Baillie Gifford	Customised	+1.5%
GMO	MSCI World Index NDR	+3%
Schroder Investment Management	MSCI World Index NDR	+3-4%
Impax Asset Management	MSCI World Index NDR	+2%
State Street Global Advisors	FTSE World ex UK (Custom)	Passive
Fixed Income:		
Schroder Investment Management	50% ML Sterling Broad Market, 50% 3 months Libor	+1%
Goldman Sachs Asset Management	14% FTSE Gilts > 5 years, 56% iBoxx Sterling non gilt index, 30% Barclays Capital Global Aggregate Corporate index.	+0.75%
Property:		
DTZ Investment Management	IPD Pension Fund Index	
Cash / Other Assets (Alternatives):		
Private Equity – YFM Private Equity	GBP 7 Day LIBID	
Private Equity – HarbourVest Partners	GBP 7 Day LIBID	
Infrastructure – Partners Group	GBP 7 Day LIBID	
Infrastructure (Secondary PFI)- Henderson Fund Management	GBP 7 Day LIBID	
Absolute Return – Pyrford International	Retail Price Index (RPI)	RPI + 5%
Internally managed cash – KCC Treasury and Investments team	GBP 7 Day LIBID	

Statement of Investment Principles

APPENDIX 3

CIPFA Investment Decision Making and Disclosure in the Local Government Pension Scheme – A Guide to the Application of The Myners Principles.

Principle 1: Effective Decision Making

Administering authorities should ensure that:

- Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and
- Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.

Issue	Compliance	Comments
(1) Committee responsible for the Fund.	Full	
(2) Roles of Officers fully set out.	Full	
(3) Maintain and publish a statement of good practice principles for scheme governance and stewardship.	Yes	Complete (Appendix 4)
(4) Appointments to committee reflect skills, experience and continuity.	Full	
(5) Definition of roles	Full	Covered in Governance Compliance Statement
(6) Skills and knowledge audits of members of the Committee. Annual training plan.	Yes	Reviewed annually
(7) Regular review of structure and composition of committee.	Partial	Report March 2010 to Committee.

Report & Accounts 2013

(8)	Consideration of establishing Sub-committees	Partial	Report March 2010 to Committee.
(9)	DoF responsible for a member training plan.	Partial	Not formalised.
(10)	Allowances to elected members published.	Full	
(11)	Employee representative allowed time to attend.	Full	
(12)	Clear and comprehensive papers.	Full	
(13)	DoF should prepare a medium term business plan.	No	

Principle 2: Clear Objectives

An overall investment objective(s) should be set out for the fund that takes account of the scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisors and investment managers.

Issue	Compliance	Comments
(1) Liability structure reflected in overall investment objectives.	Yes	Hymans Robertson Compass modelling.
(2) Advice from specialist independent advisers.	Yes	
(3) Consideration of risk and return of different asset classes.	Yes	
(4) Peer group benchmarks only used for comparative purposes.	Yes	
(5) Committee should consider VFM in objectives and operations.	Partial	Very unclear what this means.
(6) DoF and Committee should be aware of the impact of employer contribution rates on Council Tax.	Yes	

(7)	Given the profile of scheme employers committee should consider whether to set up sub-funds.	Yes	
(8)	Take advice on asset/liability study.	Yes	
(9)	Consider allocations to different asset classes.	Yes	
(10)	Advisers should be appointed through open competition.	No	This is kept under regular review.
(11)	Committee aware of transaction costs.	Partial	We do not formally report commission costs – not a strategic issue.

Principle 3: Risk and Liabilities

In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities.

These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.

Issue	Compliance	Comments
(1) Investment objectives should reflect liabilities and attitude to risk.	Yes	
(2) Willingness to accept underperformance due to market conditions.	Yes	
(3) SIP should include a risk assessment framework of new and potential investments.	No	Not a requirement of the SIP and more relevant to investment strategy.
(4) Committee should consider if the scheme specific benchmark has determined an acceptable level of risk.	Yes	Covered in the Hymans Robertson Compass modelling.

(5)	A risk assessment of the valuation of liabilities and assets should be undertaken as part of the triennial valuation.	Yes	Undertaken by Barnett Waddingham.
(6)	As part of the valuation the impact of long term performance should be assessed.	Yes	
(7)	The Committee should use internal and external audit reports to assess the effectiveness of governance arrangements.	Yes	.
(8)	Investment strategy should take account of the ability of employers to pay.	Yes	The actuary sets the rates required for the long term solvency of the Fund.
(9)	Consideration of cashflows compared with liabilities.	Yes	
(10)	Annual report should include a risk assessment of the Fund's activities.	Yes	Refer to the Funding Strategy Statement / note 18 of the Financial Statements

Principle 4: Performance Assessment

Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors.

Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members.

Issue	Compliance	Comments
(1) With investment managers ensure the selected benchmark is appropriate.	Yes	Officers advised by Hymans Robertson.
(2) Consider whether active or passive management is most appropriate.	Yes	

(3)	Divergence from the benchmark should be monitored.	Yes	
(4)	Quarterly monitoring but a 3-7 year timeframe for review.	Yes	
(5)	Returns analysed by independent agency.	Yes	WM undertakes this role.
(6)	Performance of the actuary should be assessed and periodically market tested.	Yes	
(7)	Consultant's performance should be assessed.	Partial	
(8)	A process of self-assessment by officers and members.	Partial	
(9)	In the business plan the performance of the committee should be assessed.	Partial	
(10)	Assessment of the committee should be included in the annual report.	Yes	Refer to the Governance Compliance Statement

Principle 5: Responsible Ownership

Administering authorities should:

- Adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of principles on the responsibilities of shareholders and agents.
- Include a statement of their policy on responsible ownership in the statement of investment principles.
- Report periodically to scheme members on the discharge of such responsibilities.

Issue		Compliance	Comments
(1)	SIP and annual report should include policy on responsible ownership.	Partial	Yes in SIP Share with members of the committee. Member of the Institutional Investors Group on Climate Change.
(2)	Policy on ESG investing.	Yes	
(3)	Investment managers' policies on intervening in a company should be explicit.	Partial	
(4)	Awareness of the Institutional Shareholders Statement of Principles.	Partial	
(5)	Awareness of UN Principles of Responsible Investment.	Yes	
(6)	Consideration of "alliances" with other pension funds.	Yes	

Principle 6: Transparency and Reporting

Administering authorities should:

- Act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives.
- Provide regular communication to scheme members in the form they consider most appropriate.

Issue		Compliance	Comments
(1)	Produce a governance compliance statement.	Yes	
(2)	Produce a communication statement.	Yes	
(3)	Comprehensive view of stakeholders.	Yes	
(4)	Regularly review the annual report.	Yes	
(5)	Content of the governance compliance statement.	Yes	

Statement of Investment Principles

APPENDIX 4

Environmental, Social and Governance Investment Policy Statement

Introduction

The Superannuation Fund Committee is fully aware of its fiduciary responsibility to obtain the best possible financial return on the investments of the Pension Fund for acceptable levels of risk. This responsibility is to keep down as far as possible increases in the cost of the scheme to scheme employers and ultimately to dampen the cost of the scheme to Council Tax payers in Kent.

The Fund also seeks through good management of Environmental, Social and Governance (ESG) issues to help the financial performance and improve shareholder investment returns in the companies invested in.

Fiduciary Responsibility

As a consequence of our fiduciary responsibility to the taxpayer the Fund will not impose restrictions upon our external investment managers on specific stocks or countries which they can or cannot invest in.

The Fund is not positioned either to impose blanket restrictions or to adjudicate which stocks or countries the Fund should invest in and is aware that:

- Restrictions will reduce the accountability of the investment managers.
- It is very difficult to determine what activities should be prohibited. This is an issue of individual conscience.
- It is only possible for investment managers to influence company behaviour if they are a shareholder.

The Committee retains the right to intervene with an investment manager if they undertake investments which are not acceptable eg illegal activities, major fraud.

Corporate Governance

The Committee expects the investment managers to fully participate in voting at company Annual General Meetings and to promote adherence to the code of best practice and the new combined code.

Investment managers feed back voting decisions on a quarterly basis.

Shareholder Engagement

The Committee expects the investment managers to engage with companies to monitor and develop their management of ESG issues in order to enhance the value of our investments.

Again the Committee expects feedback from the investment managers on the activities they undertake.

The Fund would engage directly with a company which we were invested in, in exceptional circumstances.

UN Principles of Responsible Investment

The Committee supports and endorses the UN Principles of Responsible Investment. The 6 principles are:

- We will incorporate ESG issues into investment analysis and decision making.
- We will be active owners and incorporate ESG issues into our ownership policies and practices.
- We will seek appropriate disclosures on ESG issues by entities we invest in.
- We will promote acceptance and implementation of the principles within the investment industry.
- We will work together to enhance our effectiveness in implementing the principles.
- We will each report on our activities and progress towards implementing the principles.

Climate Change

As a member of the Institutional Investors Group on Climate Change we will monitor developments on climate change and use the research undertaken to monitor and challenge our investment managers.

Shareholder Litigation

The Fund will actively participate in class actions in the USA where it is of clear financial benefit to it.

Communications Policy Statement

Introduction

This is the communications policy statement of the Superannuation Fund, which is administered by Kent County Council (KCC). The Fund must provide, maintain and publish a communications statement in accordance with Regulation 67 of the Local Government Pension Scheme (LGPS) Administration Regulations.

The Communications Policy must be revised and republished following any change in policy.

Purpose of the Communications Policy

The purpose of this communications policy is to publish a statement setting out the policy concerning the methods of communications with the stakeholders of the Kent County Council Superannuation Fund (the Fund).

The stakeholders are identified as:

- **Current members** - Members who are in employment and still contributing to the fund
- **Deferred benefit members** - Members who have stopped contributing and have a benefit held in the fund which is payable when they reach retirement age
- **Pensioner members** - Members who are in receipt of a pension from the fund
- **Prospective members** - Employees who are not contributing but could join the scheme
- **Employing authorities** - Employers that offer the scheme to their employees
- **Committee members** - Members of the Kent County Council Superannuation Fund Committee
- **Representatives of scheme members** - Bodies or persons that represent scheme members, such as trades unions

In accordance with LGPS regulations, the communications policy details the:

- provision of information and publicity about the pension scheme
- format, frequency and method of distributing information and publicity
- promotion of the Scheme to prospective members and their employers

Current members

Annual benefit illustrations

Once a year, in early autumn, an illustration in paper format is sent to home addresses. The illustration shows basic information held about the member such as working hours and pay used for pension purposes.

It gives an illustration of the pension benefits built up to the previous 31 March and benefits at retirement age, should the member remain in their job. It also includes the

death grant lump sum, should the member die in service, and the nominees that the member wishes to receive this death grant.

Statement of pensionable membership

A statement of membership details, in paper format, is sent to the member's home address when notification is received that:

- a member has joined the scheme
- their working hours have changed
- previous pension rights have been transferred into the scheme
- their employer has changed.

Pension Saving Statement

Where a member has exceeded or is approaching the annual allowance limit, with regard to the growth in their pension benefits in a year ending with 31 March, then a letter is sent to their home address by the following 6 October.

Change to scheme regulations

Any major change in the scheme regulations is notified to the member in writing by letter to their home address.

Website

The website, www.kentpensionfund.co.uk, has a dedicated area for current members. It includes extensive pages of information about the scheme, guides, factsheets, forms and an up to date news page.

Helpline

A dedicated pensions helpline, 0844 875 3488, is available from 08:30 am to 17:00 pm Monday to Friday.

Mailbox

A central dedicated mailbox, pensions@kent.gov.uk, is provided. The mailbox is accessed by a number of pension staff, therefore any absences are covered and emails received are responded to every day.

Correspondence

Written letters received are replied to within 5 working days.

1:1 appointment

Members can request a 1:1 appointment with a pension administrator any time in office working hours.

Guides and Factsheets

Guides and factsheets, on a range of pension subjects, are available to download from the website. We (or the employer) will provide a hard copy should the member not have online access.

Pre-retirement courses

Monthly pre-retirement courses are provided at Oakwood House in Maidstone for members who are thinking of retiring in the following 18 months. The course includes an explanation of how the pension is calculated and how the annual pension can be

adjusted to provide a larger lump sum. Time is allowed for 1:1s at the end of the presentation. An independent financial adviser also gives a presentation including financial options. There is no charge for this course.

Presentations

Upon request from the employer, presentations are provided to groups of members about pension issues. These are delivered by the Pensions Manager, Deputy Pensions Manager or designated staff with specialist knowledge in the particular pension issue.

Deferred benefit members

Deferred Benefit Illustrations

Once a year, in early summer, an illustration is sent in paper format to home addresses. The illustration shows the deferred pension benefits held in the pension fund until retirement age. It also includes the death grant lump sum, should the member die before benefits are payable, and the nominees that the member wishes to receive this death grant.

Age 60 retirement option notification

A deferred benefit member has the option of taking their pension at age 60, although it may be reduced for being paid before normal retirement age. A written letter giving details of this option is sent to their home address as their 60th birthday approaches.

Change to scheme regulations

Any major change in the scheme regulations affecting deferred benefit members is notified to the member in writing by letter to their home address.

Website

The website, www.kentpensionfund.co.uk, has a dedicated area for deferred benefit members. It includes extensive pages of information about the scheme, guides, factsheets, forms and an up to date news page.

Helpline

A dedicated pensions helpline, 0844 875 3488, is available from 08:30 am to 17:00 pm Monday to Friday.

Mailbox

A central dedicated mailbox, pensions@kent.gov.uk, is provided. The mailbox is accessed by a number of pension staff, therefore any absences are covered and emails received are responded to every day.

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1:1 appointment

Members can request a 1:1 appointment with a pension administrator any time in office working hours.

Guides and Factsheets

Guides and factsheets, on a range of pension subjects, are available to download from the website. We will provide a hard copy should the member not have online access.

Pre-retirement courses

Monthly pre-retirement courses are provided at Oakwood House in Maidstone for members who are reaching retirement age and can draw their deferred benefit in the following 18 months. The course includes an explanation of how the pension is calculated and how the annual pension can be adjusted to provide a larger lump sum. Time is allowed for 1:1s at the end of the presentation. An independent financial adviser also gives a presentation including financial options. There is no charge for this course.

Pensioner members

Open Lines newsletter

The newsletter is sent twice a year, in spring and autumn, in paper format to the member's home address. It is produced by the KCC Pension Section in conjunction with Kent Active Retirement Fellowship (KARF). The newsletter includes articles about topical issues, KARF news and activities and provides a state benefits update by Tina Gilchrist with a dedicated helpline to contact.

The spring issue includes details about the annual pension increase and tax information for the new financial year. Copies of Open Lines are available on the website and so members may opt out of receiving this newsletter to their home; however, these members will receive a letter in the spring instead, detailing information regarding the annual pension increase.

Payslip

Payslips are issued in paper format to the member's home address once a year in April and at any other time during the year if pay differs by more than £1 or the member changes their bank details.

Pension payroll helpline

Dedicated pension payroll helplines are available Monday to Friday 09:00 am to 17:00 pm.

Surnames beginning A-F - (01622) 605396

Surnames beginning G-O - (01622) 605657

Surnames beginning P-Z - (01622) 605784

Change to scheme regulations

Any major change in the scheme regulations which may affect pensioner members is notified in writing by letter to their home address.

Website

The website, www.kentpensionfund.co.uk, has a dedicated area for pensioner members. It includes extensive pages of information about the scheme, guides, factsheets, forms and an up to date news page.

Helpline

A dedicated pensions helpline for queries other than about the pension in payment, 0844 875 3488, is open from 08:30 am to 17:00 pm Monday to Friday.

Mailbox

A central dedicated mailbox, pensions@kent.gov.uk, is provided. The mailbox is accessed by a number of pension staff, therefore any absences are covered and emails received are responded to every day.

Correspondence

Written letters received are replied to within 5 working days.

1:1 appointment

Members can request a 1:1 appointment with a pension administrator any time in office working hours.

Guides and Factsheets

Guides and factsheets on a range of pension subjects are available to download from the website. We will provide a hard copy should the member not have online access.

Kent Active Retirement Fellowship (KARF)

KARF was set up in 1997 by people in receipt of a pension from the Kent County Council Superannuation Fund (the Fund). KARF provide their members with the opportunity to meet with other retired people with similar interests. The local branches offer a variety of activities and events, including social, cultural, educational, leisure and fellowship.

The Fund is independent of the fellowship but the KCC Pension Section helps promote their activities by including information in the Open Lines newsletter, having a dedicated KARF area on the website and including a leaflet with the benefit letter to newly retired members.

Prospective members

Website

The website, www.kentpensionfund.co.uk, has a dedicated area for prospective members who are thinking of joining. It includes extensive pages of information about the scheme, guides, factsheets and forms and an up to date news page.

Helpline

A dedicated pensions helpline, 0844 875 3488, is available from 08:30 am to 17:00 pm Monday to Friday.

Mailbox

A central dedicated mailbox, pensions@kent.gov.uk, is provided. The mailbox is accessed by a number of pension staff, therefore any absences are covered and emails received are responded to every day.

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Employing authorities

Employer Liaison Team

A dedicated staff resource of Employer Liaison Officers (ELOs) is provided to employers. Each ELO has responsibility for a group of employers. They provide guidance, training and support by phone, email and visits in person.

Employers Pension Forum

The KCC Pension Section provides a forum for employers twice a year, in June and December, in Ashford. Presentations on topical issues are given and time for discussion is allocated. These are provided free of charge.

Specialist forums

As the need arises specialist forums are provided for employers, for example when there are major changes in the scheme or in overriding legislation. These are held at different venues throughout Kent and are provided free of charge.

Change to scheme regulations or policies

Any major changes in the scheme regulations or policies are notified to the employers in writing. In the event of significant changes to the scheme regulations additional specialist forums are also provided, as detailed above.

PENNE newsletter

The newsletter is sent to employers when news and changes have happened to require a summary notification.

Website

The website, www.kentpensionfund.co.uk, has a dedicated area for employers with an individual password so only they can access the area. It includes extensive pages of information and guidance about the scheme, template letters, forms and an up to date news page.

Visits

ELOs visit employers upon request or when the ELO believes they may need help and guidance.

Training

ELOs train employers on pension issues upon request or when the ELO believes they may need training. There is no charge for training.

Meetings

ELOs attend meetings with employers on request, including those with their HR and Payroll departments/providers.

Committee Members

The Kent County Council Superannuation Fund Committee meets 5/6 times a year.

Committee meeting agenda reports

Detailed reports on administration issues are prepared as required.

Administration report

An administration report is provided to the committee twice a year, giving details of benchmark statistics and the administration service to members and stakeholders.

Change to scheme regulations or policies

Any major change in the scheme regulations or policies is notified to the committee members as a formal committee paper.

CIPFA Benchmarking

The Chartered Institute of Public Finance and Accountancy (CIPFA) provides annual benchmarking surveys for groups of public organisations. The Fund takes part in this and their statistics are compared with those of other funds within the local government pensions industry. The results are provided as a formal paper to the Superannuation Fund Committee.

Consultations

Pension Funds are asked to participate in various government consultations on pension issues. Any such consultation responses are passed to committee.

Representatives of scheme members

Scheme information, guides and factsheets are available on the website www.kentpensionfund.co.uk

Individual pension information is provided to representatives on the written authorisation of the member.

Table of publications

The table below details the types of publications, the frequency in which they are provided and how they can be received.

A member can subscribe to the Open Lines page on the website and receive an email alert, with a link, when the latest issue is published

Publication	Frequency	Paper	Email	Website
Benefit Illustrations	Annual	✓	X	X
Statement of membership	As required	✓	X	X
Open Lines newsletter	Twice a year	✓	✓*	✓
Promotional Guide	Constant	✓	✓	✓
Scheme Guide	Constant	✓	✓	✓
Various information guides & factsheets	Constant	✓	✓	✓
Report & Accounts	Annual	✓	✓	✓
Valuation Report	Every 3 years	✓	✓	✓
Committee Meeting Minutes	5/6 times a year	X	X	✓