

Kent County Council

Superannuation Fund

Report & Accounts 2014



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Chairman's Introduction

I am pleased to be able to report on a highly successful year for the Fund. With equity markets continuing to perform strongly and our investment managers also performing well the Fund increased in value by £324m or 8.5% in the year. Looking over a longer timescale the Fund has actually doubled in value over the last 5 years from its low point in March 2009.

Not only did the Fund perform strongly in absolute terms but it also performed strongly compared with the other 88 Local Authority Pension Funds. As a whole Local Authority funds returned 6.4% in the period and the Kent Fund was one of the best performing funds in the year. Our 3 and 5 year performance is around that of the top 25% of local authority funds.

This consistency in investment returns has been a major factor in the satisfactory outcomes from the 31 March 2013 actuarial valuation the results of which we received in November 2013. This is always a critical event for employers and at Fund level there was no requirement for employer contributions to increase. Where increases took place this was due to local factors in employers such as outsourcing of staff. This does reinforce that it is these local factors which have the main impact on employer contribution rates and as local authorities continue to reduce their headcount the pensions liability which has been built up remains to be paid but across a smaller active workforce.

The year also saw us do much to prepare for a new Local Government Pension Scheme which came into effect on 1 April 2014. It is regrettable that the regulations were received only days before the scheme went live which also meant that software changes could not be made in good time. This has impacted on the quality of the administration service and this is regrettable.

The Committee is well aware that whilst the rise in equity markets has been highly beneficial there will be volatility in markets moving forward. We have taken active steps to protect some of the financial gains made last year. The Fund is well diversified and the Committee will remain vigilant to protect the much improved financial position of the Fund.



James Scholes

Chairman - Superannuation Fund Committee

Management and Financial Performance Report

Scheme management and advisors

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Investment Managers	
Baillie Gifford & Co	Calton Square, 1 Greenside Row, Edinburgh EH1 3AN
BMO Investments	79 Grosvenor Street, London W1K 3JU
DTZ Investment Management	125 Old Broad Street, London EC2N 2BQ
Fidelity Worldwide Investments	Fidelity Worldwide Investment 25 Cannon Street, London EC4M 5TA
Goldman Sachs Asset Management	Christchurch Court, 10-15 Newgate Street, London EC1A 7HD
HarbourVest Partners	8th Floor, Berkeley Square House Berkeley Square, London W1J 6DB
Henderson Global Investors	201 Bishopsgate, London EC2M 3AE
Impax Asset Management	Mezzanine Floor, Pegasus House 37-43 Sackville Street, London W15 3EH
Kames Capital	4th Floor, 77 Gracechurch Street, London EC3V 0AS
M&G Investments	Governors House, Laurence Pountney Hill, London EC4R 0HH
Partners Group	Heron Tower, 14th Floor 110 Bishopsgate London EC2N 4AY

Sarasin & Partners	Juxon House, 100 St Paul's Churchyard London EC4M 8BU
Schroder Investment Management	31 Gresham Street, London EC2V 7QA
State Street Global Advisers	20 Churchill Place, London E14 5HJ
YFM Equity Partners	St. Martins House, 210-212 Chapeltown Road, Leeds LS7 4HZ

Other Organisations providing services to the Kent Fund

Custodian	
JP Morgan Chase	Investor Services, 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	163 West George Street, Glasgow, G2 2JJ
Investment Consultant	
Hymans Robertson	One London Wall, London EC2Y 5EA
Auditors	
Grant Thornton	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	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. The Committee regularly reviews key risks with the last such review being in March 2014. The main risks then identified by the Committee were:

- the Administration system not implemented to timescale
- the inadequate implementation of the 2014 regulations
- the increased maturity of Fund as local authority payroll budgets reduce
- the investment returns below actuarial assumptions

Arrangements have been agreed for the management of these risks in order to mitigate their impact on the Fund and further details of the counter measures in place for financial, demographic, regulatory and employer risks are included in the Fund's Funding 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 conduct audits on the management of risk in the Pension Fund. During 2013-14 they provided the highest level of assurance that there are sound systems of control in place to ensure pension fund investment income is accurately accounted for, and to ensure that contributions for pensions are being correctly deducted and paid over to the Kent Pension Fund.

Third party risk such as that relating to employers in the Fund is managed through monitoring the timeliness of receipts of contributions as well as the annual review of guarantees / bonds provided by Admitted bodies.

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 2013-14 the Fund increased in value by £324.6m (8.5%) as the result of a net return on investments of £314.6m and net additions from dealings with members of £10m.

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 £18.7m. 2013-14 Investment management fees reflected the increased value of assets under management and additional spend on directly owned properties. Administrative and other expenses particularly included actuarial costs relating to the triennial valuation and IT costs associated with the upgrade of the Pensions Administration system.

Amounts due to the fund from employers

During 2013-14 £197.9m, 97% 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	3	1,973	Written off
	1	3,690	Recovered
	1	10,631	Being recovered at £50 a month
	1	2,816	Write off pending
	2	25,460	
Total	8	44,570	
2013	2	2,847	No response, therefore put forward for write off
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
2013-14	15	3,154

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	1,978	99%
Calculation and payment of dependants benefit	15 days from receipt of paperwork	364	99%
Provision of estimates	20 days from receipt of paperwork	2,861	98%
Correspondence	Full reply within 15 working days	1,467	98%

CIPFA Benchmark Survey

The Kent Pension Fund administration section participates annually in the CIPFA Benchmark survey. The survey compares the cost of administration with 52 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 2013.

	Kent Pension Scheme £	All Scheme Average £
Total cost of administration per scheme member	18.31	21.42
Payroll costs per pensioner (including staff)	1.38	3.41
Staff costs per Scheme Member (excl. Payroll)	9.31	9.29
IT Costs per member	2.18	2.91
Communication costs per member	2.23	0.84
Actuarial costs per member	1.44	1.24
Accommodation costs per member	1.19	0.78

The results place Kent 19th of 52 authorities (1st being the lowest) in terms of the cost of administration per member of the scheme.

Member Age Profile

As at 31 March 2014, contributing membership is made up of the following age bands:-

Age	Members
Under 20	373
20 – 25	2,833
26 – 30	2,999
31 – 35	3,525
36 – 40	4,611
41 – 45	6,812
46 – 50	7,938
51 – 55	7,411
56 – 60	5,556
61 – 65	2,328
66 – 70	478
Over 70	53

Five year analysis of the Fund's membership

Type of Members	31 March 2010	31 March 2011	31 March 2012	31 March 2013	31 March 2014
Contributors	44,509	43,408	41,423	42,554	44,917
Pensioners	29,107	30,549	32,258	33,731	34,841
Deferred Pensioners	30,691	32,618	35,430	37,835	39,777

Employing Bodies 2013-14

Employers	Employer Contributions £	Employee Contributions £
Local Authorities and District Councils		
Kent County Council	60,534,721	18,249,238
Medway Council	13,708,093	4,440,234
Ashford Borough Council	2,732,303	642,146
Canterbury City Council	3,170,167	668,441
Dartford Borough Council	2,137,627	434,138
Dover District Council	2,679,920	458,131
Gravesham Borough Council	2,850,457	715,456
Maidstone Borough Council	2,743,574	690,640
Sevenoaks District Council	2,698,140	578,702
Shepway District Council	2,290,401	510,844
Swale Borough Council	2,107,292	476,910
Thanet District Council	3,206,225	614,955
Tonbridge and Malling Borough Council	2,356,817	509,155
Tunbridge Wells Borough Council	2,096,926	539,847
Scheduled Bodies		
Bredgar School	12,188	3,335
Crockenhill Primary School	15,944	4,921
Downsview Infants School	48,749	13,322
East Borough Primary School	37,183	10,445
Gateway Community Primary School	21,500	5,907
Hextable School	49,793	14,394
High Firs Primary School	9,068	2,472
Judd School Tonbridge	120,321	35,412
Northfleet School for Girls	156,201	45,221
Parkway Primary School	39,803	11,008
Riverview Infant School Gravesend	45,457	12,210
Riverview Junior School Gravesend	54,827	15,167
Sandling CP School	52,583	14,302
St Peter's School Aylesford	23,405	6,551
Tunbridge Wells Girls Grammar School	87,909	26,013
Valence Special School	363,986	103,704
Whitehill Primary School	69,612	19,159
St John's CEP School	105,389	29,092
Staplehurst School	45,688	12,546
Five Acre Wood School	224,692	63,605
Laleham Gap School	224,086	63,491
All Souls County Primary School	30,776	8,546
Archbishops CE School	102,528	29,119

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Aylesford School	88,933	25,408
Charles Dickens High School	197,208	56,420
Chaucer Technology School	58,253	17,042
Dartford Girls Grammar School for Girls	134,875	38,855
Ditton CE Junior School	20,830	5,599
Greatstone County Primary School	61,516	16,926
Herne Bay Junior School	67,257	18,703
Holy Family RC Primary	12,266	3,309
Holy Trinity County Primary School, Gravesend CE	92,419	26,161
Holy Trinity County Primary School, Dartford CE	71,551	19,640
Hugh Christie School	85,395	24,404
Northfleet Technical College (Boys)	154,588	43,974
Our Lady of Hartley RC Primary School	19,677	5,366
Pent Valley Secondary School	232,248	66,454
Roseacre Junior School	39,022	10,901
Simon Langton Grammar School for Boys	150,807	45,004
Snodland C.E.P. School	59,094	18,724
St Anselm's RC Comprehensive School	154,172	43,968
St Bartholomew County Primary School RCP	25,951	7,487
St Botolph's C of E Primary School	36,446	9,004
St Edmund of Canterbury Comprehensive	83,345	19,045
St George's School, Broadstairs	155,754	44,590
St Gregory's Catholic Comprehensive School	181,491	51,813
St John RC Comprehensive (Gravesend)	147,069	43,094
St Joseph RC Primary School	30,630	8,401
St Simon Stock Catholic School	80,837	23,040
Stella Maris RC Primary School	49,809	13,292
Thamesview School	144,157	41,656
Skidders School	62,704	19,172
Lady Boswells CE Primary School	30,272	8,287
Leybourne C of E Primary School	15,864	3,884
The Howard School	146,901	46,053
Kemsing Primary School	17,852	5,075
Raynehurst School	20,485	5,747
Godinton School	25,896	7,019
Commercial Services Kent LTD	1,706,515	592,043
East Kent Housing (Arm's Length Management Organisation)	598,919	251,101
East Kent Services (Thanet)	823,909	408,888
Folkestone Town Council	35,230	12,236
Kent and Essex Sea Fisheries Committee	91,495	23,316
Kent and Medway Fire and Rescue Authority	1,523,798	520,302
Kent Probation Committee	2,236,667	634,398
Kent Valuation Tribunal	42,000	0
Margate Charter Trustees	3,552	1,509
Medway Lower Internal Drainage Board	54,731	10,736
Medway Upper Internal Drainage Board	41,807	8,470
Ramsgate Town Council	16,552	5,060
River Stour Internal Drainage Board	25,763	9,219

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Romney Marsh Level Internal Drainage Board	18,958	6,030
The Police and Crime Commissioner for Kent	8,585,313	3,607,553
Ash Parish Council	3,090	1,287
Broadstairs and St Peter's Town Council	9,100	0
Chestfield Parish Council	6,050	1,688
Cranbrook Parish Council	10,057	3,143
Darenth Parish Council	9,072	1,860
Deal Town Council	16,502	7,165
Ditton Parish Council	21,229	8,033
Dover Town Council	36,509	13,552
Eastry Parish Council	1,328	589
Edenbridge Town Council	36,242	11,672
Eynsford Parish Council	1,794	1,151
Farningham Parish Council	1,836	619
Faversham Town Council	8,048	2,304
Great Mongeham Parish Council	408	182
Hartley Parish Council	8,938	2,890
Hawkhurst Parish Council	5,465	1,708
Hawkinge Parish Council	5,236	2,210
Herne and Broomfield Parish Council	6,382	2,086
Higham Parish Council	2,645	851
Horton Kirby and South Darenth Parish Council	759	165
Hythe Town Council	16,346	4,760
Kings Hill Parish Council	15,282	6,187
Leigh Parish Council	1,672	575
Longfield and New Barn Parish Council	1,581	692
Minster on Sea Parish Council	5,240	2,545
Otford Parish Council	2,993	1,224
Pembury Parish Council	12,717	5,305
Sandwich Town Council	24,895	7,257
Seal Parish Council	3,310	1,118
Sevenoaks Town Council	18,964	4,185
Snodland Town Council	9,577	2,893
Southborough Town Council	52,115	9,896
Staplehurst Parish Council	1,920	660
Stone Parish Council	24,251	11,776
Swanley Town Council	109,090	30,704
Swanscombe and Greenhithe Town Council	45,847	8,929
Temple Ewell Parish Council	1,505	473
Tenterden Town Council	22,317	5,565
West Kingsdown Parish Council	2,479	1,401
Westerham Parish Council	10,414	6,869
Woodnesborough Parish Council	424	190

Further Education Colleges

Canterbury College	914,336	363,117
East Kent College (Formerly Thanet College)	375,513	151,110
Hadlow College	396,804	159,883
Hilderstone College	34,021	13,379
K College	926,727	396,407
Mid Kent College	711,690	281,439
North West Kent College	707,446	284,268

Admitted Bodies

Active Life Limited	164,731	68,808
APCOA Parking UK Limited (2)	16,591	4,650
Ashford Leisure Trust Limited	55,097	29,231
Biffa Municipal Ltd (Mid Kent Waste)	26,233	7,463
Caldecott Community	182,344	64,599
Canterbury Archaeological Trust	18,472	2,388
Caterlink	1,089	467
Children & Families Limited	2,945	1,448
Canterbury Christ Church University College	2,912,691	1,079,576
Compass Group UK & Ireland Limited	5,456	1,486
Connexions Partnership Kent & Medway Limited	17,718	5,870
Connexions Partnership Kent & Medway (2)	17,832	6,512
Enterprise (AOL) Limited	108,851	38,839
Epic Trust	38,595	12,238
Fusion Lifestyle Limited	44,564	19,473
Gravesham Community Leisure	105,415	48,084
HOPE(Kent) Limited (Pathways to Independence)	19,646	8,374
Hyde Housing Association	87,000	0
Invicta Telecare Limited	77,910	28,429
Avenues Trust	77,243	7,219
Kent University	52,478	2,559
Kent College, Canterbury	4,350	1,450
Kent College, Pembury	3,000	0
Avante Partnership	165,386	24,212
Kier Facilities Management	21,182	5,817
Knotley Hall School	2,000	0
Maidstone Housing Trust (Golding Homes)	385,443	209,406
MCCH Society Limited	2,422	704
Medway Community Healthcare	86,361	28,555
MHS Homes	575,790	146,442
Medway Norse Limited	122,016	46,033
Mitie Cleaning & Support Services	1,137	314
Mitie PFI Limited	30,185	10,968
Mytime Active	8,533	3,537
Northgate Managed Services Limited (St Georges School)	4,819	1,526
Northgate Managed Services Limited (St John's School)	6,094	2,348

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Northgate Managed Services Limited (Thamesview School)	4,408	1,526
Norwest Holst Limited	18,298	6,175
NSL	29,058	10,033
Orchard Theatre Dartford	37,428	12,864
Principal Catering Consultants (Meadow Fields)	3,372	1,243
Principal Catering Consultants Limited (Our Lady of Hartley School)	1,032	332
Project Salus	56,056	28,134
Quadron Services Limited	24,623	7,884
Reliance Secure Task Management	17,006	6,662
Remade South East	11,859	3,779
Rochester Bridge Trust	77,203	14,853
Rochester Care Home Limited (Robert Bean Lodge)	12,796	3,849
Russet Homes	352,630	67,160
South East England Tourist Board	51,533	1,987
Sevenoaks Leisure Limited	159,624	76,806
Sevenoaks School	354,980	112,662
Shaw Healthcare (FM Services) Ltd	2,113	577
Sodexo Catering	6,830	2,333
Steria	51,227	18,832
Strode Park Foundation for People with Disabilities	132,054	40,838
Superclean	898	263
Amicus Horizon	261,027	21,298
Thanet Community Housing Association Limited (Orbit South)	23,844	7,357
Thanet Joint Computer Committee	15,000	0
Thanet Leisure Force	88,753	25,100
Tonbridge & Malling Leisure Trust	72,491	37,547
Town & Country Group	277,036	85,626
Veolia	30,632	9,083
Victory Care Home Limited (Nelson Court)	6,378	1,970
West Kent Housing Association	1,502,139	347,770
West Kent Water Company	7,000	0

Academies

Ace Learning - Hamstreet (ACE)	20,587	4,950
All Faiths School Academy-TTA	97,309	26,508
All Hallows Academy - WAT	11,663	3,159
Allington Primary School Academy	61,895	14,935
Amherst School Academy	58,294	15,192
Astor College (Academy)-DFA	177,341	46,880
Aylesford Primary School Academy-VIT	7,802	1,914
Barton Court Grammar School (Academy)	90,256	23,795
Barton Junior School (Academy)-DFA	33,479	8,422
Bennett Memorial Diocesan School (Academy)	160,190	43,062
Bishop of Rochester Academy	182,626	52,105
The Ebbsfleet Academy-BLT	40,466	10,435
Borden Grammar School (Academy)	97,514	25,871

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Brent Primary School Academy	13,734	3,351
Brockhill Park Performing Arts College (Academy)	164,249	43,561
Brompton Academy	260,288	76,658
Canterbury High and Canterbury Primary School Academy	308,009	80,341
Castle Community College (Academy)	176,607	46,394
Chatham and Claredon Grammar School Academy	111,028	29,555
Chatham Grammar School for Boys (Academy)-TTA	131,862	37,129
Chatham Grammar School for Girls (Academy)	114,924	29,611
Chatham House Grammar School (Academy)	44,005	11,753
Chattenden Primary School Academy-PAT	30,490	8,561
Chiddingstone Primary School (Academy)	21,978	5,493
Christchurch CEP School (Academy)-CDT (Folkestone)	98,625	24,993
Christchurch COE School (Academy) Ramsgate	16,011	4,208
Clarendon House Grammar School (Academy)	31,094	8,188
Cliffe Woods Primary Academy	30,159	7,766
Cliftonville Primary School Academy	37,463	9,340
Cornwallis Academy	231,769	68,449
Cranbrook School (Academy)	268,462	69,810
Dame Janet Primary Academy-KAT	160,800	40,262
Dane Court Grammar School (Academy)	91,851	24,201
Dartford Grammar School (Boys) Academy	137,967	37,543
Dover Christchurch Academy	152,914	41,100
Dover Road Community Primary School Academy-R2K	32,808	8,483
Drapers Mills Primary Academy-KAT	143,087	36,076
Elaine Primary School Academy-WAT	91,578	24,889
Folkestone Academy (Primary)	370,885	124,156
Folkestone School for Girls (Academy)	159,359	41,583
Fort Pitt Grammar School (Academy) Trust	126,183	38,432
Fulston Manor School (Academy)	225,578	58,594
Furley Park Primary School Academy-ACE	38,458	9,609
Gateway Primary School Academy	5,670	1,407
Graveney Primary School (Academy)	22,642	5,586
Gravesend Grammar School (Boys) (Academy)	176,331	44,269
Greenacre School (Academy)	156,080	43,045
Grove Park Primary School-JWA	82,522	20,136
Hampton Primary	95,877	24,524
Hartsdown Technology College (Academy)	253,623	66,530
Herne Bay High School (Academy)	267,091	69,402
Hersden Village Primary School (Academy)-SAT	13,379	3,258
High Halstow Primary School Academy-WAT	20,195	5,664
Highsted Grammar School (Academy)	55,080	14,343
Highworth Grammar School (Academy)	151,902	39,213
Hillview School for Girls (Academy)	193,943	51,286
Homewood School (Academy)	357,096	94,637
Horizons Primary School-(KAT)	24,626	6,294
Hundred of Hoo School (Academy)-WAT	193,207	55,247
Invicta Grammar School (Academy)-VIT	144,118	37,977

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Isle of Sheppey Academy-OCL	409,838	97,777
John Wallis Academy	290,852	74,129
Joydens Wood Infant School (Academy)	38,106	8,626
Joydens Wood Junior School (Academy)	36,301	8,907
Rainham School for Girls-KAT	213,391	60,750
KCSP Kent Catholic Schools Partnership	33,772	10,940
King Ethelbert School (Academy)	137,994	36,572
Kingfisher Primary Academy-GAT	34,008	9,599
Knole Academy	151,919	39,866
Leigh Technology Academy	191,171	87,664
Longfield Academy	158,282	41,643
Lordswood Primary School Academy-GAT	31,022	8,135
LTA - Hartley Primary School Academy	51,715	12,799
Luddenham Primary School (Academy)	31,978	7,990
Lynsted & Norton Primary School (Academy)	23,984	5,831
Marlowe Academy	269,150	83,722
Marsh Academy	176,195	62,600
Mascalls School (Academy)	197,151	52,254
Mayfield Grammar School (Academy)	127,312	33,362
MCP- Chantry Community Academy	66,878	16,532
Meopham Community Academy-MCP	48,632	12,242
Meopham School (Academy)-SWA	91,622	23,946
Milestone Academy-LAT	282,856	72,114
Milsted & Frinsted CE Primary Schools (Academy)	10,765	2,625
Molehill Copse Primary Academy-AET	76,628	18,963
New Line Learning Academy	141,322	40,942
Newlands Primary School (Academy)-KAT	104,729	26,056
Northdown Primary School (Academy)-KAT	90,641	22,859
Norton Knatchbull School (Academy)	127,588	35,852
Oaks Academy-AET	39,133	9,859
Oakwood Park Grammar School (Academy)	139,529	38,471
Oasis Academy Hextable-OCL	74,989	21,496
Orchards Academy-KAT	89,280	23,143
Petham Primary School Academy	11,531	2,808
Phoenix Academy-FPT	59,804	16,287
Pilgrims Way Primary School Academy	26,432	6,472
Pluckley C of E Primary School Academy-KAT	29,163	7,611
Queen Elizabeth's Grammar School (Academy)	117,508	31,646
R2K- Kemsley Primary School Academy	46,541	11,872
R2K- Milton Court Primary Academy	53,537	13,229
Rainham Mark Grammar School (Academy)	121,432	34,616
Regis Manor Community Primary School (Academy) -SWA	72,658	18,014
Rochester Grammar School (Academy)	106,857	31,135
Saint George's Church of England School (Academy)	160,291	38,273
Saint Laurence in Thanet CEJ Academy-CDT	42,679	10,711
Salmestone Primary and Nursery School (Academy)-KAT	87,696	21,933
Sandwich Technology School (Academy)	181,622	46,410

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Saxon Way Primary Academy-GAT	57,759	16,737
Selling CE Primary (Academy)	42,605	10,578
Shatterlocks Infant School (Academy)-DFA	49,581	12,288
Sheldwich Primary School (Academy)	43,874	10,952
Sir Joseph Williamsons Maths School Academy-WAT	158,180	42,261
Sir Roger Manwood School (Academy)	108,231	28,411
Skinner Street Primary Academy-OCL	33,871	9,480
Skidders Academy	108,472	30,695
Smarden Primary School (Academy)-KAT	11,937	3,035
South Avenue Infant School Academy	11,288	2,804
South Avenue Junior School Academy	10,300	2,579
Spires Academy	84,491	30,374
St Augustine (Academy)-WAT	121,729	32,382
St Eanswythe's CEP School(Academy)-CDT	41,345	10,274
St James CE Primary School Academy-WAT	50,508	14,069
St James The Great Academy-AET	34,759	8,670
St John's CE Primary School (Academy)	49,596	11,924
St Joseph's Catholic Primary School (Academy)-KCP	3,217	796
St Mary's CE Primary Academy Folkestone-CDT	91,225	22,879
St Simon Stock Catholic School Academy-KCP	30,650	7,972
St Stephen's Junior School (Academy)	99,118	26,774
Strood Academy	250,499	63,755
Sturry CE Primary School (Academy)-SAT	55,243	13,716
Temple Ewell CEP School Academy	3,859	953
Temple Grove Academy-TGS	68,464	17,214
The Abbey School (Academy)	202,511	51,944
The Duke of York's Royal Military School (Academy)	270,587	85,720
The Harvey Grammar School (Academy)	132,353	35,244
The Hayesbrook School (Academy)	210,703	56,347
The High Weald Academy-BLT	114,879	29,922
The Maplesden Noakes School (Academy)	153,341	39,460
The Robert Napier School Academy-FPT	235,134	65,944
The Sittingbourne Community College (Academy)-SWA	239,986	62,010
The Skidders School Academy	15,284	4,231
The Tiger Primary School	19,140	4,657
The Towers School (Academy)	261,330	69,346
The Wells Free School	7,525	1,894
The Westlands School (Academy)-SWA	270,091	69,650
Thomas Aveling School (Academy)	170,413	49,122
Tonbridge Grammar School (Academy)	129,280	35,238
Tree Tops Academy-AET	82,934	20,986
Trinity School	7,404	1,972
Tymberwood Academy	14,617	3,899
Valley Park School (Academy)-VIT	178,561	47,764
Walderslade Girls School Academy	140,576	39,294
Warden House Primary Academy	80,347	19,618

Report & Accounts 2014

Wayfield Primary Academy-GAT	39,850	11,698
Weald of Kent Grammar School	123,038	33,145
Wentworth Primary School (Academy)	69,848	17,785
West Malling CEP School (Academy)	51,762	12,946
Westlands Primary School (Academy)-SWA	116,627	29,011
Whitecliffs Primary College for the Arts (Academy)- DFA	51,063	12,935
Wilmington Academy-LAT	116,859	31,215
Wilmington Girls Grammar School (Academy)	96,722	25,841
Wilmington Grammar School for Boys (Academy)	116,927	30,518
Wilmington Primary School (Academy)	15,023	3,603
Woodlands Primary School Academy	177,461	49,596
Wrotham School Academy	100,021	26,869
Wye School	7,251	1,894
York Road Junior Academy-LAT	100,072	25,216

Investment Policy and Performance Report

This report sets out details of the progress made against the Fund's investment strategy during the year.

Asset Allocation

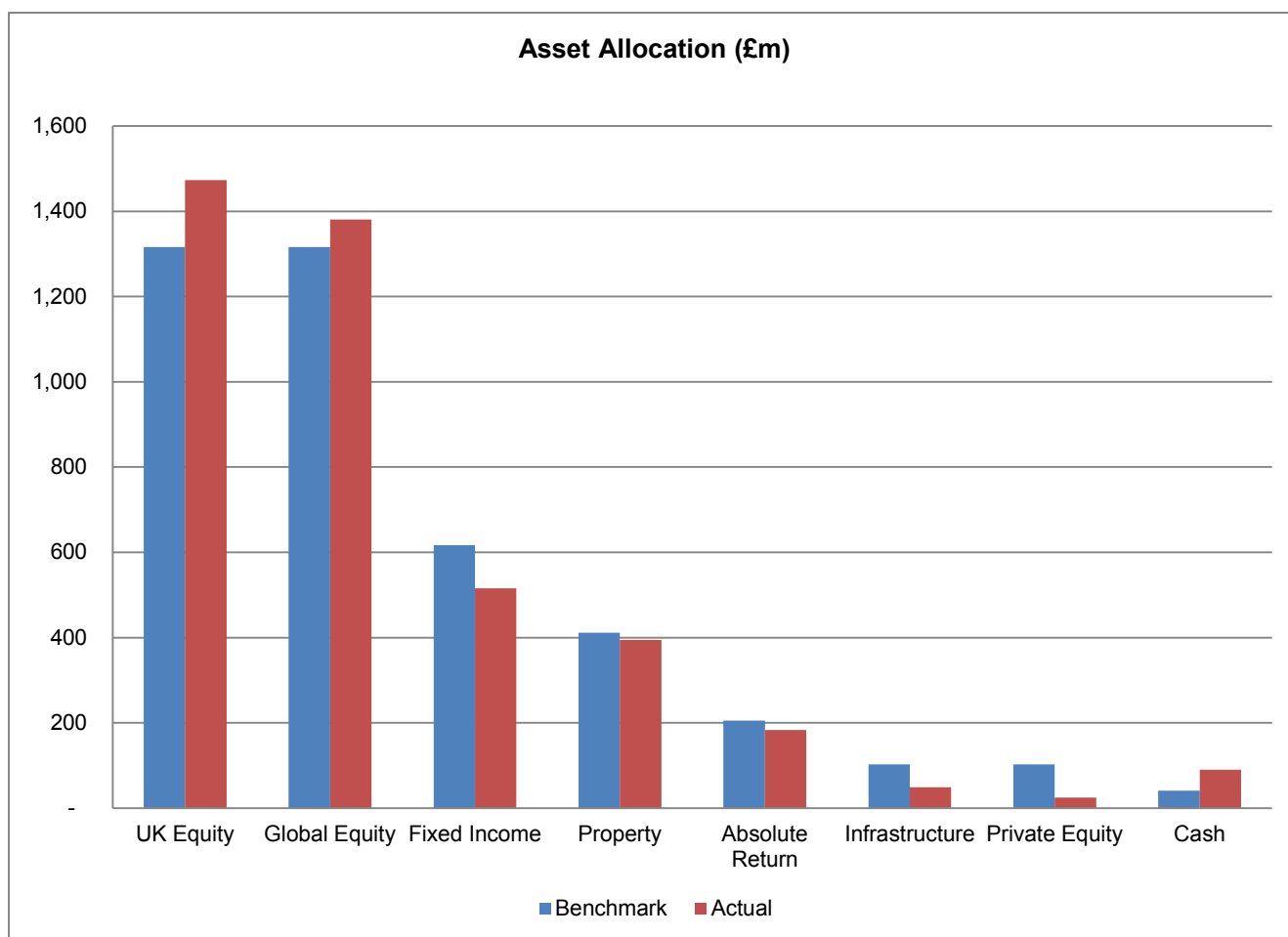
In May 2012 the Superannuation Fund Committee agreed to change the strategic allocations to Private Equity, Infrastructure and Absolute Return asset classes, reducing the allocations to Equities. During 2013-14 although the allocation between asset classes remained unchanged.

At its regular meetings during 2013-14 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 Committee decided to retain the overweight position in Equities and made additional investments where the fund was underweight in specific asset classes i.e. Property and Absolute Return. The flow of cash to the Private Equity and Infrastructure funds continued to be slow resulting in the Fund continuing to be significantly underweight in those asset classes.

The actual asset mix of the holdings compared to the strategic allocation was as follows:

Asset Class	Benchmark %	Actual at 31 March		Change in 2013-14 %
		2014 %	2013 %	
Equities:				
- UK	32.0	35.9	35.6	+0.3
- Global	32.0	33.5	34.8	-1.3
Total Equities	64.0	69.4	70.4	-1.0
Fixed Income	15.0	12.9	13.6	-0.7
Property	10.0	9.6	7.9	+1.7
Absolute Return	5.0	4.5	4.1	+0.4
Infrastructure	2.5	1.1	1.0	+0.1
Private Equity	2.5	0.6	0.5	+0.1
Cash	1.0	1.9	2.4	-0.5
	100.0	100.0	100.0	

Actual Asset Allocation vs Benchmark as at 31 March 2014

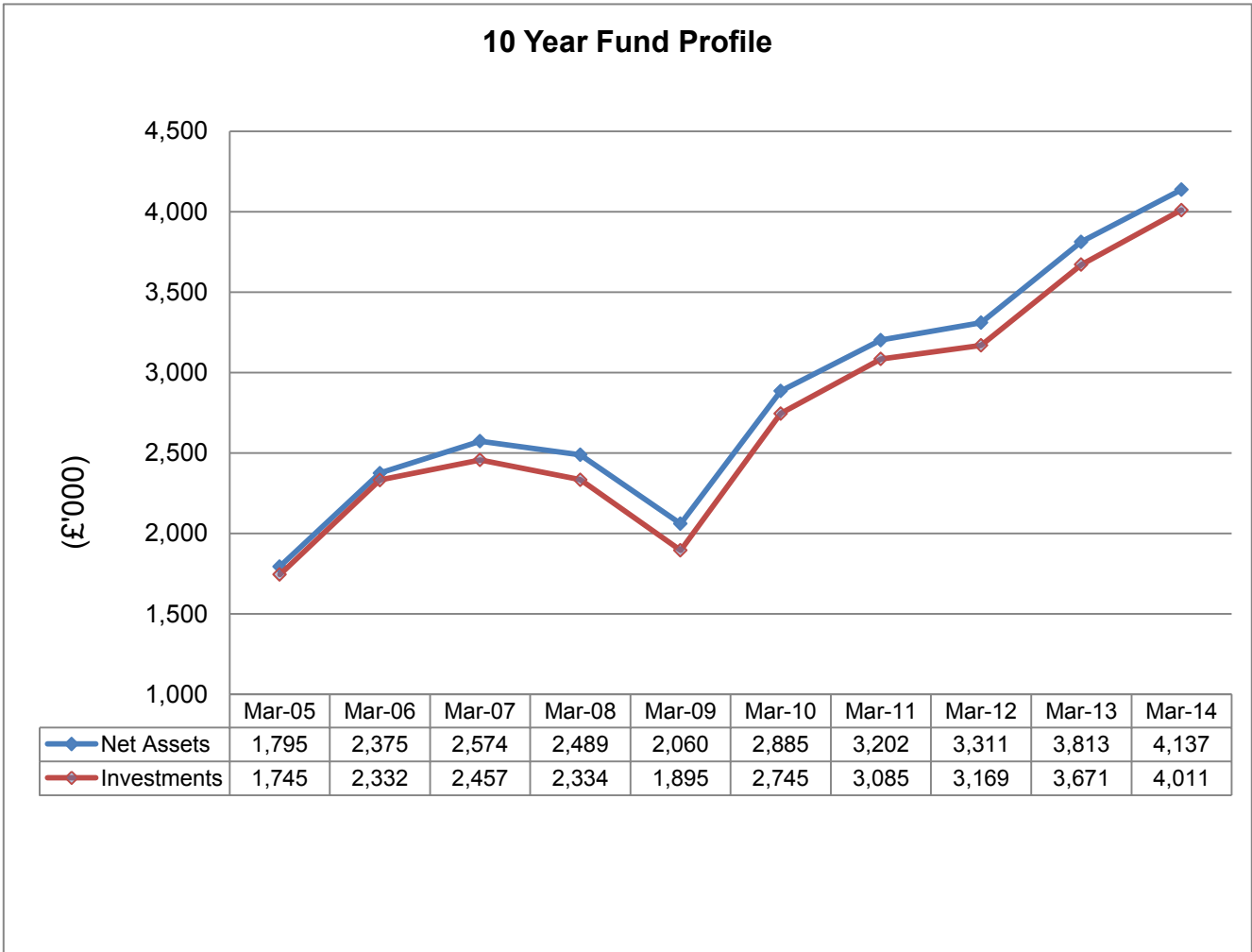


The relative performance of the Fund for 2013-14 was:

Period	Kent Fund %	WM Local Authority Universe Average Return %	Percentile Position
1 Year	8.5	6.4	12
3 Year	8.5	7.5	28
5 Year	13.7	12.7	29

Source: The WM Company. The percentile ranking expresses the Fund's performance relative to the other 88 local authority funds in percentage terms.

The Fund has doubled in value in the past five years as follows:



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. Direct investments are also made in pooled investment funds.

The Superannuation Fund Committee monitors the performance of the fund managers. The Committee met five times during 2013-14 and received detailed reports on the performance of each manager, and two times for extra-ordinary business. Six managers, being mainly responsible for the Fund's segregated or 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.

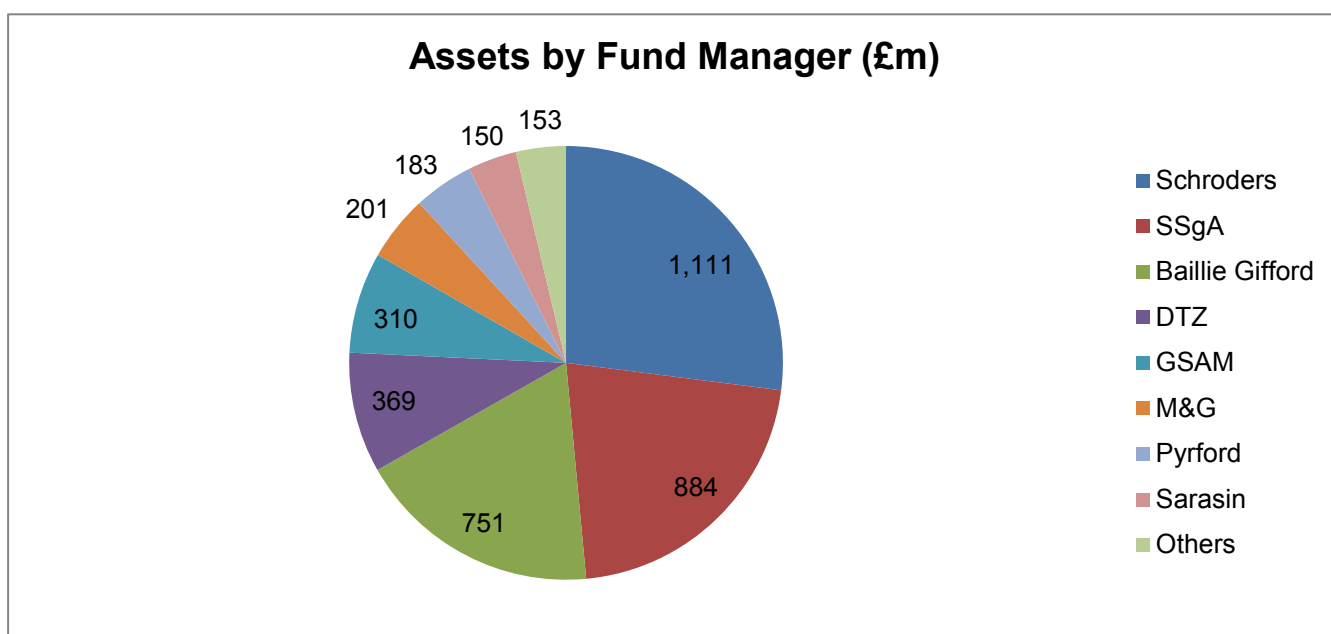
Following a review of the performance of the Fund's external managers and asset allocation the Committee decided to make some portfolio changes during the year including the following:

- Termination of GMO's global equity mandate (circa £240m) and investment of £200m in M&G Investments' Dividend Growth Fund.
- Termination of the Invesco UK equity mandate (circa £530m) and investment of the funds in the State Street global Advisors' (SSgA) UK equity tracker fund, topping up the existing investment.
- Investments of £30m each in two Real Estate Funds managed by Fidelity Worldwide Investments and Kames Capital.
- Appointment of Sarasin and Partners as managers of a £150m segregated global thematic portfolio, funding it from the SSgA International equity tracker fund.

After the above fund manager changes the external manager structure as at 31 March 2014 was:

Manager	% of Fund
Schroder Investment Management	27.1
State Street Global Advisors (SSgA)	21.5
Baillie Gifford & Co	18.3
DTZ Investment Management	9.0
Goldman Sachs Asset Management (GSAM)	7.5
M&G Investments	4.9
BMO Investments (Pyrford)	4.5
Sarasin & Partners	3.6
Partners Group	0.9
Impax Asset Management	0.7
Fidelity Worldwide Investments	0.6
HarbourVest Partners	0.5
Henderson Global Investors	0.2
YFM Equity Partners	0.1
Kames Capital	Yet to be funded

As at 31 March 2014, the value of assets under management by fund manager was:



Further details of the manager mandates are contained in the Statement of Investment Principles and committee papers available at www.kent.gov.uk

Performance Returns to 31 March 2014

The detailed fund manager and Fund investment returns are shown in the table below. The main issues to highlight are:

- The fund has outperformed its benchmark over the 1, 3 and 5 year periods
- All of the major investment managers who held active mandates throughout the 5 year period outperformed their benchmarks: Schroders UK Equities, Global Equities and Fixed Income; Baillie Gifford Global Equities; Goldman Sachs Fixed Income and DTZ Property. Invesco also outperformed their benchmark up to February 2014. These managers represented 62% of total fund assets at 31 March 2014.

Asset Class	1 Year		3 Years (pa)		5 Years (pa)		
	Manager	Fund %	Bench-mark %	Fund %	Bench-mark %	Fund %	Bench-mark %
Total Fund		8.5	7.1	8.5	7.6	13.7	12.9
UK Equities							
Schroders		13.1	8.6	9.3	8.6	17.6	16.0
SSgA		9.0	8.8	8.9	8.8	16.4	16.3
Global Equities							
Baillie Gifford		7.2	7.3	9.3	7.2	17.6	14.3
M&G		n/a	n/a	n/a	n/a	n/a	n/a
Schroders		9.9	8.4	7.3	8.8	16.9	14.9
SSgA		7.6	7.6	8.2	8.2	n/a	n/a
Impax		15.0	8.4	4.0	8.8	n/a	n/a
Sarasin		n/a	n/a	n/a	n/a	n/a	n/a
Fixed Income							
GSAM		3.1	3.5	7.9	7.5	9.7	7.7
Schroders		2.2	0	4.0	3.6	5.9	4.6
Property							
DTZ		15.2	14	9	7.6	11.7	9.9
Fidelity		n/a	n/a	n/a	n/a	n/a	n/a
Kames		n/a	n/a	n/a	n/a	n/a	n/a

Private Equity						
HarbourVest	7.4	0.4	0	0.4	n/a	n/a
YFM	8.3	0.4	19.2	0.4	n/a	n/a
Infrastructure						
Partners	-2.1	0.4	-3.1	0.4	n/a	n/a
Henderson	22.1	0.4	7.5	0.4	n/a	n/a
Absolute Return						
Pyrford	-0.5	7.4	n/a	n/a	n/a	n/a

Source: The WM Company

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

Environmental Social and Governance 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).

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 2013-14

	No of companies		
	For	Against	Abstain
Baillie Gifford	153	62	7
Schroders	51	5	7

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.

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's investments 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 2014 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.

With effect from 1 April 2014 members who are in the main section of the Scheme build up a pension of 1/49th of their pensionable pay. For membership built up between 1 April 2008 and 31 March 2014 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.

Prior to 31 March 2014 the amount that the employee contributed ranged from 5.5% to 7.5% with the rate being determined by the level of the member's pay. From April 2014, these contributions range between 5.5% and 12.5% of 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. Up to 31 March 2014 a scheme member needed to have total membership of at least 3 months to qualify for ill health benefits. Since 1 April 2014 this qualifying period has increased to 2 years.

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, 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, and current and former Scheme members have access to the KCC 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 of which pensioners can become members and participate in a wide variety of activities. KARF has established groups throughout the County and welcomes 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.

2013/14 Disputes considered	2013/14 Appeals upheld
3	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 2013 in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated March 2014.

This statement gives an update on the funding position as at 31 March 2014 and comments on the main factors that have led to a change since the full valuation.

The estimated funding position in this statement at 31 March 2014 is just based on market movements over the year rather than being a full valuation with updated member data.

2013 Valuation

The results for the Fund at 31 March 2013 were as follows:

1. The Fund as a whole had a funding level of 83% i.e. the assets were 83% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a deficit of £784m which is lower than the deficit at the previous valuation in 2010.
2. To cover the cost of new benefits and to also pay off the deficit over a period of 20 years, a total contribution rate of 20.0% of pensionable salaries would be needed.
3. The contribution rate for each employer was set based on the annual cost of new benefits plus any adjustment (expressed either as a percentage of payroll or as a lump sum payment) required to pay for their individual deficit.

Assumptions

The assumptions used at the whole Fund level to value the benefits at 31 March 2013 and used in providing this estimate at 31 March 2014 are summarised below:

Assumption	31 March 2013	31 March 2014
Discount rate	6.0% p.a.	6.1% p.a.
Pension increases	2.7% p.a.	2.8% p.a.
Salary increases	2.7% until 31 March 2015 then 4.5% p.a.	2.8% until 31 March 2015 then 4.6% p.a.
Mortality	The post retirement mortality tables adopted are the S1PA tables. These base tables are then projected using the CMI 2012 Model, allowing for a long term rate of improvement of 1.5% per annum.	

Retirement	Each member retires at a single age, weighted based on when each part of their pension is payable unreduced
Commutation	Members will convert 50% of the maximum possible amount of pension into cash

The effect of the change in the assumptions over the year is discussed in the final section.

Assets

The assumptions used to value the liabilities are smoothed based on market conditions around the valuation date so these asset values have been adjusted in a consistent manner although the difference between the smoothed and market values at either date is not expected to be significant.

At 31 March 2013, the value of the smoothed assets used was £3,786m and this has increased over the year to an estimated £4,175m.

Updated position

The estimated funding position at 31 March 2014 is a funding level of 87% which is an improvement on the position at 31 March 2013.

Changes in the assumptions used to value the liabilities between 31 March 2013 and 31 March 2014 have made a marginal improvement to the funding position. However, the assets have given a return of about 8% over the year which is higher than assumed at the 2013 valuation, and the funding level has seen a significant improvement as a result.

The next formal valuation will be carried out as at 31 March 2016 with new contribution rates set from 1 April 2017.

Roisin McGuire FFA

Actuary

3 July 2014

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 2013/14 is detailed below. There were 5 full meetings during the year.

	Voting rights	Total Attendances
Kent County Council Members		
James Scholes, Chairman	Full	5
Dan Daley, Vice Chairman	Full	5
John Davies	Full	3
Alan Marsh	Full	4
Richard Parry	Full	5
Charlie Simkins	Full	4
Tom Maddison	Full	4
Adrian Crowther	Full	2
Brian MacDowall	Full	5
District Council Representatives		
John Burden, Gravesham Borough Council	Full	1
Nick Eden-Green, Canterbury City Council	Full	5
Paul Clokie, Ashford Borough Council	Full	5
Medway Council Representative		
Les Wicks		5
Staff Representative		
Janet De Rochefort		4
Kent Active Retirement Fellowship		
Alice Dickenson, to February 2014		2
Mary Wiggins		4
David Coupland, from March 2014		0
Union Representative		
Stephen Richards		4

Compliance Statement

Regulation 31 of the LGPS (Administration) Regulations 2008 (Regulation 55 of The Local Government Pension Scheme Regulations 2013) requires the administering authority to prepare a Governance Compliance Statement.

Principle	Full Compliance
<p>Structure</p> <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>Yes</p> <p>See Statement of Investment Principles</p>
<p>Committee Membership and Representation</p> <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, e.g. 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>Yes</p> <p>Yes</p>
<ul style="list-style-type: none"> • During 2013-14 the Superannuation Fund Committee included 9 County Council members, 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. 	

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>

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.

Principle	Full Compliance
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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
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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
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The Committee includes pensions administration issues in its work
The Committee has developed a scrutiny type approach to its review of investment managers.

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
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Details of all Committee meetings are available on the [Kent County Council website](#) including all unrestricted committee papers.

Financial Statements

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 Local Government Pension Scheme (Miscellaneous Amendments) Regulations 2014

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 412 employing bodies participating in the Fund and the profile of the members as at 31 March is as detailed below:

	Contributors		Pensioners		Deferred Pensioners	
	2014	2013	2014	2013	2014	2013
Kent County Council	21,033	21,384	18,342	17,993	21,225	20,887
Other employers	23,884	21,170	16,499	15,738	18,552	16,948
Total	44,917	42,554	34,841	33,731	39,777	37,835

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 2014. 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 valuation applicable to these accounts was at 31 March 2010. The last triennial valuation was at 31 March 2013 and the employer contribution rate then certified will be payable from 1 April 2014.

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	1/80 x final pensionable salary	1/60 x final pensionable salary
Lump Sum	Automatic lump sum of 3/80 x salary x final pensionable salary	No automatic lump sum
	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.	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, ill health 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

The LGPS Regulations 2013 and the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 come into effect from 1 April 2014 and replace existing legislation. The LGPS 2013 Regulations set out details of the new 2014 Scheme which will apply to all membership that builds up on and after 1 April 2014. The LGPS (Transitional Provisions and Savings) Regulations 2014 serve the dual purpose of retaining the previous benefit structure for service up to 31 March 2014, and introducing new protections for members close to retirement to ensure that they are not disadvantaged by the benefit changes.

The table below shows the main provisions of the LGPS 2014 Scheme for membership compared with those of the LGPS 2008 Scheme.

	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.

Employee 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	8.6		Average	6.5

Statement of Responsibilities for the Statement of Accounts

Kent County Council's Responsibilities

The Council is required:

- to make arrangements for the proper administration of the Superannuation Fund's financial affairs and to ensure 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 the Fund's affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the statement of accounts.

I confirm that these Accounts were approved by the Governance and Audit Committee at its meeting on 24 July 2014 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 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 (the Code), 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 2014.

- 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; and
- 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 2014.

Certificate of the Corporate Director of Finance and Procurement



Andy Wood, 24 July 2014

Fund Account for the year ended 31 March

	Notes	2013-14 £000's	2012-13 £000's
Dealings with members, employers and others directly involved in the Fund			
Contributions	5	209,749	213,713
Transfers In from other pension funds	6	6,888	8,840
		216,637	222,553
Benefits	7	(195,374)	(192,463)
Payments to and on account of leavers	8	(8,121)	(7,591)
Administrative and other expenses	9	(3,168)	(2,922)
		(206,663)	(202,976)
Net additions from dealings with Members		9,974	19,577
Returns on Investments			
Investment Income	10	95,214	72,971
Taxes on Income		(3,629)	(2,686)
Profits and losses on disposal of investments and changes in the market value of investments	13a	238,566	424,192
Investment Management Expenses	12	(15,564)	(11,944)
Net Return on Investments		314,587	482,533
Net increase in the Net Assets available for benefits during the year		324,561	502,110

Net Assets Statement as at 31 March

	Notes	2014 £000's	2013 £000's
Investment Assets		4,027,898	3,680,068
Cash Deposits		85,470	108,532
Total Investments		4,113,368	3,788,600
Investment Liabilities		(694)	(1,610)
Net Investments	13	4,112,674	3,786,990
Current Assets	21	37,016	38,402
Current Liabilities	22	(12,431)	(12,694)
Net Assets available to fund benefits at the period end		4,137,259	3,812,698

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) is 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 2013-14 financial year and its position at 31 March 2014.

The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2013-14 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

Fund Account - revenue recognition

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.

Fund Account – expense items

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 received and from capital gains tax on proceeds of investments sold. 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, administrative, governance and oversight expenses

All expenses are accounted for on an accruals basis. Costs relating to Kent County Council staff involved in the administration, governance and oversight of the Fund are incurred by the 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.

Net Assets Statement

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 amounts receivable for sales and amounts payable for purchases. From the trade 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 the final day of the accounting period.
- Fixed interest securities are recorded at net market value based on their current yields.

- 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 Freehold and Leasehold properties were valued at open market prices in accordance with the valuation standards laid down by the Royal Institution of Chartered Surveyors. The last valuation was undertaken by Colliers International, as at 31 December 2013. 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 2014.
- 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. At the reporting date the Fund only held 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 spot market exchange rates ruling at the year-end. All foreign currency transactions including income are translated into sterling at spot market exchange rates ruling at the transaction date. All realised currency exchange gains or losses are included in investment income.

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 every three years by the scheme actuary and the methodology used is in line with accepted guidelines and in accordance with IAS 19. To assess the value of the Fund's liabilities as at 31 March 2014 the actuary has rolled forward the value of the Fund's liabilities calculated for the funding valuation as at 31 March 2013. 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).

3. Judgements and Assumptions made in applying accounting policies

Item	Uncertainties	Effect if actual results differ from assumption
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 £0.54m. A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approx. £0.09m, and a one year adjustment to the mortality age rating assumptions would reduce the liability by approx. £0.22m.
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 £73m. 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 2014, and up to the date when these accounts were authorised that require any adjustments to these accounts.

5. Contributions Receivable

		2013-14 £000's	2012-13 £000's
Employers		163,003	168,282
Members		46,746	45,431
		209,749	213,713
Analysis by Employer			
	Kent County Council	85,872	85,295
	Scheduled Bodies	112,015	115,984
	Admitted Bodies	11,862	12,434
		209,749	213,713

6. Transfers in from other pension funds

		2013-14 £000's	2012-13 £000's
Individual		6,888	8,840
Group		0	0
		6,888	8,840

7. Benefits Payable

		2013-14 £000's	2012-13 £000's
Pensions		159,925	150,713
Retirement Commutation and lump sum benefits		32,501	38,553
Death benefits		2,948	3,197
		195,374	192,463
Analysis by Employer			
	Kent County Council	91,938	89,473
	Scheduled Bodies	93,325	94,606
	Admitted Bodies	10,111	8,384
		195,374	192,463

8. Payments to and on account of leavers

	2013-14 £000's	2012-13 £000's
Individual transfers	8,089	7,590
Refunds of contributions	32	1
	8,121	7,591

9. Administrative, Governance and Oversight expenses

	2013-14 £000's	2012-13 £000's
Administration staff costs	1,673	1,695
Governance and oversight staff costs	253	487
ICT	422	227
Printing and postage costs	215	113
Actuarial Fees	230	169
Audit Fee	30	28
Legal and Other Professional Fees	137	150
Other miscellaneous expenses	208	53
	3,168	2,922

10. Summary of Income from Investments

	Notes	2013-14		2012-13	
		£000's	%	£000's	%
Fixed Interest Securities		13,707	14.4	2,135	3.0
Equities		47,089	49.4	35,411	48.5
Pooled Investments		13,676	14.4	15,343	21.0
Private Equity / Infrastructure		4,431	4.6	3,153	4.3
Property	11	14,997	15.8	12,366	16.9
Pooled Property Investments		3,845	4.0	3,934	5.4
Cash and cash equivalents		(2,752)	(2.8)	374	0.5
Stock Lending		221	0.2	255	0.4
Total		95,214	100.0	72,971	100.0

11. Property Income and Expenditure

	2013-14 £000's	2012-13 £000's
Rental Income from Investment Properties	14,997	12,366
Management Fees	(704)	(743)
Direct Operating Expenses	(2,390)	(640)
Net operating income from Property	11,903	10,983

12. Investment Expenses

	2013-14 £000's	2012-13 £000's
Investment Managers Fees	12,858	11,041
Custody Fees	149	128
Investment Consultancy Fees	108	79
Performance Measurement Fees	59	56
Property operating expenses	2,390	640
Total	15,564	11,944

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

13. Investments

	Market Value as at 31 March 14 £000's	Market Value as at 31 March 13 £000's
Investment Assets		
Fixed Interest Securities	291,458	280,104
Equities	1,518,121	1,264,169
Pooled Investments	1,734,423	1,764,778
Private Equity / Infrastructure	73,486	58,952
Property	282,117	222,027
Pooled Property Investments	111,803	78,000
Derivative contracts		
- Forward Currency contracts	0	2,666
Cash Equivalents	85,470	108,532
Investment income due	10,637	8,505
Amounts receivable for sales	5,853	867
Total Investment Assets	4,113,368	3,788,600
Investment Liabilities		
Amounts payable for purchases	0	(1,610)
Derivative contracts		
- Forward Currency contracts	(694)	0
Total Investment Liabilities	(694)	(1,610)
Net Investment Assets	4,112,674	3,786,990

13a. Reconciliation of movements in investments and derivatives

	Market Value as at 31 March 13 £000's	Purchases at Cost £000's	Sales Proceeds £000's	Change in Market Value £000's	Market Value as at 31 March 14 £000's
Fixed Interest Securities	280,104	62,772	(26,265)	(25,153)	291,458
Equities	1,264,169	925,359	(761,892)	90,485	1,518,121
Pooled Investments	1,764,778	1,181,315	(1,336,834)	125,164	1,734,423
Private Equity / Infrastructure	58,952	16,341	(1,830)	23	73,486
Property	222,027	46,119	(10,886)	24,857	282,117
Pooled Property Investments	78,000	52,006	(20,826)	2,623	111,803
	3,668,030	2,283,912	(2,158,533)	217,999	4,011,408
Derivative contracts					
- Forward Currency contracts	2,666	5,724,998	(5,748,925)	20,567	(694)
	3,670,696	8,008,910	(7,907,458)	238,566	4,010,714
Other Investment balances					
- Cash and cash equivalents	108,532				85,470
- Amounts receivable for sales	867				5,853
- Amounts payable for purchases	(1,610)				0
- Investment Income due	8,505				10,637
Net Investment Assets	3,786,990				4,112,674

13a. Reconciliation of movements in investments and derivatives cont'd

	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	18,106	(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 and cash equivalents	98,850				108,532
- Amounts receivable for sales	40				867
- Amounts payable for purchases	(173)				(1,610)
- Investment Income due	6,654				8,505
Net Investment Assets	3,274,697				3,786,990

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 £980,582 (2012-13, £965,610). 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

14. Analysis of Investments (excluding cash and derivative contracts)

	Market Value As at 31 March 2014 £000's	Market Value As at 31 March 2013 £000's
Fixed Interest Securities		
UK		
Corporate Quoted	27,777	20,205
Overseas		
Public Sector Quoted	46,715	50,524
Corporate Quoted	216,966	209,375
	291,458	280,104
Equities		
UK		
Quoted	729,769	656,558
Overseas		
Quoted	788,352	607,611
	1,518,121	1,264,169
Pooled Funds		
UK		
Fixed Income Unit Trusts	220,607	215,772
Unit Trusts	740,666	689,334
Overseas		
Unit Trusts	773,150	859,672
	1,734,423	1,764,778
Property		
UK	282,117	222,027
Property Unit Trusts		
UK	101,918	63,001
Overseas	9,885	14,999
	393,920	300,027
Private Equity Funds		
UK	3,764	3,912
Overseas	21,197	14,465
Infrastructure		
UK	9,984	8,209
Overseas	38,541	32,366
	73,486	58,952
Total	4,011,408	3,668,030

14a. Analysis of 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.

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	Currency sold	Local Value	Asset value £000's	Liability value £000's
Up to one month	USD	662	GBP	(399)		(2)
Up to one month	USD	536	GBP	(325)		(3)
Up to one month	USD	2,506	GBP	(1,515)		(12)
Up to one month	GBP	47	USD	(78)	1	
One to six months	GBP	25,183	EUR	(30,585)		(103)
One to six months	GBP	1,583	CHF	(2,332)		0
One to six months	GBP	104,558	USD	(174,888)		(347)
One to six months	GBP	104,677	USD	(174,888)		(228)
					1	(695)
Net forward currency contracts at 31 March 2014						(694)
Prior year comparative						
Open forward currency contracts at 31 March 2013						2,666
Net forward currency contracts at 31 March 2013						2,666

14b. Property Holdings

	Year ending 31 March 2014 £000's	Year ending 31 March 2013 £000's
Opening Balance	222,027	222,576
Additions	46,119	18,108
Disposals	(10,886)	(24,250)
Net increase in market value	24,857	5,593
Closing balance	282,117	222,027

15. Investments analysed by Fund Manager

	Market value at 31 March 2014		Market Value at 31 March 2013	
	£000's	%	£000's	%
Baillie Gifford	751,405	18.4	699,449	18.5
DTZ	368,975	9.0	300,027	7.9
Fidelity	25,733	0.6	0	0.0
GMO	0	0.0	220,778	5.8
GSAM	310,429	7.5	296,954	7.9
HarbourVest	21,197	0.5	14,465	0.4
Henderson	9,984	0.2	8,209	0.2
Impax	30,196	0.7	26,251	0.7
Invesco	0	0.0	479,239	12.7
Partners Group	38,541	0.9	32,366	0.9
Pyrford	183,481	4.5	153,450	4.1
Sarasin	149,775	3.6	0	0.0
Schroders	1,110,966	27.1	1,005,812	26.6
SSgA	884,265	21.5	474,052	12.5
YFM	3,764	0.1	3,912	0.1
Kent County Council Investment Team	23,184	0.5	64,262	1.7
	4,112,674	100.0	3,779,226	100.0

All the external fund managers above are registered in the United Kingdom.

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

Asset Class / Investments	31 March 2014	
	£000's	% (of asset class)
Pooled Funds		
UK Fixed Income Unit Trusts		
Schroder Institutional Sterling Broadmarket 'X' Account	111,108	7
SISF Strategic Bond GBP Hedged	109,499	6
UK Unit Trusts		
MPF UK Equity Index Sub-Fund	710,903	42
Overseas Unit Trusts		
BMO Investments (Ireland PLC) (Pyrford) Global Total Return	183,481	11
M&G Global Dividend Fund	200,749	12
MPF International Equity Index Sub-Fund	173,361	10
Schroder GAV Unit Trust	185,363	11
Property Unit Trusts		
Blackrock	21,044	19
L & G Leisure	8,185	7
Fidelity	25,733	23
Hercules	9,544	9
IPIF	7,365	7
Airport Fund	10,403	9
Lothbury	8,498	8
Aurora	9,885	9
Private Equity and Infrastructure Funds		
Private Equity		
UK		
Chandos Fund (YFM)	3,764	5
Overseas		
HIPEP VI - Cayman	12,254	17
HarbourVest Partners IX	8,943	12

Asset Class / Investments	31 March 2014	
	£000's	% (of asset class)
Infrastructure		
UK		
Henderson Secondary PFI Fund I	6,206	8
Henderson Secondary PFI Fund II	3,958	5
Overseas		
Partners Group Global Infrastructure 2009	31,889	43
Partners Group Direct Infrastructure 2011	6,652	9

Property	Type of Property	31 March 2014	
		£000's	% (of asset class)
Location			
3-5 Charing Cross Road, London	Office	22,396	8
102 - 114 Wardour Street, London	Mixed Use	15,626	6
Drury House, London	Office	27,105	10
49/59 Battersea Park Road, London	Industrial	18,060	7
Hertsmere Industrial Estate, Borehamwood	Industrial	14,345	5
Walkergate, Durham	Mixed Use	14,856	5
Lakeside Village, Doncaster	Mixed Use	27,547	10

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 below.

Loan Type	Market Value	Collateral Value	Collateral Type
	£000's	£000's	
Equities	109,962	117,797	Sovereigns and Treasury Bonds and Notes
Bonds	10,463	11,089	Sovereigns and Treasury Bonds and Notes
	120,425	128,886	

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 2014			31 March 2013		
	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	291,458			280,104		
Equities	1,518,121			1,264,169		
Pooled Investments	1,734,423			1,764,778		
Property Pooled Investments	111,803			78,000		
Private Equity / Infrastructure	73,486			58,952		
Derivative contracts	0			2,666		
Debtors/ Receivables		32,649			37,720	
	3,745,781	122,485	0	3,458,041	146,934	0
Financial Liabilities						
Other Investment Balances	(694)			(1,610)		
Creditors			(12,431)			(12,694)
	(694)	0	(12,431)	(1,610)	0	(12,694)
Total	3,745,087	122,485	(12,431)	3,456,431	146,934	(12,694)

17b. Net Gains and Losses on Financial Instruments

	31 March 2014 £000's	31 March 2013 £000's
Financial Assets		
Fair value through profit and loss	213,709	418,599
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	213,709	418,599

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 14		31 March 13	
	Carrying value £000's	Fair Value £000's	Carrying value £000's	Fair Value £000's
Financial Assets				
Fair value through profit and loss	3,745,781	3,745,781	3,458,041	3,458,041
Loans and receivables	122,485	122,485	146,934	146,934
Total Financial Assets	3,868,266	3,868,266	3,604,975	3,604,975
Financial Liabilities				
Fair value through profit and loss	(694)	(694)	(1,610)	(1,610)
Financial liabilities at amortised cost	(12,431)	(12,431)	(12,694)	(12,694)
Total Financial Liabilities	(13,125)	(13,125)	(14,304)	(14,304)

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 fixed interest securities, quoted index linked securities and quoted 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. Investments include unquoted Unit Trusts and Property Unit Trusts.

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.

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 2014	Level 1 £000's	Level 2 £000's	Level 3 £000's	£000's
Financial Assets				
Financial assets at fair value through profit and loss	3,560,492	111,803	73,486	3,745,781
Financial liabilities at fair value through profit and loss	122,485	0	0	122,485
Total Financial Assets	3,682,977	111,803	73,486	3,868,266
Financial Liabilities				
Financial assets at fair value through profit and loss	(694)	0	0	(694)
Financial liabilities at amortised costs	(12,431)	0	0	(12,431)
Total Financial Liabilities	(13,125)	0	0	(13,125)
Net Financial Assets	3,669,852	111,803	73,486	3,855,141

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	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
Values at 31 March 2013	Level 1 £000's	Level 2 £000's	Level 3 £000's	£000's
Financial Assets				
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	146,934	0	0	146,934
Total Financial Assets	3,468,023	78,000	58,952	3,604,975
Financial Liabilities				
Financial assets at fair value through profit and loss	(1,610)	0	0	(1,610)
Financial liabilities at amortised costs	(12,694)	0	0	(12,694)
Total Financial Liabilities	(14,304)	0	0	(14,304)
Net Financial Assets	3,453,719	78,000	58,952	3,590,671

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 diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risks, the Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund has a strategic allocation to Equities at 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.

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 2014-15 reporting period.

Asset Type	Potential Market Movements (+/-)
UK Equities	9.4%
Overseas Equities	11.5%
Global Pooled Including UK	10.5%
Bonds	4.5%
Alternatives	0.5%

The potential price changes disclosed above are based on predicted volatilities calculated based on our experience of returns of our investments over a period of 3 years. The 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):

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Asset Type	Value as at 31 March 2014 £000's	Percentage change %	Value on increase £000's	Value on decrease £000's
Cash and cash equivalents	85,470	0.0	85,470	85,470
Investment portfolio assets:				
UK Equities	729,769	9.4	798,367	661,171
Overseas Equities	788,352	11.5	879,012	697,692
Global Pooled Including UK	1,846,226	10.5	2,040,079	1,652,372
Bonds	291,458	4.5	304,573	278,342
Private Equity	24,961	0.5	25,086	24,836
Infrastructure Funds	48,525	0.5	48,768	48,282
Net derivative assets	(694)	0.0	(694)	(694)
Investment income due	10,637	0.0	10,637	10,637
Amounts receivable for sales	5,853	0.0	5,853	5,853
Amounts payable for purchases	0	0.0	0	0
Total	3,830,557		4,197,151	3,463,961

Asset Type	Value as at 31 March 2013 £000's	Percentage change %	Value on increase £000's	Value on decrease £000's
Cash and cash equivalents	108,532	0.00	108,532	108,532
Investment portfolio assets:				
UK Equities	656,558	9.4	731,603	581,513
Overseas Equities	607,611	11.5	682,044	533,179
Global Pooled Including UK	1,842,778	10.5	2,071,466	1,614,089
Bonds / Index Linked securities	280,104	4.5	289,235	270,972
Private Equity	18,377	0.5	19,320	17,434
Infrastructure Funds	40,575	0.5	42,657	38,494
Net derivative assets	2,666	0.0	2,666	2,666
Investment income due	8,505	0.0	8,505	8,505
Amounts receivable for sales	867	0.0	867	867
Amounts payable for purchases	(1,610)	0.00	(1,160)	(1,160)
Total	3,564,963		3,955,285	3,174,641

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 exposure to interest rate movements as at 31 March 2014 and 31 March 2013 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset Type	31 March 2014 £000's	31 March 2013 £000's
Cash and cash equivalents	85,470	108,532
Cash Balances	4,366	682
Fixed Interest Securities		
- Directly held securities	291,458	280,104
- Pooled Funds	220,607	215,772
Total	601,901	605,090

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 2014 £000's	Change in year in the net assets available to pay benefits	
		+100bps £000's	-100bps £000's
Cash and cash equivalents	85,470	855	(855)
Cash Balances	4,366	43	(43)
Fixed Interest Securities			
- Directly held securities	291,458	2,915	(2,915)
- Pooled Funds	220,607	2,206	(2,206)
Total change in assets available	601,901	6,019	(6,019)

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Asset Type	Carrying amount as at 31 March 2013 £000's	Change in year in the net assets available to pay benefits	
		+100bps £000's	-100bps £000's
Cash and cash equivalents	108,532	1,085	(1,085)
Cash Balances	682	7	(7)
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	605,090	6,051	(6,051)

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 (£233m) 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 2014 and as at the previous period end:

Currency exposure – Asset type	Asset value as at 31 March 14 £000's	Asset value as at 31 March 2013 £000's
Overseas Equities	788,352	607,611
Overseas Pooled Funds	783,035	874,671
Overseas Bonds	46,715	50,524
Overseas Private Equity and Infrastructure	59,738	46,831
Non GBP Cash	11,959	47,374
Total Overseas Assets	1,689,799	1,627,011

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 2014-15 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 2014	Change to net assets available to pay benefits +4.7%	Change to net assets available to pay benefits -4.7%
	£000's	£000's	£000's
Overseas Equities	788,352	825,404	751,299
Overseas Pooled Funds	783,035	819,837	746,232
Overseas Bonds	47,715	48,911	44,519
Overseas Private Equity and Infrastructure	59,738	62,545	56,930
Non GBP Cash	11,959	12,521	11,397
Total change in Assets available	1,689,799	1,769,218	1,610,377

Currency exposure – Asset type	Asset value as at 31 March 2013	Change to net assets available to pay benefits +4.7%	Change to net assets available to pay benefits -4.7%
	£000's	£000's	£000's
Overseas Equities	607,611	636,169	579,053
Overseas Pooled Funds	874,671	915,781	833,561
Overseas Bonds	50,524	52,899	48,149
Overseas Private Equity and Infrastructure	46,831	49,032	44,630
Non GBP Cash	47,374	49,601	45,147
Total change in Assets available	1,627,011	1,703,482	1,550,540

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 that may be placed with any one financial institution. The Fund's cash was held with the following institutions:

	Rating	Balances as at 31 March 2014 £000's	Balances as at 31 March 2013 £000's
Money Market Funds			
JP Morgan Sterling Liquidity Fund	AAAm	38,188	9,060
Blackrock Sterling Government Liquidity Fund	AAAm	0	63
Blackrock USD Fund	AAAm	0	16,205
Goldman Sachs Sterling Liquidity Reserve	AAAm	15,614	14,010
SWIP Global GBP Liquidity Fund	AAAm	933	6,337
Insight Sterling Liquidity Fund	AAAm	20,004	19,911
		74,739	65,586
Bank Deposit Accounts			
HSBC BIBCA	AA-	2,001	0
NatWest SIBA	A	112	19,835
		2,113	19,835

Bank Current Accounts

NatWest Current Account	A	103	50
NatWest Current Account – Euro	A	3,310	29
NatWest Current Account - USD	A	2	0
JP Morgan Chase – Current Account	A+	8,618	23,111
Barclays – DTZ client monies account	A	950	603
		12,983	23,793
Total		89,835	109,214

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. 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 2014 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.

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 2013.

The key elements of the funding policy are:

- To ensure the long-term solvency of the Fund and ensure that sufficient funds are available to meet all the benefits as they fall due for payment
- To ensure employer contribution rates are as stable as possible
- To minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- To reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so

At the 2013 valuation a maximum deficit recovery period of 20 years is used for all employers. Shorter recovery periods have been used where affordable. This will provide a buffer for future adverse experience and reduce the interest cost paid by employers. For Transferee Admission Bodies the deficit recovery period is set equal to the future working life of current employees or the remaining contract period, whichever is the shorter.

The market value of the Fund's assets at the valuation date was £3,813m and the liabilities were £4,570m. The assets, therefore, represent 83% (2010 - 77%) of the Fund's accrued liabilities, allowing for future pay increases.

The contribution rate for the average employer, including payments to target full funding has decreased from 20.8% to 20.0% of pensionable salaries. This is partly due to an anticipated reduction in the cost of future benefit accrual as well as the improvement in funding position. Where the implied rate was judged to be significantly higher than the current rate, if appropriate, rates will be increased gradually to come into line with the full recalculated rate within 3 years.

The actuarial valuation has been undertaken on the projected unit method. At individual employer level the projected unit method has been used where there is an expectation that new employees will be admitted to the Fund. The attained age method has been used for employers who do not allow 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 differences in the value of accrued liabilities and the market value of assets.

The main actuarial assumptions were as follows:

Valuation of assets	Assets have been valued at a 6 month smoothed market rate	
	Expected	Actual
Rate of return on investments	6.6% p.a.	8.5% p.a.
Rate of general pay increases	3.5% p.a.	2.5% p.a.
Rate of increases to pensions in payment (in excess of guaranteed minimum pensions)	3.0% p.a.	3.5% p.a.

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 2014 was £6,323.3m (31 March 2013: £6,044.4m). The Fair Value of the Scheme assets at Bid Value being £4,137.26m, the Fund has a net liability of £2,186.04m as at 31 March 2014. 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 65% 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 2013 triennial funding valuation because IAS19 stipulates a discount rate rather than a rate which reflects market rates.

Assumptions used	% p.a.
Salary increase rate	4.6%
Pensions increase rate	2.8%
Discount rate	4.5%

21. Current Assets

	31 March 2014		31 March 2013	
	£000's	£000's	£000's	£000's
Debtors				
Contributions due – Employees	3,560		3,611	
Contributions due – Employers	22,012		29,976	
Sundry Debtors	1,401		1,944	
Total External Debtors		26,973		32,531
Amounts due from Kent County Council		5,677		5,189
Cash		4,366		682
Total		37,016		38,402
Analysis of External Debtors				
Other Local Authorities		22,709		27,491
Other Entities and Individuals		4,264		5,040
Total		26,973		32,531

22. Current Liabilities

	31 March 2014		31 March 2013	
	£000's	£000's	£000's	£000's
Benefits Payable	5,250		3,688	
Sundry Creditors	4,417		6,957	
Prepaid income	0		1,881	
Total External Creditors		9,667		12,526
Owing to Kent County Council		2,764		2,771
Total		12,431		12,694
Analysis of External Creditors				
Central Government Bodies		179		40
Other Local Authorities		5,158		3,301
Other Entities and Individuals		4,330		9,185
Total		9,667		8,042

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 paid to the AVC provider directly by the employer and are invested separately from the Pension Fund, with Equitable Life Assurance Company, Prudential Assurance Company or Standard Life Assurance Company. These amounts are included within the disclosure note figures below. Prior year figures for Prudential have been updated to reflect the final position.

	Prudential		Standard Life		Equitable Life	
	2013-14 £000's	2012-13 £000's	2013-14 £000's	2012-13 £000's	2013-14 £000's	2012-13 £000's
Value at 1 April	5,440	5,096	2,045	2,035	936	975
Value at 31 March	6,016	5,440	1,967	2,045	862	936
Contributions paid	1,162	1,215	137	132	3	4

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.

	2013-14 £000's	2012-13 £000's
The council is the largest single employer of members of the Pension Fund and during the year contributed:	65,061	66,300
A list of all contributing employers and amounts 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 Kent County Council Pension Fund and Kent County Council, in respect of Pensions administration costs, investment monitoring, legal and other services.	2,910	2,673
Year-end balance due (to) / from Kent County Council arising out of transactions between Kent County Council and Pension Fund	1,736	(168)

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 2013-14](#)

25. Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) as at 31 March 2014 totalled £112m (31 March 2013: £97m).

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

33 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.

Independent Auditor's report to the Members of Kent County Council on the Pension Fund Financial Statements

We have examined the pension fund financial statements for the year ended 31 March 2014, which comprise the Fund Account, the Net Assets Statement and the related notes.

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's Responsibilities, the Corporate Director of Finance and Procurement is responsible for the preparation of the pension fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of Kent County Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

We also read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements.

We conducted our work in accordance with Bulletin 2008/3 issued by the Auditing Practices Board. Our report on the administering authority's full annual statement of accounts describes the basis of our opinion on those financial statements.

Opinion

In our opinion, the pension fund financial statements are consistent with the full annual statement of accounts of Kent County Council for the year ended 31 March 2014 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

We have not considered the effects of any events between the date we signed our report on the full annual statement of accounts (24 July 2014) and the date of this statement.

Grant Thornton UK LLP

Grant Thornton
Fleming Way
Manor Royal
Crawley
RH10 9GT

Date:

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). It has been prepared in accordance with the Local Government Pension Scheme Regulations 2013 (“the Regulations”).

It should be read in conjunction with the Fund’s Statement of Investment Principles (“SIP”).

Purpose of the Funding Strategy Statement

The purpose of the FSS is to explain the Fund’s approach to meeting employers’ pension liabilities and in particular:

- 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 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 FSS 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.

Purpose of the Fund

The purpose of the Fund is to:

- Pay pensions, lump sums and other benefits provided under the Regulations;
- Receive contributions, transfer values and investment income;
- Accumulate and invest money received, and facilitate the management of this; and
- Meet the costs associated in administering the Fund.

Funding Objectives

Contributions are paid to the Fund by Scheme members and the employing bodies to provide for the benefits which will become payable to Scheme members when they fall due.

The funding objectives are to:

- Set levels of employer contribution that will build up a fund of assets that will be sufficient to meet all future benefit payments from the Fund;
- Build up the required assets in such a way that employer contribution rates are kept as low and stable as possible;
- Ensure effective and efficient management of each employer's liabilities; and
- Allow the return from investments to be maximised within reasonable risk parameters.

Key Parties

The key parties involved in the funding process and their responsibilities are as follows:

The Administering Authority

The Administering Authority for the Pension Fund is Kent County Council. The main responsibilities of the Administering Authority are to:

- Operate the Pension Fund;
- Collect and account for employer and employee contributions;
- Invest the Fund's assets ensuring sufficient cash is available to meet liabilities as and when they become due;
- Pay the benefits due to Scheme members;
- Take measures as set out in the Regulations to safeguard the Fund against the consequences of employer default;
- Manage the actuarial valuation process in conjunction with the Fund Actuary;
- Prepare and maintain this FSS and also the SIP after consultation with other interested parties;
- Prepare the Fund accounts.

Individual Employers

In addition to the Administering Authority, a number of scheduled and admitted bodies participate in the Fund.

The responsibilities of each individual employer that participates in the Fund, including the Administering Authority, are to:

- Collect employee contributions and pay these together with their own employer contributions as certified by the Fund Actuary to the Administering Authority within the statutory timescales;
- Notify the Administering Authority of any new Scheme members and any other membership changes promptly;
- Exercise any discretions permitted under the Regulations; and
- Meet the costs of any augmentations or other additional costs, particularly in respect of early retirement strains, in accordance with agreed policies and procedures.

Fund Actuary

- The Fund Actuary for the Pension Fund is Barnett Waddingham LLP. The main responsibilities of the Fund Actuary are to:
- Prepare the actuarial valuation, including the setting of employer contribution rates, after agreeing assumptions with the Administering Authority and having regard to the FSS;
- Advise interested parties on funding strategy and completion of actuarial valuations in accordance with the FSS and the Regulations;
- Prepare the actuarial valuation, including the setting of employer contribution rates, after agreeing assumptions with the Administering Authority and having regard to the FSS;
- Advise interested parties on funding strategy and completion of actuarial valuations in accordance with the FSS and the Regulations;
- 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.
- Advise on other actuarial matters affecting the financial position of the Fund.

Funding Strategy

The factors affecting the Fund's finances are constantly changing, so it is necessary for its financial position and the contributions payable to be reviewed from time to time by means of an actuarial valuation to check that the funding objectives are being met.

The funding strategy seeks to achieve (via employee and employer contributions and investment income) two key objectives:

- A funding level of 100%, as assessed by the Fund's appointed actuary, triennially, in accordance with the Regulations; and
- As stable an employer contribution rate as is practical.

The funding strategy recognises that the funding level will fluctuate with changing levels of employment, retirements and investment income, and the employer contribution has to be adjusted to a level sufficient to maintain the pension scheme's solvency and to achieve a funding level of 100% over the longer term

The actuarial valuation involves a projection of future cash flows to and from the Fund. The main purpose of the valuation is to determine the level of employers' contributions that should be paid to ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund.

The last Actuarial Valuation was carried out as at 31 March 2013 with the assets of the Fund found to represent 83% of the accrued liabilities for the Fund.

Funding Method

The key objective in determining employers' contribution rates is to establish a funding target and then set levels of employer contribution to meet that target over an agreed period.

The funding target is to have sufficient assets in the Fund to meet the accrued liabilities for each employer in the Fund. The funding target may, however, depend on certain employer circumstances and in particular, whether an employer is an "open" employer – one which allows new staff access to the Fund, or a "closed" employer which no longer permits new staff access to the Fund. The expected period of participation by an employer in the Fund may also affect the chosen funding target.

For open employers, the actuarial funding method that is adopted is known as the Projected Unit Funding Method which considers separately the benefits in respect of service completed before the valuation date ("past service") and benefits in respect of service expected to be completed after the valuation date ("future service"). This approach focuses on:

- The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service. It makes allowance for future increases to members' pay and pensions in payment. A funding level in excess of 100% indicates a surplus of assets over liabilities; while a funding level of less than 100% indicates a deficit; and

- The future service funding rate which is the level of contributions required from the individual employers which, in combination with employee contributions is expected to support the cost of benefits accruing in future.

The key feature of this method is that, in assessing the future service cost, the contribution rate represents the cost of one year's benefit accrual.

For employers who do not, or do not appear to, allow new employees to join the Fund, the method used is known as the Attained Age Method which assesses the cost of future benefit accrual over all future years rather than just over the next year. This method generally produces a higher level of employer contribution than the Projected Unit Method but, for these closed employers, it should result in less revision in the future.

For closed limited-term employers such as some Transferee Admission Bodies, a modified version of the Projected Unit Method with a control period equal to the remaining term of the contract may be used and this usually gives results between the Projected Unit Method and the Attained Age Method.

The amounts that the employer then pays are a combination of the future service cost described above and any adjustments for the past service surplus or deficit. If there is a deficit, this adjustment will be specified as an additional contribution expressed as either a percentage of pay or as a cash amount to be paid in future.

Valuation Assumptions and Funding Model

In completing the actuarial valuation it is necessary to formulate assumptions about the factors affecting the Fund's future finances such as inflation, pay increases, investment returns, rates of mortality, early retirement and staff turnover etc.

The assumptions adopted at the valuation can therefore be considered as:

- The statistical assumptions which are essentially estimates of the likelihood of benefits and contributions being paid, and
- The financial assumptions which will determine the estimates of the amount of benefits and contributions payable and their current or present value.

Future Price Inflation

The base assumption in any valuation is the future level of price inflation over a period commensurate with the duration of the liabilities. This is derived by considering the average difference in yields over the appropriate period from conventional and index linked gilts during the six months straddling the valuation date, using the Bank of England Inflation Curves, to provide an estimate of future price inflation as measured by the Retail Price Index (or "RPI").

The resultant figure used in the 2013 valuation is 3.5% per annum.

Future Pay Inflation

As some of the benefits are linked to pay levels at retirement, it is necessary to make an assumption as to future levels of pay inflation. Historically, there has been a close link between price and pay inflation with pay increases in excess of price inflation averaging out at between 1% and 3% per annum depending on economic conditions.

The assumption adopted in the 2013 Valuation is that pay increases will, on average over the longer term, exceed price inflation by 1.0% per annum. In addition, given the current economic climate, it was also assumed that pay increases would be in line with CPI for a period of 2 years.

Future Pension Increases

Pension increases are linked to changes in the level of the Consumer Price Index (or "CPI"). Inflation as measured by the CPI has historically been less than RPI due mainly to different calculation methods.

At the 2013 valuation the adjustment was 0.8% per annum to derive a CPI assumption of 2.7%

For closed employers, an adjustment may be made to the discount rate in relation to the remaining liabilities, once all active members are assumed to have retired if at that time (the projected "termination date"), the employer either wishes to leave the Fund, or the terms of their admission require it.

The Fund Actuary will incorporate such an adjustment after consultation with the Administering Authority.

The adjustment to the discount rate for closed employers is to set a higher funding target at the projected termination date, so that there are sufficient assets to fund the remaining liabilities on a "minimum risk" rather than on an ongoing basis. The aim is to minimise the risk of deficits arising after the termination date.

Asset Valuation

For the purposes of the valuation, the asset value used is the market value of the accumulated Fund at the valuation date adjusted to reflect average market conditions during the six months straddling the valuation date.

Statistical Assumptions

The statistical assumptions incorporated into the valuation, such as future mortality rates, are based on national statistics. These are adjusted as appropriate to reflect the individual circumstances of the Fund and/or individual employers.

Deficit Recovery/Surplus Amortisation Periods

Whilst one of the funding objectives is to build up sufficient assets to meet the cost of benefits as they accrue, it is recognised that at any particular point in time, the value of the accumulated assets will be different to the value of accrued liabilities, depending on how the actual experience of the Fund differs to the actuarial assumptions. Accordingly the Fund will normally either be in surplus or in deficit.

Where the actuarial valuation discloses a significant surplus or deficit then the levels of required employers' contributions will include an adjustment to either amortise the surplus or fund the deficit over a period of years.

The deficit recovery period for each employer will depend upon the significance of the surplus or deficit relative to that employer's liabilities, the covenant of the individual employer and any limited period of participation in the Fund, and the implications in terms of stability of future levels of employers' contribution.

At the 2013 valuation, a maximum deficit recovery period of 20 years is used for all employers. Shorter recovery periods have been used where affordable. This will provide a buffer for future adverse experience and reduce the interest cost paid by employers. For Transferee Admission Bodies the deficit recovery period is set equal to the future working life of current employees or the remaining contract period, whichever is the shorter.

Where an employer's contribution has to increase significantly then, if appropriate, the increase may be phased in over a period not exceeding 3 years.

Pooling of Individual Employers

The policy of the Fund is that each individual employer should be responsible for the costs of providing pensions for its own employees who participate in the Fund. Accordingly, contribution rates are set for individual employers to reflect their own particular circumstances.

However, certain groups of individual employers are pooled for the purposes of determining contribution rates to recognise common characteristics or where the number of Scheme members is small.

Currently there are the following pools within the Fund:

- Kent County Council
- Medway Council
- Colleges
- Kent Academies
- Medway Academies
- Town and Country
- Canterbury Christchurch College
- Folkestone Town Council
- Invicta
- Russet Homes
- Romney Marsh Level Internal Drainage Board

There are also a number of connected employers within the Fund. Connected employers are those where we understand that the organisation controls all of the employers or has responsibility for all the pension obligations. Examples include parent/subsidiaries or former Transferee Admission Bodies who have ceased to participate where the legacy liabilities have been passed back to the Letting Authority. In these instances, the contribution rate has been determined as a pooled rate.

The main purpose of pooling is to produce more stable employer contribution levels in the longer term whilst recognising that ultimately there will be some level of cross-subsidy of pension cost amongst pooled employers.

Cessation Valuations

On the cessation of an employer's participation in the Scheme, the Fund Actuary will be asked to make a termination assessment. Any deficit in the Fund in respect of the employer will be due to the Fund as an immediate exit payment. If it is not possible for all or part of the exit payment to be obtained from the ceasing employer, it may be possible for the exit payment to be paid over a period which the Administering Authority considers reasonable.

In assessing the deficit on cessation, the Fund Actuary may adopt a "minimum risk" discount rate based on gilt yields and adopt different assumptions to those used at the previous valuation. For example, this is likely to apply in instances where there is no employer in the Fund taking responsibility for any residual liabilities of the ceasing employer. This is in order to protect the other employers in the Fund from having to fund any future deficits which may arise from the liabilities that will remain in the Fund.

Early Retirement Costs

The 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. The calculation of these costs is carried out with reference to a calculation method approved by the Fund Actuary.

Links with the Statement of Investment Principles (SIP)

The main link between the Funding Strategy Statement (FSS) and the SIP relates to the discount rate that underlies the funding strategy as set out in the FSS, and the expected rate of investment return, which is expected to be achieved by the underlying investment strategy as set out in the SIP.

As explained above, the ongoing discount rate that is adopted in the actuarial valuation is derived by considering the expected return from the underlying investment strategy. This ensures consistency between the funding strategy and investment strategy.

Risks and Counter Measures

Whilst the funding strategy attempts to satisfy the funding objectives of ensuring there are sufficient assets to meet pension liabilities and stable levels of employer contributions, it is recognised that there are risks that may impact on the funding strategy and hence the ability of the strategy to meet the funding objectives.

The major risks to the funding strategy are financial, although there are other external factors including demographic risks, regulatory risks and employer risks.

Financial Risks

The main financial risk is that the actual investment strategy fails to produce the expected rate of investment return (in real terms) that underlies the funding strategy. This could be due to a number of factors, including market returns being less than expected and/or the fund managers who are employed to implement the chosen investment strategy failing to achieve their performance targets.

The valuation results are most sensitive to the real discount rate. Broadly speaking an increase/decrease of 0.5% per annum in the real discount rate will decrease/increase the liabilities by 10%, and decrease/increase the required employer contribution by around 2.5% of payroll.

However, the Superannuation Fund Committee regularly monitors the investment returns achieved by the fund managers and receives advice from the independent advisers and officers on investment strategy.

The Committee may also seek advice from the Fund Actuary on valuation related matters.

In addition, the Fund Actuary provides funding updates between valuations to check whether the funding strategy continues to meet the funding objectives.

Demographic Risks

Allowance is made in the funding strategy via the actuarial assumptions for a continuing improvement in life expectancy. However, the main demographic risk to the funding strategy is that it might underestimate the continuing improvement in longevity. For example, an increase of one year to life expectancy of all members in the Fund will reduce the funding level by between approximately 1%.

The actual mortality of pensioners in the Fund is monitored by the Fund Actuary at each actuarial valuation and assumptions are kept under review.

The liabilities of the Fund can also increase by more than has been planned as a result of early retirements.

However, the Administering Authority monitors the incidence of early retirements; and procedures are in place that require individual employers to pay additional amounts into the Fund to meet any additional costs arising from early retirements.

Regulatory Risks

The benefits provided by the Scheme and employee contribution levels are set out in Regulations determined by central government. The tax status of the invested assets is also determined by central government.

The funding strategy is therefore exposed to the risks of changes in the Regulations governing the Scheme and changes to the tax regime which may affect the cost to individual employers participating in the Scheme.

However, the Administering Authority participates in any consultation process of any proposed changes in Regulations and seeks advice from the Fund Actuary on the financial implications of any proposed changes.

Employer Risks

Many different employers participate in the Fund. Accordingly, it is recognised that a number of employer-specific events could impact on the funding strategy including:

- Structural changes in an individual employer's membership;
- An individual employer deciding to close the Scheme to new employees;
- An employer ceasing to exist without having fully funded their pension liabilities; and
- New employers being created out of existing employers.

However, the Administering Authority monitors the position of employers participating in the Fund, particularly those which may be susceptible to the events outlined, and takes advice from the Fund Actuary when required.

In addition, the Administering Authority keeps in close touch with all individual employers participating in the Fund to ensure that, as Administering Authority, it has the most up to date information available on individual employer situations. It also keeps individual employers briefed on funding and related issues.

Monitoring and Review

This FSS is reviewed formally, in consultation with the key parties, at least every three years to tie in with the triennial actuarial valuation process.

The Administering Authority also monitors the financial position of the Fund between actuarial valuations and may review the FSS more frequently if necessary.

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 Superannuation Fund 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
- State Street Global Advisers (SSgA)

Overseas Equities:

- Baillie Gifford & Co
- Sarasin & Partners
- Schroder Investment Management
- State Street Global Advisors (SSgA)
- M&G Investments
- Impax Asset Management

Fixed Income:

- Schroder Investment Management
- Goldman Sachs Asset Management (GSAM)

Property:

- DTZ Investment Management
- Fidelity Worldwide Investments
- Kames Capital

Private Equity:

- YFM Equity Partners
- HarbourVest Partners

Infrastructure / PFI:

- Partners Group
- Henderson Global Investors

Absolute / Total Return:

- BMO Investments (Pyrford 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 SSgA.

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 European investment is through the DTZ Aurora Fund.

Where investments are in pooled equity / bond funds, the fund managers have complete discretion over investments in accordance with the prospectus of the 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 to allocate to existing managers.

Monitoring of Investments

- The Superannuation Fund Committee usually meets five times a year. It receives detailed reports on the performance of the Fund as a whole and the performance of each manager. Managers attend the Committee meetings to explain their strategy and answer questions from members of the Committee.

- 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. 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's custodians, JP Morgan undertake a limited programme of stock lending to approved, UK counterparties against non-cash collateral mainly comprising of Sovereigns, Treasury Bonds and notes.

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

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	

SIP - Appendix 2

Investment Manager Mandates

Asset Class / Manager	Benchmark	Performance Target *
UK Equities:		
Schroders	Customised	+1.5%
Invesco	FTSE All Share TR	Unconstrained
SSgA	FTSE All Share TR	Passive
Global Equities:		
Baillie Gifford	Customised	+1.5%
Sarasin	MSCI All Countries World Index	+2.5-4%
M&G	MSCI All Countries World Index	+2.5-4%
Schroders	MSCI World Index NDR	+3-4%
Impax	MSCI World Index NDR	+2%
SSgA	FTSE World ex UK (Custom)	Passive
Fixed Income:		
Schroders	50% ML Composite Broad Market, 50% 3 months Sterling Libor	+2%
GSAM	Absolute Return	3.5-6%
Property:		
DTZ	IPD Pension Fund Index	
Fidelity	IPD UK PF All Balanced Property Fund Index	
Kames	IPD UK PF All Balanced Property Fund Index	
Alternatives: (Cash / Other Assets)		
Private Equity – YFM	GBP 7 Day LIBID	
Private Equity – HarbourVest	GBP 7 Day LIBID	
Infrastructure – Partners	GBP 7 Day LIBID	
Infrastructure - Henderson	GBP 7 Day LIBID	
Absolute Return – Pyrford	Retail Price Index (RPI)	+ 5%
Internally managed cash – KCC Treasury and Investments team	GBP 7 Day LIBID	

*Note: Where performance targets have been agreed to exceed the agreed benchmark, this applies to the average annualised return over the benchmark on a three year rolling basis.

CIPFA Investment Decision Making and Disclosure in the Local Government Pension Scheme – 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
(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
(4) Appointments to committee reflect skills, experience and continuity.	Full
(5) Definition of roles	Full
(6) Skills and knowledge audits of members of the Committee. Annual training plan.	Yes
(7) Regular review of structure and composition of committee.	Yes
(8) Consideration of establishing Sub-committees	Yes
(9) DoF responsible for a member training plan.	Partial
(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.	Partial

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
(1) Liability structure reflected in overall investment objectives.	Yes
(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
(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.	Partial
(11) Committee aware of transaction costs.	Partial

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
(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
(4) Committee should consider if the scheme specific benchmark has determined an acceptable level of risk.	Yes
(5) A risk assessment of the valuation of liabilities and assets should be undertaken as part of the triennial valuation.	Yes
(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
(9) Consideration of cashflows compared with liabilities.	Yes
(10) Annual report should include a risk assessment of the Fund's activities.	Yes

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
(1) With investment managers ensure the selected benchmark is appropriate.	Yes
(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
(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

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
(1) SIP and annual report should include policy on responsible ownership.	Partial
(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
(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

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 feedback 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

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 the 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 8:30am to 5:00pm 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 8:30am to 5:00pm 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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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 9:00am to 5:00pm.
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 8:30am to 5:00pm 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 8:30am to 5:00pm 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.

Employers

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 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 the 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 times a year	X	X	✓

**Kent County Council
Pension Section**

**Kent County Council
Treasury & Investments**

Fund benefits and contributions

Fund accounting and investment

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