

Kent County Council Superannuation Fund Report and Accounts 2017



www.kentpensionfund.co.uk



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Introduction and Overview

Chairman's foreword

The last year has seen a very significant growth in the value of the Pension Fund, with a return of 21% the Fund increased in value by under £1bn.

In the year we also had the results of the triennial actuarial valuation which saw the funding level increase to 89% and employer contribution rates held at 21% for the local authority employers.

These good outcomes are a tribute to the work of the Superannuation Fund Committee and in particular to the Chairman for the last 16 years Mr James Scholes who stepped down from the County Council in May.

The other major development in the year has been the progress made on pooling local authority assets. This is a Government initiative which requires the 89 English and Welsh administering authorities to work collaboratively with neighbouring Councils to set up investment pools and reduce investment management costs. Kent is part of the Collaboration of Central, Eastern and Southern Shires (ACCESS) with 10 other County Council Pension Funds. Good progress is being made.

I am really looking forward to working on a challenging agenda as the new Chairman of the Committee.

Charlie Simkins
Chairman – Superannuation Fund Committee

Introduction and Overview

The Superannuation Fund Committee

The Superannuation Fund Committee exercises all of the powers and duties of the Kent County Council (KCC) in relation to its functions as Administering Authority for the Fund. 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 2016-17 is detailed below. There were 5 full Committee meetings during the year.

Committee Members	
James Scholes, Chairman	Kent County Council
Dan Daley, Vice Chairman	Kent County Council
John Davies	Kent County Council
Alan Marsh	Kent County Council
Richard Parry	Kent County Council
Charlie Simkins	Kent County Council
Tom Maddison	Kent County Council
Zita Wiltshire	Kent County Council
John Burden	Gravesham Borough Council
Nick Eden-Green	Canterbury City Council
Paul Clokie	Ashford Borough Council
Les Wicks	Medway Council
Mary Wiggins	Kent Active Retirement Fellowship
David Coupland	Kent Active Retirement Fellowship
Sophy Lysaght	Unison Representative

A new committee has been constituted following the Council elections in May 2017. Members of the new committee are as follows:

Committee Members 2017-18	
Charlie Simkins, Chairman	Kent County Council
Nick Chard, Vice Chairman	Kent County Council
Dan Daley	Kent County Council
Paul Barrington-King	Kent County Council
Alan Marsh	Kent County Council
Paul Bartlet	Kent County Council
Paul Cooper	Kent County Council
James McInroy	Kent County Council
John Burden	Gravesham Borough Council

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Committee Members 2017-18	
Nick Eden-Green	Canterbury City Council
Paul Clokie	Ashford Borough Council
John Wright	Kent County Council
Les Wicks	Medway Council
Mary Wiggins	Kent Active Retirement Fellowship
David Coupland	Kent Active Retirement Fellowship
Sophy Lysaght	Unison Representative

Local Pensions Board

The Local Pensions Board for Kent was established in April 2015 in accordance with the relevant Government Legislation.

The membership of the Board during 2016-17 is detailed below; there were 2 full Board meetings.

Board Members	
Susan Carey, Chairperson	Kent County Council
Derek Smyth	Kent County Council
David Monk	Shepway District Council
Alison Kilpatrick	Kent and Medway Fire and Rescue Service
Joe Parsons, Vice Chairperson	Unison Representative
Sophy Lysaght	Trade Union Representative
John Peden	Staff Representative
David Coupland	Kent Active Retirement Fellowship Representative

Following the Council elections in May 2017, the Pensions Board has been reconstituted as follows:

Board Members 2017-18	
Margaret Crabtree, Chairperson	Kent County Council
Rosalind Binks	Kent County Council
David Monk	Shepway District Council
Alison Kilpatrick	Kent and Medway Fire and Rescue Service
Joe Parsons, Vice Chairperson	Unison Representative
Sophy Lysaght	Union Representative
John Peden	Staff Representative
David Coupland	Kent Active Retirement Fellowship Representative

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Kent County Council Officers and Others

The day to day operations and management of the Fund and implementing the decisions of the Superannuation Fund Committee are delegated to the KCC Section 151 officer and his staff. 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.

Senior Officers	
Andy Wood	Corporate Director of Finance
Nick Vickers	Business Partner - Pension Fund
Alison Mings	Treasury and Investments Manager
Barbara Cheatle	Pensions Manager

Fund Managers
Schroder Investment Management
Woodford Investment Management
Baillie Gifford & Co
Sarasin & Partners
State Street Global Advisors (SSgA)
M&G Investments
Impax Asset Management
Goldman Sachs Asset Management (GSAM)
DTZ Investment Management
Fidelity Worldwide Investments
Kames Capital
YFM Equity Partners
HarbourVest Partners
Partners Group Management II S.ar.l
Henderson Global Investors
BMO Investments (Pyrford)
Kent County Council Treasury Management Team

Further details of the Fund Manager mandates can be found in the Statement of Investment Principles (SIP) and the Investment Strategy Statement (ISS) which replaced the SIP from 1 April 2017.

Introduction and Overview

Other Organisations providing services to the Kent Fund

Service	Organisation
Custodian	Northern Trust Company
Bankers	National Westminster Bank
Fund Actuary	Barnett Waddingham
Additional Voluntary Contributions (AVC) Providers	Equitable Life Assurance Prudential Assurance Company Standard Life Assurance
Investment Consultants	Hymans Robertson
Auditors	Grant Thornton
Legal Advisors	Kent County Council Legal Services
Performance Measurers	The WM Company (till June 2016) Northern Trust Company (from July 2016) PIRC Limited
Administration software provider	Aquila Heywood

The Kent Pension Fund maintains the following statutory statements and policies; these are reviewed and updated regularly:

- Funding Strategy Statement;
- Investment Strategy Statement (from 1 April 2017);
- Statement of Investment Principles (Up to 31 March 2017);
- Governance Compliance Statement;
- Communications Policy Statement.

These documents can be found on the Pension Fund's website - <http://www.kentpensionfund.co.uk/local-government/fund-information/policies>

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.

Risk register

The Committee regularly reviews the Fund's key risks and has identified the main risks as:

- proposals for Pooling Investments;
- fund investment return below that assumed by the actuary;
- employer outsourcing – admission bodies;
- admission agreements/scheduled body resolutions closed to new members.

Arrangements have been agreed for the management of these risks in order to mitigate their impact on the Fund.

Introduction and Overview

Financial, demographic, regulatory, and employer risks

Details of the counter measures in place for financial, demographic, regulatory, and employer risks are included in the Fund's Funding Strategy Statement (FSS). The FSS is reviewed annually.

Operational risks

Kent County Council's Internal Audit Section conducts regular audits on the management of risk in the 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.

Investment risk management

Further details of the Fund's policy on investment risk management are disclosed in in the Fund's Investment Strategy Statement (ISS). The Superannuation Fund Committee formally considers investment risk at four of its five planned meetings during the year.

Assurance over third party operations is provided by investment managers who are required to provide annual AAF 01/06 reports and ISAE 3402 reports.

Fund Overview

Financial Performance

3 Year forecast vs. actual income and expenditure analysis

The table below compares actual income and expenditure with that projected at the 2013 triennial valuation.

	2014-15 £m	2015-16 £m	2016-17 £m
Projected at 31 March 2013			
Contributions net of pension payments	(8)	(11)	(24)
Investment Income net of expenses	84	89	94
Net income	76	78	70
Actual			
Contributions net of pension payments	(55)	8	16
Investment Income net of expenses	74	90	85
Net income	19	98	101

The triennial valuation forecast a fall in contributions net of payments over the 3 year period however actual net income has increased. The higher income from Employers and Members was mainly due to an additional 5,000 contributing Members partly as a result of the auto-enrolment of new members.

Introduction and Overview

The number of pensioners also increased but lower than forecast CPI resulted in lower actual pension payments. In 2014-15 there was a one off transfer payment of £63.7m to the Greater Manchester Pension Fund which resulted in negative income from dealing with Members in that year.

Net investment income was mainly in line with forecast and takes into account higher management expenses due to the growth in fund valuations.

2016 Triennial Valuation

The Triennial valuation as at 31 March 2016 calculated a funding level of 89%. (2013 - 83%).

The funding level as a percentage has increased due to good investment returns and employer contributions although it has been partly offset due to changes in the financial assumptions used.

The increase in the funding level would normally result in lower employer contributions being required going forward however the lower expected long term return on investments (discount rate) has resulted in higher long term pension liabilities. This, coupled with a shorter recovery period of 17 years as compared to 20 years previously, has resulted in slightly higher contribution rates for employers and a general increase in Payroll has resulted in a higher contributions overall. Pension payments are projected to go up in line with CPI and a marginal increase in number of members retiring.

Details of the Actuary's assumptions used are included in the Barnett Waddingham report on page 34.

Investment income and management costs are projected to rise at a steady rate.

The Table below shows the forecast cash flow for the next three years based on the Actuary's assumptions.

3 year cash flow forecast

	2017-18 £m	2018-19 £m	2019-20 £m
Contributions	222	228	234
Pension payments	-223	-234	-252
Investment income	116	122	128
Management costs	-20	-22	-24
Net Cash Flow	95	94	86

2016-17 performance

During 2016-17 the Fund increased in value by £967.6m (21%) as the result of a net return on investments of £951.7m, and net inflow in respect of dealings with members, taking account of transfers-out, of £16m.

Contributions from Employers and Members increased by £7.3m from 2015-16 reflecting the increase in contributing members and increase in salary. Benefits Payable also increased in 2016-17 by £4.6m, due

Introduction and Overview

to the increase in pensioner members of 1,388.

In 2016-17 management costs, including investment management expenses, were £22.7m, an increase on 2015-16 (£17.8m). The 2016-17 Investment management fees reflected the substantially increased value of assets under management. Administration and other costs were marginally higher than in 2015-16.

Management Expenses

The following table compares actual Administration, Governance and Oversight costs against the budget for 2016-17:

	Actual	Budget
	£000's	£000's
Pensions Administration	2,270	2,299
Fund Administration	482	486
Administration expenses	2,752	2,785
Actuarial Fees	323	283
Actuarial fees directly recovered from employers	-188	-220
Investments and Accounting	180	176
ACCESS pooling costs	92	150
Tax consultants	18	31
Investment Consultants	14	20
Performance Measurement Fees	32	43
Audit fee	31	31
Governance and Oversight Expenses	502	514

Actual Administration expenses were overall lower than budgeted due to savings in staff costs. Governance and Oversight expenses were below budget reflecting lower costs relating to the ACCESS pooling project.

Amounts due from Employers

During 2016-17 KCC continued to streamline the process for collecting contributions from employers resulting in 99% (99% in 2015-16) of total contribution income being received by the due date of the 19th of the month following. At 31 March 2017 amounts outstanding were £16m (31 March 2016 £20m). The option to levy interest on overdue contributions was not exercised.

Employers

During 2016-17 the number of Employers in the Fund increased to 589 mainly as the result of the conversion of schools to academies and the admission to the Fund of more commercial organisations following the outsourcing of service provision from local authorities.

The following table shows a summary of the number of employers in the Fund analysed by scheduled bodies and admitted bodies which are active (i.e. with contributing members) and ceased (i.e. with no active members but with some outstanding liabilities).

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	Active	Ceased	Total
Scheduled Body	290	177	466
Admitted Body	69	53	122
Total	359	230	589

Fund Trends

A summary of the Fund's key trends is shown below:

	2012-13	2013-14	2014-15	2015-16	2016-17
Net Assets @ 31 March (£000's)	3,812,698	4,137,259	4,539,037	4,597,540	5,565,175
Number of Contributors	42,554	44,917	48,668	49,816	50,834
Contributions (£000's)	213,713	209,749	217,714	220,961	228,285
Number of Pensioners	33,731	34,841	35,917	37,260	38,648
Benefits Paid (£000's)	192,463	195,377	207,356	210,281	214,895

Financial Summary

A brief summary for the last 5 years is shown below:

	2012-13 £000's	2013-14 £000's	2014-15 £000's	2015-16 £000's	2016-17 £000's
Value of Fund at start of year	3,310,588	3,812,698	4,137,259	4,539,037	4,597,540
Revenue account for year					
- Contributions and transfers	222,553	216,637	222,177	224,366	238,851
- Investment (net) & other income	58,341	72,853	74,113	90,449	84,792
- Benefits and other expenses	-202,976	-203,495	-277,358	-216,314	-222,949
Net Revenue	77,918	85,995	18,932	98,501	100,694
Increase (Decrease) in market value of investments in year	424,192	238,566	382,846	-39,998	866,941
Increase in Fund during year	502,110	324,561	401,778	58,503	967,635
Value of Fund at end of year	3,812,698	4,137,259	4,539,037	4,597,540	5,565,175

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Fund Investment Assets as at 31 March 2017

	UK £000's	Non-UK £000's	Global £000's	Total £000's
Equities	1,609,354	1,234,999	1,136,972	3,981,325
Bonds	258,955	322,451		581,406
Property	696,230	2727		698,957
Alternatives	15,056	2,904	122,661	140,621
Cash and cash equivalents	117,891	3,432		121,323
Other investment balances	9,062	9,084		18,146
Total	2,706,548	1,575,597	1,259,633	5,541,778

Investment income accrued during 2016-17

	UK £000's	Non-UK £000's	Global £000's	Total £000's
Equities	42,169	16,746	8,601	67,516
Bonds	1,253	14,441		15,694
Property	21,016	13		21,029
Alternatives	314	5,661		5,975
Cash and cash equivalents	315			315
Stock Lending			1,045	1,045
Total	65,067	36,861	9,646	111,574

Five year analysis of the Fund's membership

Type of Members	31 March 13	31 March 14	31 March 15	31 March 16	31 March 17
Contributors	42,554	44,917	48,668	49,816	50,834
Pensioners	33,731	34,841	35,917	37,260	38,648
Deferred Pensioners	37,835	39,777	41,534	42,476	42,352

Member Age Profile

The following table shows that at 31 March 2017 the age profile of the contributing membership was:

Age	Members
Under 20	550
20 – 25	3,671
26 – 30	3,736
31 – 35	4,315
36 – 40	5,282

Introduction and Overview

Age	Members
41 – 45	6,845
46 – 50	8,572
51 – 55	8,190
56 – 60	6,090
61 – 65	2,906
66 – 70	573
Over 70	104

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 shown below:

Year	No	Value £	Action
2013	2	2,847	No response, therefore put forward for write off
Total	2	2,847	
2015	2	16,883	Recovered
	1	3,716	Seeking Recovery
	1	2,040	No response, therefore put forward for write off
Total	4	22,639	

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 £
2012-13	60	18,979
2013-14	15	3,154
2014-15	10	2,975
2015-16	15	3,947
2016-17	36	8,135

Investments

Investment Strategy Overview

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

At its regular meetings during 2016/17 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.

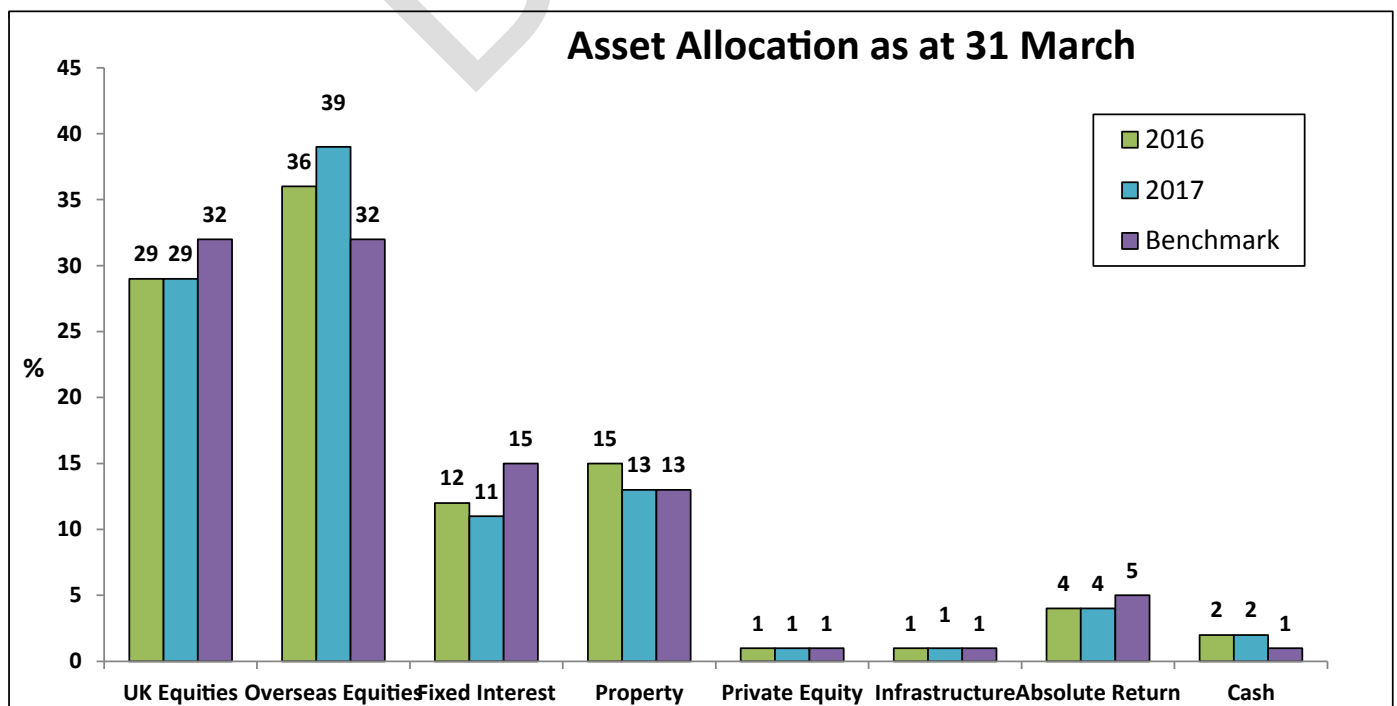
The Fund's strategic asset allocation at 31 March 2017 was as follows:

Asset Class	Allocation %	Index
UK Equities	32	FTSE All Share
Overseas Equities	32	MSCI World Index NDR
Fixed Income	15	BAML GBP Broad Market
Property	13	IPD All Properties Index
Private Equity and Infrastructure	2	GBP 7 Day LIBID
Absolute Return	5	RPI +5%
Cash	1	GBP 7 Day LIBID
Total	100	

There has been no change in the allocation during 2016-17.

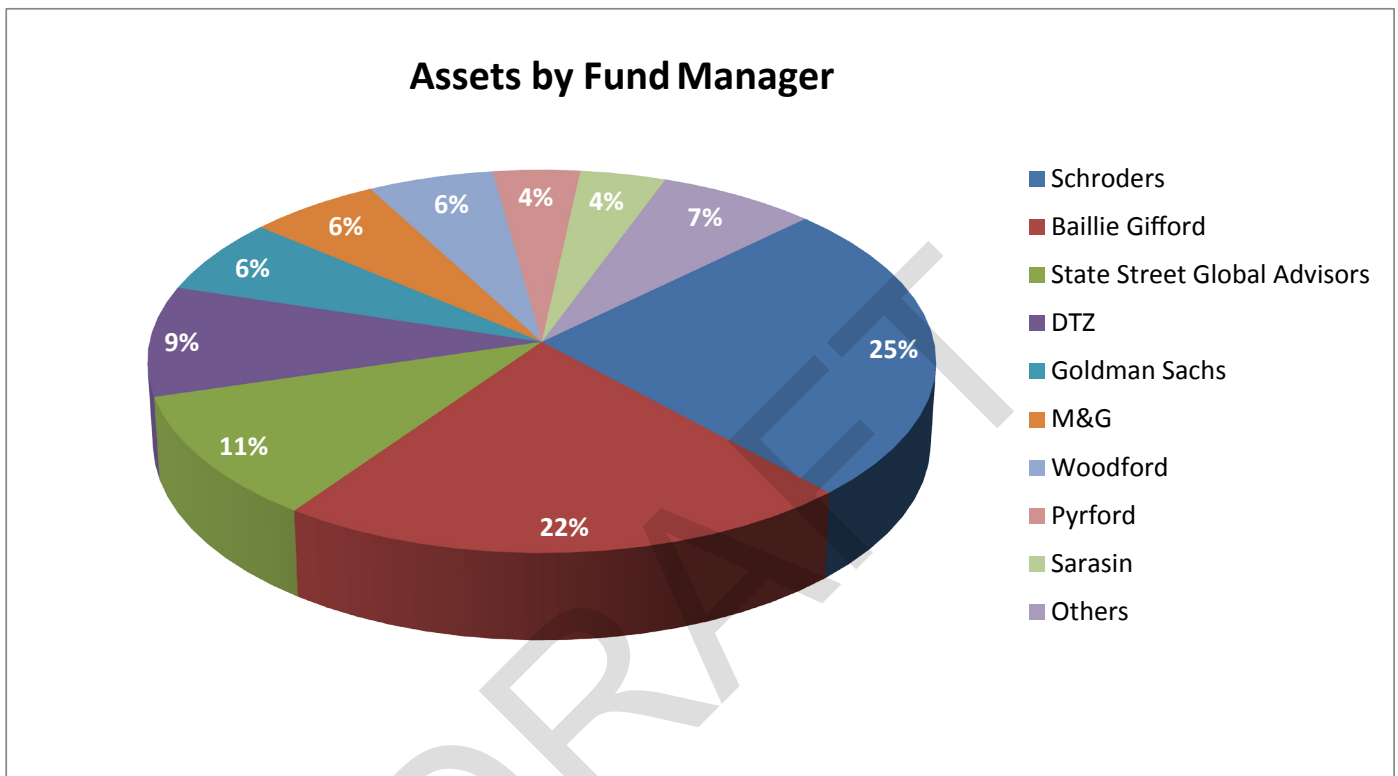
Portfolio Distribution at 31 March

The graph below shows the Fund's actual portfolio distribution between the main asset-classes as at 31 March 2016 and 31 March 2017 vs the benchmark.



Value of Funds under Management by Fund Manager

The following graph shows the proportion of the Fund under management by fund manager as at 31 March 2017 and the table lists the Fund's 10 largest equity holdings at that date.



Equity

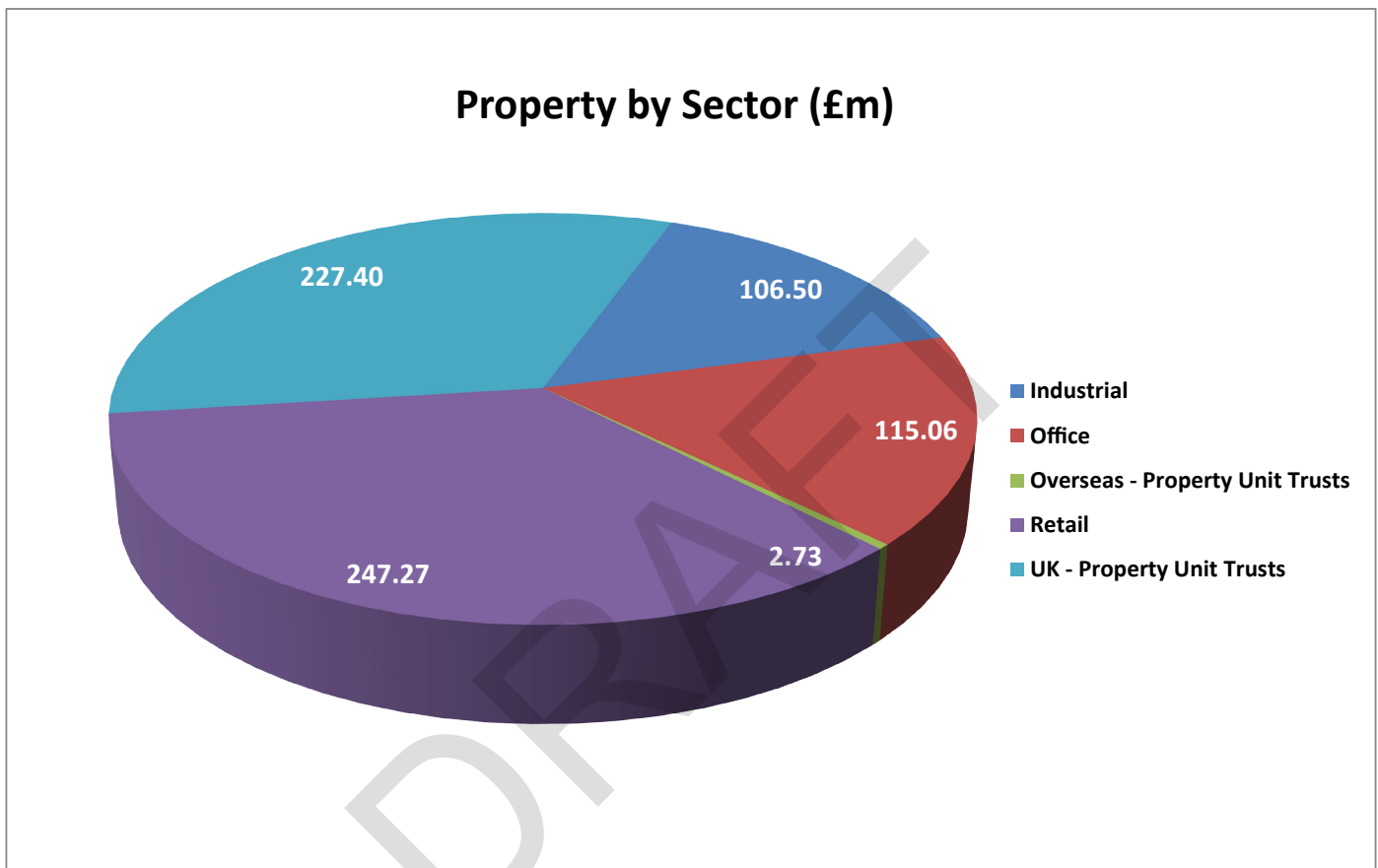
10 Largest Equity Holdings in the Fund as at 31 March 2017

	Market Value £m	% of the Fund's Net Assets
Royal Dutch Shell	67	1.2%
British American Tobacco	44	0.8%
Amazon	39	0.7%
HSBC	38	0.7%
Glaxo Smith Kline	38	0.7%
Rio Tinto	36	0.6%
Vodafone	34	0.6%
Lloyds Banking Group	32	0.6%
Astra Zeneca	31	0.6%
Prudential	30	0.5%
Total	389	7.0%

Investments

Property

The graph below provides detail of the type of property in which the Fund invests whilst the second table provides detail of the Fund's 5 largest direct properties held as at 31 March 2017.



Largest 5 properties held by the Kent Pension Fund

Property	Property Type	Market Valuation £m
Battersea Park, London	Industrial	41.33
Drury House, London	Office	40.14
Lakeside Village, Doncaster	Retail	33.12
Colindale Retail Park, London	Retail	27.83
3-5 Charing Cross Road, London	Retail	26.95

Investment performance 2016-17

The investment performance of the fund managers is reported on a quarterly basis to the Superannuation Fund Committee. The fund managers submit reports and valuations for this purpose and managers of the large mandates meet at least annually with the Committee and / or its officers to make presentations and to answer questions.

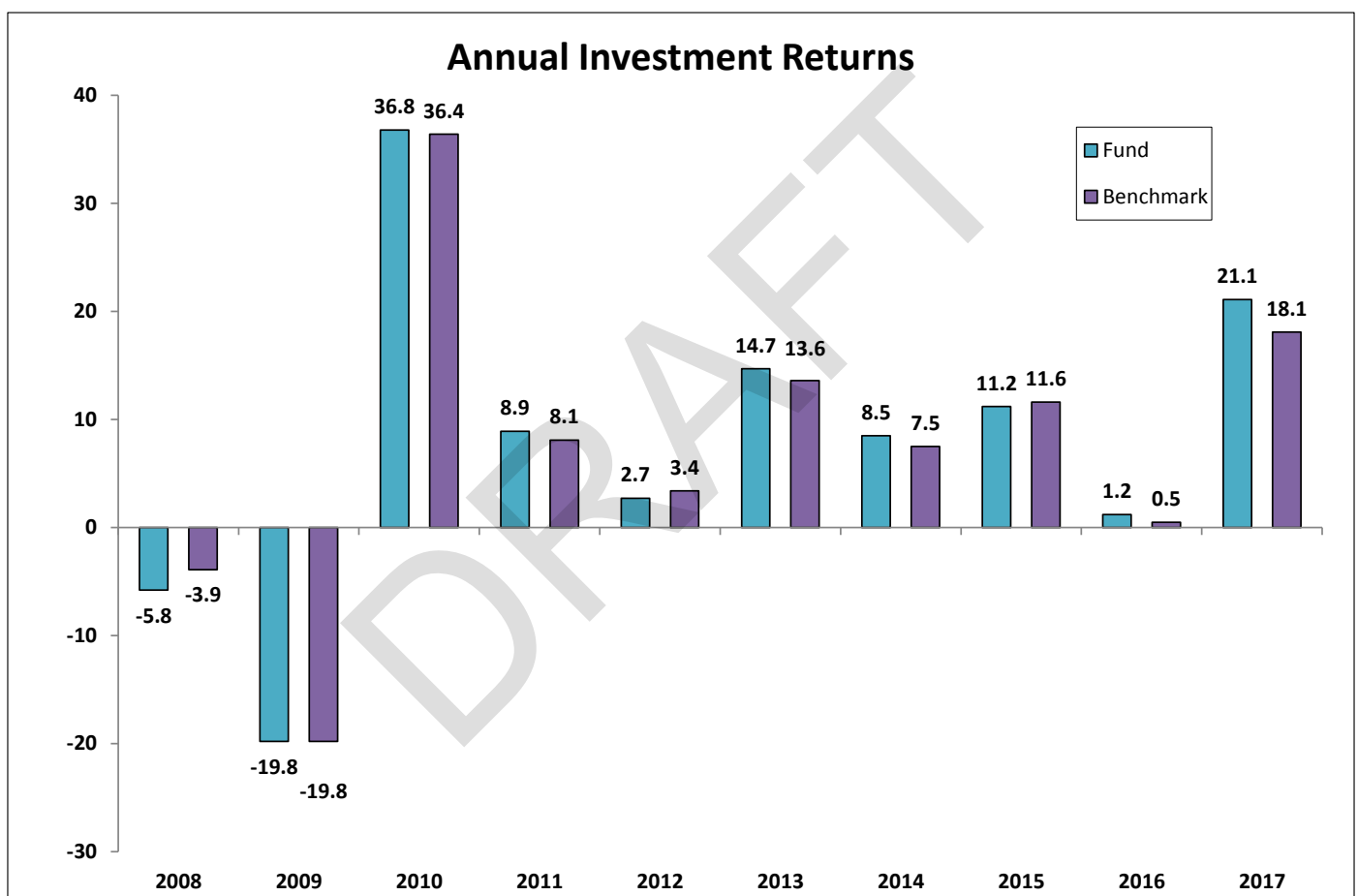
Investments

Fund Managers are required to provide valuation information to Northern Trust which assesses the rate of return achieved and provides performance reports that are for consideration by the Committee.

Total Fund Performance

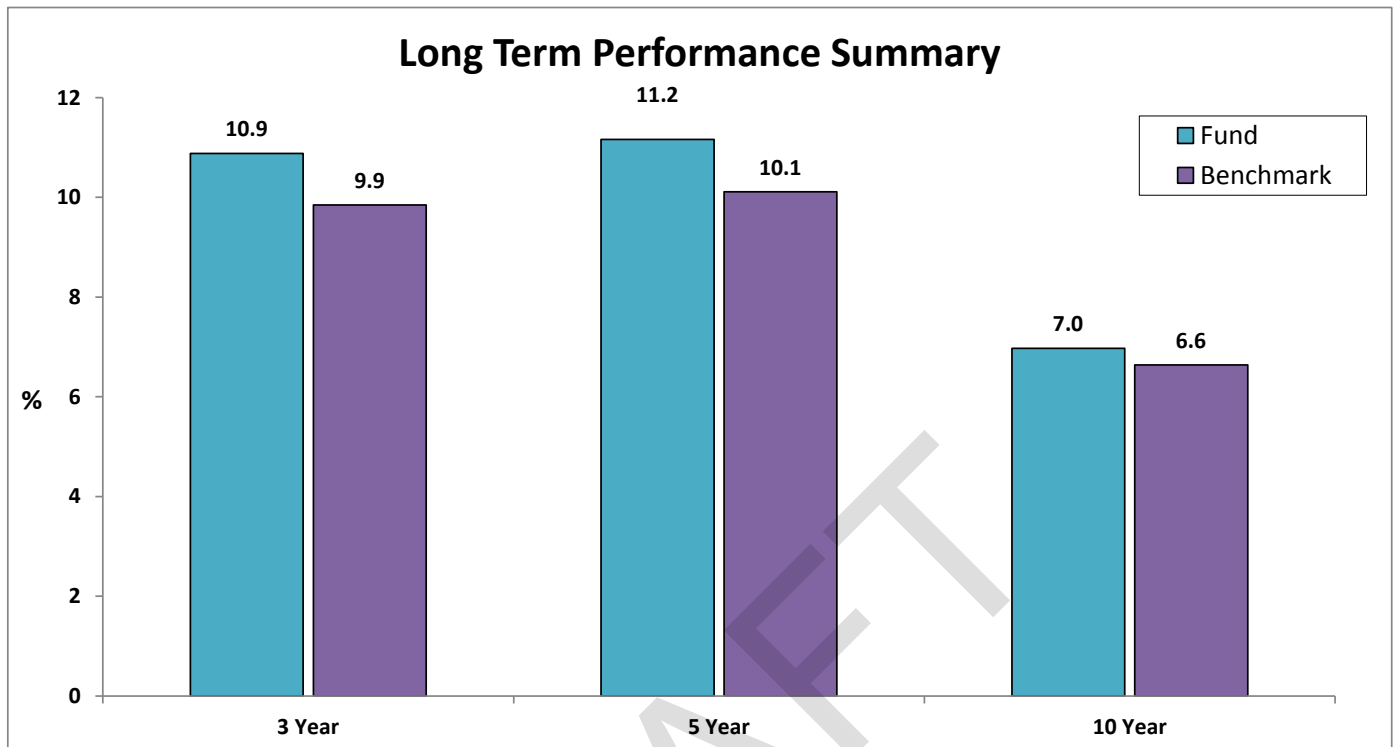
The graph below shows the relative performance of the Kent Fund over the last 10 years. The overall return on the Fund for 2016/17 was 21.1% compared to the customised Strategic benchmark of 18.1%.

For comparison the PIRC Local Authority Universe average fund return for 2016/17 was 21.4%.



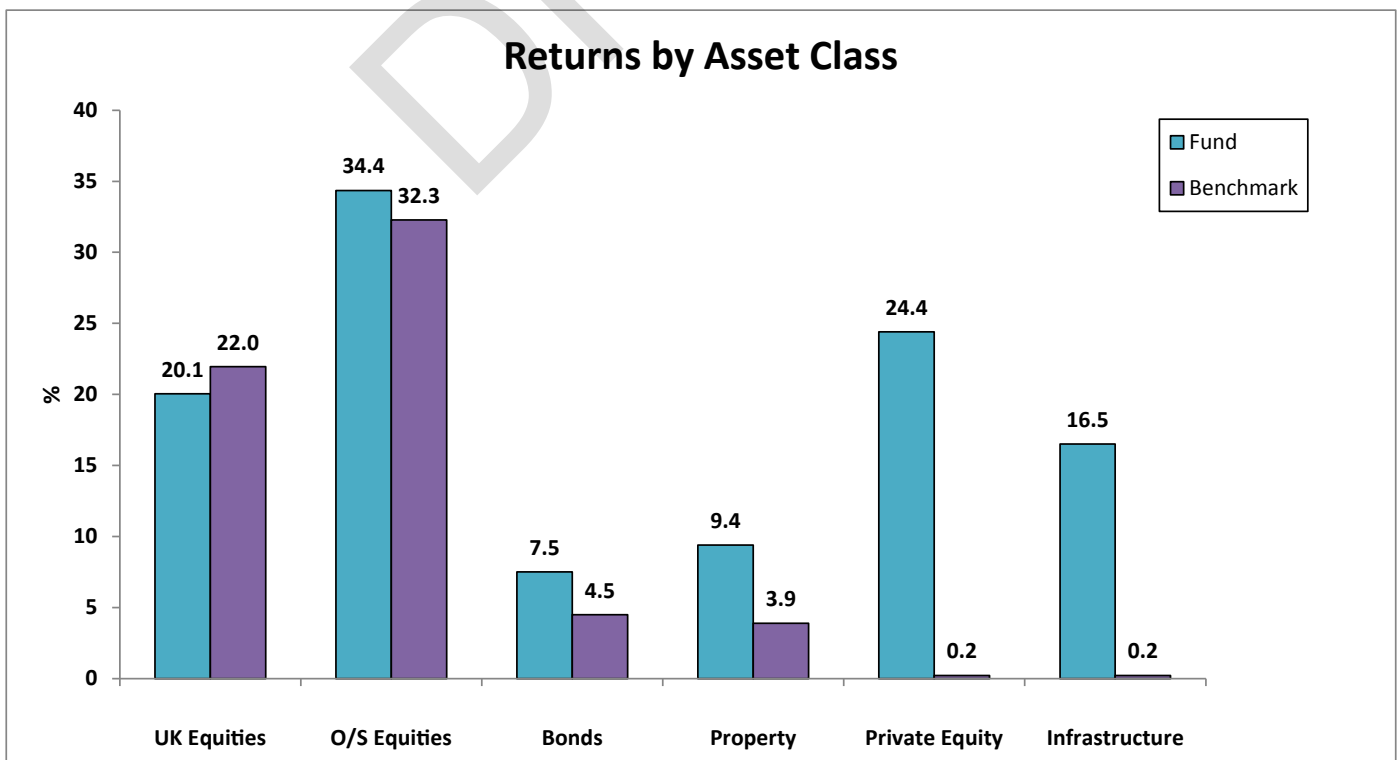
The graph overleaf shows the long term performance of the Fund compared against the Fund's Strategic benchmark.

Investments



Returns by Asset Class for 2016-17

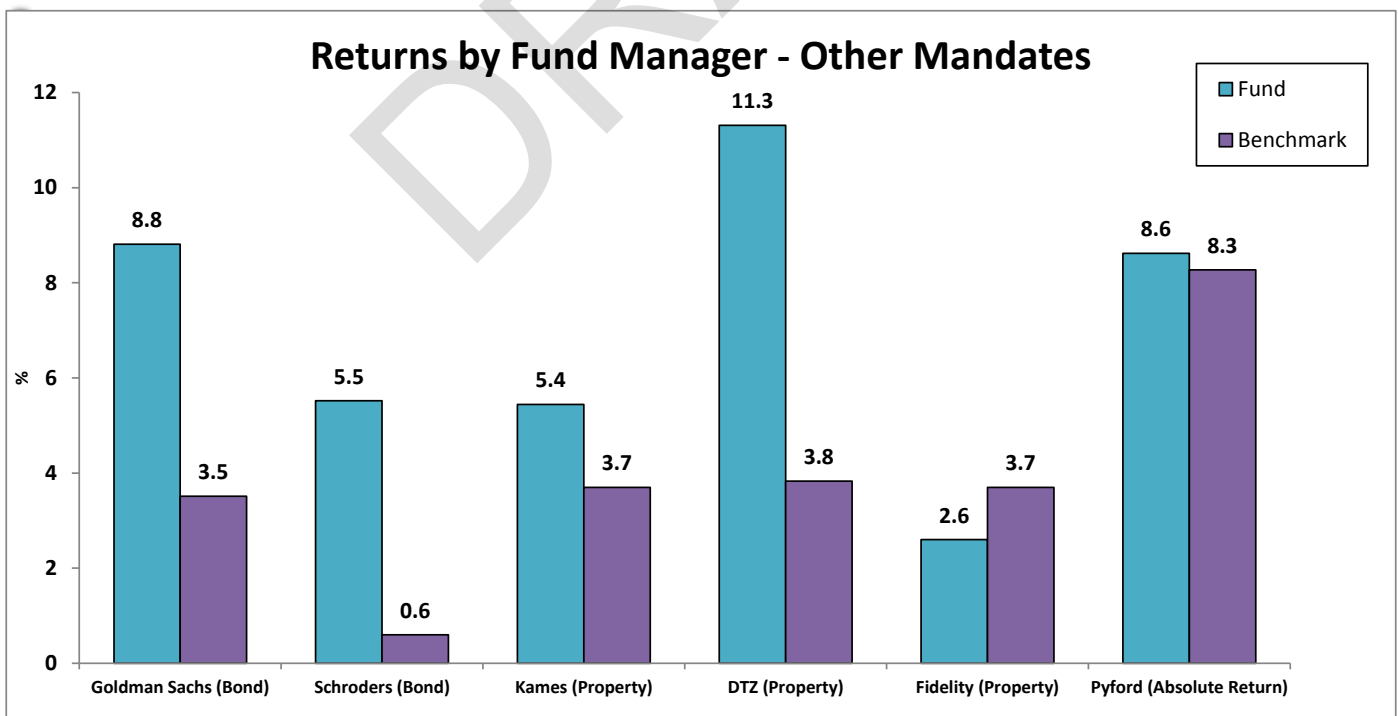
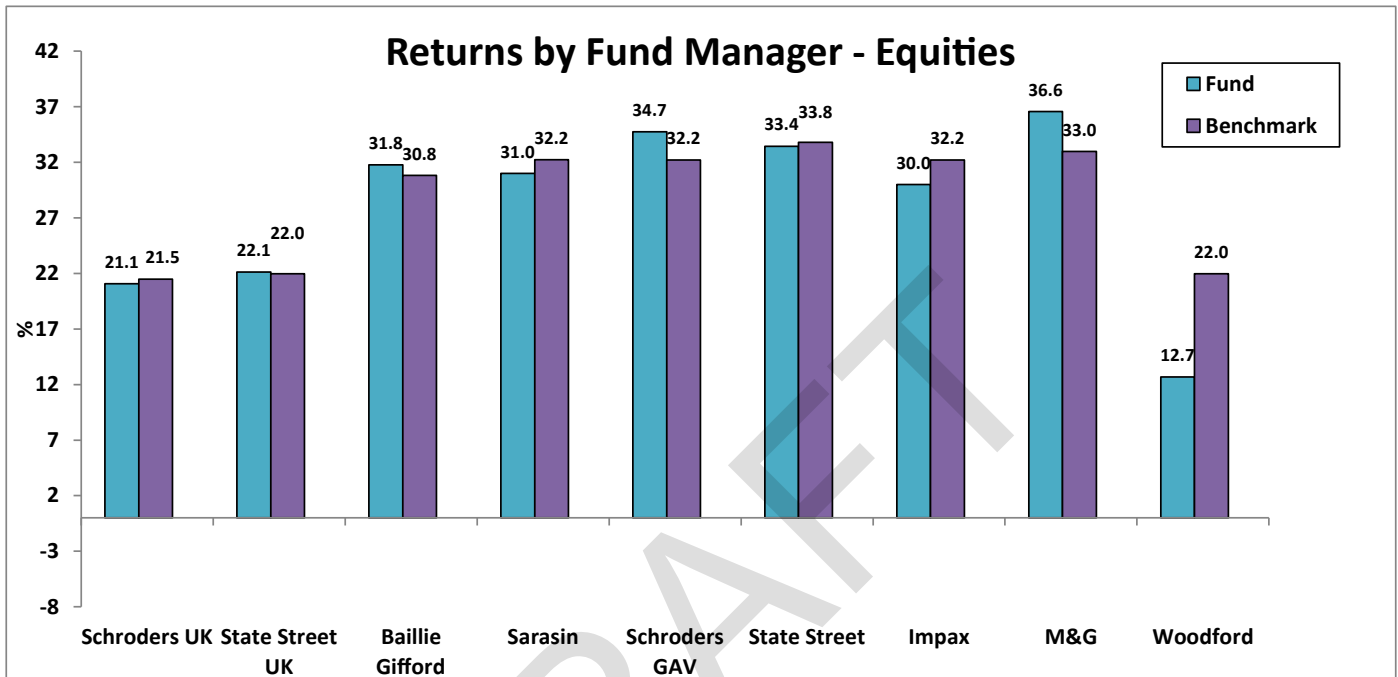
The analysis set out below shows the returns by asset class for 2016/17:



Investments

Performance by Fund Manager

The following graphs show the performance of the Equity and other Mandates compared to their benchmarks for the year ended 31 March 2017.



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) and in the Investment Strategy Statement (ISS) which replaces the SIP from 1 April 2017.

Investments

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 2016/17

	Number of Resolutions		
	For	Against	Abstain
Baillie Gifford	1,704	169	5
Schroders	305	4	0
Sarasin	603	147	37

The Fund is a member of The Pensions and Lifetime Savings Association (PLSA) and The Institutional Investors Group on Climate Change (IIGCC) and has signed up to the UN Principles for Responsible Investments (UNPRI).

Details of the Fund's compliance with the Myners principles are at appendix 4 of the Fund's Statement of Investment Principles available on the Kent Pension Fund website at www.kentpensionfund.co.uk.

Administration

Key Service Standards for Scheme Members

The table below details the Fund's Key Service Standards and performance against these standards.

Type of case	Target time	Number processed	Processed within target
Calculation and payment of retirement award	20 days from receipt of paperwork	2,238	95%
Calculation and payment of dependants benefit	15 days from receipt of paperwork	410	95%
Provision of estimates	20 days from receipt of paperwork	3,145	67%
Correspondence	Full reply within 15 working days	5,370	99%

Administration and governance costs per member of the pension fund were as follows:

- 2016-17: £24.7
- 2015-16: £25.5

Staff to fund-member ratios were:

- 2015-16: 65 staff for 129,552 members
- 2016-17: 64 staff for 131,834 members

There are 359 employers actively participating in the Fund and the profile of members is as detailed below:

	Contributors		Pensioners		Deferred pensioners	
	31Mar 2017	31Mar 2016	31Mar 2017	31Mar 2016	31Mar 2017	31Mar 2016
Kent County Council	22,797	22,363	20,362	19,716	22,595	22,792
Other Employers	28,037	27,453	18,286	17,544	19,757	19,684
Total	50,834	49,816	38,648	37,260	42,352	42,476

Scheme details

The Kent Pension Fund is part of the Local Government Pension Scheme (LGPS) and is administered by Kent County Council (KCC) for the purpose of providing pensions and other benefits for the pensionable employees of KCC, Medway Council, the district and borough councils in Kent and a number of other employers within the county area. The Pension Fund is a reporting entity and KCC as the Administering Authority is required to include the Fund's accounts as a note in its Report and Accounts. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The LGPS is a contributory defined benefit pension scheme.

The Scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance

Administration

with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013 (as amended);
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendments) Regulations 2014 (as amended);
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

The Fund is overseen by the Kent County Council Superannuation Fund Committee (the Scheme manager). The Local Pension Board which was established in 2015 assists the Scheme manager to ensure the effective and efficient governance and administration of the Scheme.

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. Employers in the Fund include Scheduled Bodies which are Local Authorities and similar entities whose staff are automatically entitled to be members of the Scheme; 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 entities or private contractors undertaking a local authority function following a specific business transfer to the private sector.

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2017. 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 liabilities. Any shortfall is being spread over a period of up to a maximum of 20 years. The triennial valuation at 31 March 2013 certified the employer contribution rate payable from 1 April 2014 to 31 March 2017.

The 2013 triennial valuation certified a common contribution rate of 20% of pensionable pay to be paid by each employer participating in the Kent Pension Fund. In addition to this, each employer 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.

The latest triennial valuation carried out as at 31 March 2016 has calculated an average contribution rate of 20.9% of pensionable pay. These rates came into effect from 1 April 2017.

Benefits

Pension benefits under the LGPS are based on the following:

Administration

	Service pre April 2008	Membership from 1 April 2008 to 31 March 2014	Membership from 1 April 2014
Pension	1/80 x final pensionable salary	1/60 x final pensionable salary	1/49 (or 1/98 if opted for 50/50 section) x career average revalued salary
Lump sum	Automatic lump sum of 3/80 x final pensionable salary. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

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, cohabiting 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. There is 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.

There is 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.

Communications

The Pension Section communicates with members and employers in a variety of ways: newsletters

Administration

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, email or telephone enquiries. Information can also be found on the Kent Pension Fund's website, www.kentpensionfund.co.uk. 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 Fund 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 Authority. An independent person is appointed by each employer to consider an appeal made by a scheme member.

2016-17 Disputes considered	2016-17 Appeals upheld
23	2

Administration

The following table lists contributing employers during 2016-17:

Employers	Employer Contributions £	Employee Contributions £
Local Authorities and Other Public Bodies		
Local Authorities		
Kent County Council including Schools	66,968,651	20,091,842
Ashford Borough Council	3,046,094	741,053
Canterbury City Council	3,691,826	802,755
Dartford Borough Council	2,562,403	450,694
Dover District Council	3,024,434	546,290
Gravesham Borough Council	3,081,760	798,620
Maidstone Borough Council	3,054,696	783,873
Medway Council	12,470,925	4,348,428
Sevenoaks District Council	2,908,544	661,358
Shepway District Council	2,745,185	603,628
Swale Borough Council	2,451,929	539,801
Thanet District Council	3,538,322	608,893
Tonbridge & Malling Borough Council	2,422,516	492,928
Tunbridge Wells Borough Council	2,231,770	571,829
Other Public Bodies		
The Chief Constable of Kent	6,589,534	3,648,836
Commercial Services Kent Limited	1,182,613	421,569
Kent & Essex Sea Fisheries Committee	86,301	24,510
Kent Combined Fire Authority	988,183	560,456
Kent Magistrates Courts Committee	1,881,000	-
The Police and Crime Commissioner for Kent	57,711	38,185
Parish Councils		
Ash Parish Council	4,412	1,273
Borough Green Parish Council	14,961	3,057
Broadstairs & St Peters Town Council	9,100	-
Chestfield Parish Council	5,921	1,747
Chiddingstone Parish Council	184	56
Cranbrook Parish Council	12,714	3,531
Darenth Parish Council	11,672	2,367
Deal Town Council	23,196	9,247
Ditton Parish Council	17,207	7,089

Administration

Employers	Employer Contributions £	Employee Contributions £
Dover Town Council	39,769	17,010
Downwood Parish Council	1,858	561
East Kent Housing Arms Length Management Organisation (ALMO)	641,419	281,328
Eastry Parish Council	1,592	561
Ebbsfleet Development Corporation	38,609	28,860
Edenbridge Town Council	46,659	12,995
EK Services (Thanet)	871,086	434,718
Eynsford Parish Council	2,130	1,429
Eythorne Parish Council	297	118
Farningham Parish Council	2,773	653
Faversham Town Council	9,455	2,646
Folkestone Town Council	42,308	14,546
Great Mongeham Parish Council	566	199
Hartley Parish Council	8,442	2,601
Hawkinge Parish Council	7,224	2,801
Herne & Broomfield Parish Council	8,701	2,200
Higham Parish Council	2,880	926
Hythe Town Council	26,281	6,944
Kings Hill Parish Council	17,952	7,457
Leigh Parish Council	2,013	616
Longfield & New Barn Parish Council	793	320
Margate Charter Trustees	927	329
Medway (Lower) IDB	62,287	12,461
Medway (Upper) IDB	49,859	10,907
Minster-on-sea Parish Council	6,136	2,781
Otford Parish Council	2,070	580
Otham Parish Council	846	255
Pembury Parish Council	14,168	5,333
Ramsgate Charter Trustees	20,532	6,120
River Stour IDB	41,068	14,339
Romney Marsh Level IDB	24,889	8,110
Sandwich Town Council	25,423	6,854
Seal Parish Council	3,157	949
Sevenoaks Town Council	74,903	5,783
Snodland Town Council	10,161	3,056
Southborough Town Council	54,327	11,723
Staplehurst Parish Council	1,940	570

Administration

Employers	Employer Contributions £	Employee Contributions £
Stone Parish Council	32,617	9,998
Swanley Town Council	157,512	48,933
Swanscombe & Greenhithe Town Council	42,845	6,734
Temple Ewell Parish Council	1,805	479
Tenterden Town Council	24,132	6,716
West Kingsdown Parish Council	3,067	1,434
Westerham Parish Council	13,003	3,837
Woodnesborough Parish Council	543	191
<i>Further Education Colleges</i>		
Canterbury College	1,084,845	432,965
East Kent College (Thanet College)	774,517	318,203
Hadlow College	602,402	257,052
Hilderstone College	39,540	14,530
Mid Kent College	925,585	370,998
North Kent College	656,570	269,322
West Kent & Ashford College	579,260	226,705
<i>Voluntary and Charitable Entities, and Private Contractors</i>		
Active Life Limited	170,767	72,585
Agilisys Limited	65,019	30,654
Amey Community Limited	143,885	41,493
Amicus Horizon	269,382	33,495
APCOA Parking UK Limited (M.B.C and Swale B.C)	3,506	1,252
Ashford Leisure Trust	65,382	27,723
Avante Partnership	73,209	10,502
Biffa Municipal Limited (Mid Kent Joint Waste)	43,379	13,556
Birkin Cleaning Services Limited	2,724	684
Caldecott Community	152,358	60,152
Canterbury Archaeological Trust	18,118	2,582
Canterbury Christ Church University College	3,443,009	1,317,636
Capita Managed IT Solutions Limited (St George's School)	7,035	1,543
Cater Link Limited	3,252	1,019
Compass Group UK & Ireland	1,693	450
Connexion Partnership Kent & Medway	1,100	420
Enterprise (AOL) Limited	117,033	37,918
Epic Trust	33,854	11,184

Administration

Employers	Employer Contributions £	Employee Contributions £
Fusion Lifestyle	29,797	13,531
Golding Homes	381,379	211,146
Gravesham Community Leisure	119,504	47,067
Hyde Housing Association	91,000	-
Invicta Telecare Limited	68,543	23,964
Kent College, Canterbury	7,433	1,602
Kent College, Pembury	3,000	-
Kent Music School	11,000	-
Kier Facilities Services Limited	55,457	14,626
Locate in Kent Limited	16,026	6,817
Mears Limited	4,491	1,563
Medway Community Healthcare CIC	66,142	21,799
Medway Norse Limited	160,827	59,226
MHS Homes	424,136	114,120
Mitie PFI Limited	30,352	11,491
Mitie Security Limited	12,533	3,717
Mytime Active	4,491	2,954
Norwest Holst Limited	12,058	4,756
NSL Limited	27,607	11,728
Orbit South	29,352	10,590
Orchard Theatre Dartford Limited	33,889	12,961
Pathways to Independence Limited	24,667	7,200
Principal Catering Consultants	7,965	2,743
Project Salus	48,212	27,893
Rochester Bridge Trust	78,250	19,714
Rochester Care Home Limited	24,676	6,627
Russet Homes	315,566	64,971
Sevenoaks Leisure Limited	206,808	89,419
Sevenoaks School	349,300	126,246
Shaw Healthcare (FM Services)	2,005	548
Skanska Construction UK Limited	52,075	15,099
Sodexo Catering	4,411	1,509
Steria Limited	38,180	16,095
Strode Park Foundation for People with Disabilities	93,994	28,189
Tascor Services Limited	32,111	6,558
TCS (Independent) Limited	3,411	1,121
Thanet Leisure Force	79,877	26,004

Administration

Employers	Employer Contributions £	Employee Contributions £
Tonbridge & Malling Leisure Trust	216,541	113,622
Tourism South East	54,449	2,027
Town & Country Group	255,488	79,215
University of Kent	52,467	2,636
Veolia Limited	33,764	8,734
Victory Care Home Limited (Nelson Court)	4,035	1,185
West Kent Housing Association	1,320,105	357,882
Westgate Community Trust	2,063	914
Academy Trusts		
Academies Enterprise Trust (St James the Great Academy)	31,016	8,650
ACE Learning Trust	139,897	39,563
Aletheia Anglican Academies Trust	228,894	68,735
Allington Primary School Trust	57,134	15,943
Amherst School Trust	60,390	18,900
Barton Court Grammar School Academy Trust	91,123	27,953
Borden Grammar School Trust	79,665	23,910
Bradfields Academy	219,164	64,583
Brockhill Park Performing Arts College Trust	148,759	45,448
Brompton Academy Trust	296,032	97,667
Brook Learning Trust	303,131	93,515
Castle Community Trust	235,336	72,827
Castle Trust (Delce Junior Academy)	64,213	19,568
Chatham & Clarendon Grammar School Trust	183,094	56,049
Chatham Grammar School for Girls Trust	94,000	28,797
Chiddingstone Church of England School Trust	31,421	8,823
Chilton Academy Trust	61,781	19,126
Christ Church CE Junior School Ramsgate	50,399	14,345
Christ Church CEP Academy (Folkestone)	84,224	25,235
Cliffe Woods Primary School Trust	36,149	10,326
Coastal Academies Trust	591,472	182,032
Cranbrook School Trust	301,853	93,300
Cygnus Academies Trust	23,864	6,913
Dartford Grammar School Trust	191,191	58,286
Dover Christ Church Academy Trust	154,075	49,258
DYRMS - An Academy with Military Traditions Trust	347,408	115,157
Fort Pitt Thomas Aveling Academies	648,454	197,398

Administration

Employers	Employer Contributions £	Employee Contributions £
Fulston Manor Academies Trust	298,008	89,067
Future Schools Trust	496,441	152,316
Godinton Academy Trust	72,924	20,893
Graveney Primary School Trust	19,650	5,728
Gravesend Grammar School Academies Trust	256,995	77,382
Greenacre Academy Trust	310,296	88,855
Griffin Schools Trust	284,636	84,777
Grove Park Academies Trust	85,964	24,390
Hadlow Rural Community School Limited	11,516	3,293
Hampton Primary School Academy Trust	108,990	31,361
Herne Bay High School Trust	276,352	83,972
Highsted Academy Trust	61,683	18,376
Highworth Grammar School Trust	124,623	37,429
Hillview School for Girls Academy Trust	180,965	56,378
Homewood School & 6th Form Centre Trust	347,646	107,578
Inspire Special Free School Academy	58,996	17,532
Joydens Wood Infant School Trust	49,078	14,371
Joydens Wood Junior School Trust	39,016	11,033
Jubilee Primary School Trust	16,474	4,524
Kent Catholic School's Partnership	1,266,314	382,941
Knole Academy Trust	145,431	45,061
Leigh Academies Trust	1,607,036	496,514
Luddenham School Trust	34,025	9,875
Marlowe Academy	79,049	24,435
Mayfield Grammar School Trust	111,304	33,753
Medway Anglican School Trust	85,953	24,667
Medway UTC (University Technology College)	12,721	3,938
Meopham Community Academies Trust	52,260	14,922
Oakwood Park Grammar School Trust	133,304	46,264
Oasis Community Learning	525,739	164,413
Pathway Academy Trust	47,663	13,500
Peninsula Gateway Academy Trust (Chattenden Primary School)	39,784	11,553
Queen Elizabeth's Grammar School Trust Faversham	99,859	31,754
Rainham Mark Education Trust	161,192	47,353
REAch2 Academy Trust	299,129	86,579
Rochester Diocesan Multi-Academy Education Trust Limited (Rosherville Church of England Academy)	17,328	5,047

Administration

Employers	Employer Contributions £	Employee Contributions £
Sandwich Technology School Trust	166,072	50,297
Sheldwich Primary School Trust	42,495	12,082
Sir Roger Manwood's School Trust	104,243	30,488
Spires Academy Trust	109,361	28,955
St. Eanswythe's CE Primary School	39,828	11,348
St. James' Church of England Primary Academy	39,355	11,306
St. John's Church of England Primary School Maidstone Trust	61,697	17,294
St. Laurence-in-Thamet Church of England Junior Academy	52,220	14,841
St. Marys COE Primary Academy (Folkestone)	80,085	23,058
St. Stephen's Academy Trust	91,356	32,862
Strood Academy Trust	219,588	63,679
Swale Academies Trust	1,091,675	319,888
Temple Ewell Church of England Primary Academy	25,579	7,212
Temple Grove Academy Trust	45,303	13,077
The Abbey School Trust	183,600	53,217
The Academy of Woodlands Trust	190,663	55,906
The Argent Trust (Danecourt School Academy)	99,213	28,273
The Brent Primary School Trust	84,937	24,053
The Canterbury Academy Trust	351,857	108,141
The Diocese of Canterbury Academies Trust	346,247	100,087
The Dover Federation for the Arts	336,367	101,747
The Folkestone Academy Trust	411,452	129,780
The Folkestone School for Girls Academy Trust	148,886	45,139
The Gateway Primary Academy Trust	27,407	7,705
The Harvey Academy Trust	101,961	31,061
The Howard Academy Trust	234,703	69,315
The John Wallis Church of England Academy, Ashford Trust	262,002	77,074
The Kemnal Academies Trust	1,089,203	319,563
The Lilac Sky School Trust	290,621	83,458
The Maplesden Noakes School Trust	133,016	40,548
The Marsh Academy Trust	225,897	74,214
The Norton Knatchbull School Academy Trust	136,009	46,479
The Primary First Trust	72,847	21,636
The Rivermead Inclusive Trust	34,861	11,189
The Skinners' Kent Academy Trust	152,715	50,557
The Skinners' School Academy Trust	84,621	27,725
The Stour Academy Trust	158,935	44,743

Administration

Employers	Employer Contributions £	Employee Contributions £
The Tenax Schools Trust (Bennett Memorial Diocesan School)	161,686	51,008
The Thinking Schools Trust	615,165	185,395
The Village Academy Trust	266,201	76,432
The Wells Free School Trust	18,721	5,214
The Westbrook Trust	109,683	31,420
The Williamson Trust	572,009	172,466
TIMU Academy Trust	121,146	34,513
Tonbridge Grammar School Trust	132,297	42,116
Towers School Academy Trust	198,929	59,097
Trinity School and College	53,689	16,145
United Learning Trust (Wye Free School)	29,876	9,064
Valley Invicta Academies Trust	388,738	119,675
Walderslade Girls' School Trust	134,491	39,368
Warden House Primary School Trust	81,155	23,415
Weald of Kent Grammar School Academy Trust	130,009	40,850
Wentworth Primary School Trust	73,612	21,276
West Malling CEP Academy Trust	49,046	13,631
Wilmington Grammar School for Boys Trust	116,389	34,621
Wilmington Grammar School for Girls Trust	90,247	28,490
Wilmington Primary School Academy	17,322	4,940
Woodard Academies Trust (St Augustine Academy)	133,206	40,904
Wrotham School Trust	82,087	24,577

Actuary's report

Introduction

The last full triennial valuation of the Kent County Council Pension Fund was carried out as at 31 March 2016 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated 31 March 2017.

2016 Valuation Results

Asset value and funding level

The results for the Fund at 31 March 2016 were as follows:

- the smoothed market value of the Fund's assets as at 31 March 2016 for valuation purposes was £4,556m;
- the Fund had a funding level of 89% i.e. the assets were 89% 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 £547m.

Contribution Rates

The employer contribution rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet:

- the annual accrual of benefits allowing for future revaluation of benefits and increases to pensions in payment when these fall due;
- plus an amount to reflect each participating employer's notional share of the Fund's assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date.

The primary rate of contribution at a whole Fund level was 14.9% of payroll p.a. The primary rate as defined by Regulation 62(5) is the employer's share of the cost of benefits accruing in each of the three years beginning 1 April 2017.

In addition each employer pays a secondary contribution as required under Regulation 62(7) that when combined with the primary rate results in the minimum total contributions as set out below. This secondary rate is based on their particular circumstances and so individual adjustments are made for each employer.

Details of each employer's primary and secondary rates are contained in the Rates and Adjustment Certificate in the triennial valuation report.

Assumptions

The key assumptions used at whole Fund level to value the benefits at 31 March 2016 are summarised overleaf:

Actuary's report

Assumption	31 March 16
Discount rate	5.4% p.a.
Pension increases (CPI)	2.4% p.a.
Salary increases	In line with CPI until 31 March 2020 and 3.9% p.a. thereafter
Pension increases on GMP	Funds will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we have assumed that Funds will be required to pay the entire inflationary increases.
Mortality	The post retirement mortality assumptions adopted are as follows: <ul style="list-style-type: none"> • For members, the S2PA series with a multiplier of 95%, making allowance for CMI 2015 projected improvements and a long-term rate of improvement of 1.5% p.a. • For dependants, 115% of the S2PMA tables for male dependants and 110% of the S2DFA tables for female dependants, making allowance for CMI 2015 projected improvements and a long-term rate of improvement of 1.5% p.a.
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

Further details of these assumptions can be found in the relevant actuarial valuation report.

Updated position since the 2016 Valuation

Since 31 March 2016, investment returns have been higher than assumed at the 2016 triennial valuation. The value placed on the liabilities will, however, have also increased slightly due to the accrual of new benefits as well as a decrease in the real discount rate underlying the valuation funding model. Overall, we expect that the funding level should be slightly higher than at 31 March 2016 although the ongoing cost is likely to have increased due to lower real discount rates.

The next actuarial valuation is due as at 31 March 2019 and the resulting contribution rates required by the employers will take effect from 1 April 2020.

Graeme Muir FFA
Partner, Barnett Waddingham LLP

Financial statements

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;
- 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 19 July 2017 on behalf of Kent County Council.

Councillor Nick Chard
Chairman of the Governance and Audit Committee
19 July 2017

Corporate Director of Finance's Responsibilities

The Corporate Director of Finance 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 2017.

In preparing this Statement of Accounts the Corporate Director of Finance has:

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

The Corporate Director of Finance 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 2017.

Certificate of the Corporate Director of Finance

Andy Wood
Corporate Director of Finance
19 July 2017

Financial statements

Fund Account for the year ended 31 March

	Notes	2016-17 £000's	2015-16 £000's
Dealings with members, employers and others directly involved in the Fund			
Contributions	5	228,285	220,961
Transfers In from other pension funds	6	10,566	3,405
		238,851	224,366
Benefits	7	-214,895	-210,281
Payments to and on account of leavers	8	-8,054	-6,033
		-222,949	-216,314
Net additions from dealings with Members		15,902	8,052
Management Expenses	9	-22,738	-17,835
Returns on Investments			
Investment Income	10	111,574	113,444
Taxes on Income		-4,044	-5,160
Profits and losses on disposal of investments and changes in the market value of investments	13a	866,941	-39,998
Net Return on Investments		974,471	68,286
Net increase in the Net Assets available for benefits during the year		967,635	58,503

Net Assets Statement as at 31 March

	Notes	2017 £000's	2016 £000's
Investment Assets		5,554,683	4,582,456
Investment Liabilities		-12,905	-5,300
Net Investment Assets	13	5,541,778	4,577,156
Current Assets	22	37,755	35,356
Current Liabilities	23	-14,358	-14,972
Net Assets available to fund benefits at the period end		5,565,175	4,597,540

Financial statements

Notes to the Pension Fund Account

1. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2016-17 financial year and its position at 31 March 2017.

The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 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 (IAS)19 basis is disclosed at note 21 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 Deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date. 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. Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in 'transfers in'. 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 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. Property related income mainly comprises of rental income which is recognised when it becomes due.

Financial statements

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. Tax is therefore only applicable to dividend income from equity investments. 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, and overheads 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 and non financial assets

Financial assets other than debtors and cash 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 unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager;

Financial statements

- 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 2016. 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 2017;
- debtors / receivables being short duration receivables with no stated interest rate are measured at original invoice amount.

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 and cash equivalents managed by fund managers and cash equivalents managed by Kent County Council 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.

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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 2017 the actuary has rolled forward the value of the Fund's liabilities calculated for the funding valuation as at 31 March 2016. 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 21).

m) Contingent Assets and Liabilities and Contractual Commitments

A contingent asset/liability arises where an event has taken place that gives the Fund a possible right/obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Fund. Contingent assets/liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an inflow/outflow of resources will be required or the amount of the right/obligation cannot be measured reliably. Contingent assets/liabilities are not recognised in the Fund Account but disclosed in a note to the accounts.

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 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 £809m. A 0.5% increase in assumed earning inflation would increase the value of liabilities by approx. £117m, and a one year increase to the life expectancy assumptions would increase the liability by approx. £340m.
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 in the British Venture Capital Association.	The total private equity including infrastructure investments on the financial statements are £138m. There is a risk that this investment may be under-or-over stated in the accounts.

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4. Events after the Fund Account date

There have been no events since 31 March 2017, up to the date when these accounts were authorised, that require any adjustment to these accounts.

5. Contributions Receivable

	2016-17 £000's	2015-16 £000's
By Category		
Employers	176,603	170,651
Members	51,682	50,310
	228,285	220,961
By Authority		
Kent County Council	91,649	90,676
Scheduled Bodies	122,789	116,874
Admitted Bodies	13,847	13,411
	228,285	220,961
By type		
Employees - normal contributions	51,682	50,310
Employers - normal contributions	109,564	106,877
Employers - deficit recovery contributions	61,226	58,326
Employers - augmentation contributions	5,813	5,448
	228,285	220,961

6. Transfers in from other pension funds

	2016-17 £000's	2015-16 £000's
Individual	10,566	3,405
Group	0	0
	10,566	3,405

7. Benefits Payable

	2016-17 £000's	2015-16 £000's
By Category		
Pensions	176,065	171,890
Retirement Commutation and lump sum benefits	34,194	34,383
Death benefits	4,636	4,008
	214,895	210,281

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	2016-17 £000's	2015-16 £000's
By Authority		
Kent County Council	101,829	100,596
Scheduled Bodies	101,253	99,045
Admitted Bodies	11,813	10,640
	214,895	210,281

8. Payments to and on account of leavers

	2016-17 £000's	2015-16 £000's
Group transfers	0	993
Individual transfers	6,568	4,099
Payments for members joining state scheme	273	247
Refunds of contributions	1,213	694
	8,054	6,033

9. Management Expenses

	Notes	2016-17 £000's	2015-16 £000's
Administration costs		2,752	2,382
Governance and oversight cost		470	324
Investment management expenses	12	19,485	15,098
Audit Fees		31	31
		22,738	17,835

10. Summary of Income from Investments

	Notes	2016-17		2015-16	
		£000's	%	£000's	%
Bonds		15,694	14.1	14,074	12.4
Equities		57,164	51.2	53,053	46.8
Pooled Investments		10,351	9.3	12,684	11.2
Private Equity / Infrastructure		5,976	5.4	10,586	9.3
Property	11	13,549	12.1	16,999	15.0
Pooled Property Investments		7,480	6.7	5,369	4.7
Cash and cash equivalents		315	0.3	334	0.3
Stock Lending		1,045	0.9	345	0.3
Total		111,574	100.0	113,444	100.0

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11. Property Income and Expenditure

	2016-17 £000's	2015-16 £000's
Rental Income from Investment Properties	20,995	21,692
Direct Operating Expenses	-7,446	-4,693
Net operating income from Property	13,549	16,999

12. Investment Management Expenses

	2016-17 £000's	2015-16 £000's
Investment Managers Fees	18,170	14,459
Transaction Costs	1,232	502
Custody fees	83	137
Total	19,485	15,098

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

Total transaction costs in 2015-16 were £991,000, £489,000 of which were included in cost of purchases and sales of investments and not recorded separately. From November 2015 all transaction costs incurred on purchases and sales of investments are accounted for separately. 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.

13. Investments at Market Value

	31 March 17 £000's	31 March 16 £000's
Investment Assets		
Bonds	339,752	310,896
Equities	2,192,637	1,732,669
Pooled Investments	2,030,342	1,664,750
Private Equity/Infrastructure	137,717	114,699
Property	468,827	438,105
Pooled Property Investments	230,129	226,697
Derivative contracts		
- Forward Currency contracts	2,905	7,607
Investment Cash and cash equivalents	121,323	70,117
Investment Income due	16,948	12,702
Amounts receivable for sales	14,103	4,214

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	31 March 17 £000's	31 March 16 £000's
Total Investment Assets	5,554,683	4,582,456
Investment Liabilities		
Amounts payable for purchases	-12,905	-5,300
Total Investment Liabilities	-12,905	-5,300
Net Investment Assets	5,541,778	4,577,156

13a. Reconciliation of movements in investments and derivatives

	Market Value as at 31 March 16 £000's	Purchases at Cost £000's	Sales Proceeds £000's	Change in Market Value £000's	Market Value as at 31 March 17 £000's
Bonds	310,896	51,750	-75,882	52,988	339,752
Equities	1,732,669	335,891	-312,898	436,975	2,192,637
Pooled Investments	1,664,750	67,233	-67,189	365,548	2,030,342
Private Equity/ Infrastructure	114,699	17,732	-12,677	17,963	137,717
Property	438,105	314	0	30,408	468,827
Pooled Property Investments	226,697	0	-269	3,701	230,129
	4,487,816	472,920	-468,915	907,583	5,399,404
Derivative contracts					
- Forward Currency contracts	7,607	7,149,625	-7,112,846	-41,481	2,905
	4,495,423	7,622,545	-7,581,761	866,102	5,402,309
Other Investment balances					
- Investment Cash and cash equivalents	70,117			839	121,323
- Amounts receivable for sales	4,214				14,103
- Amounts payable for purchases	-5,300				-12,905

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	Market Value as at 31 March 16 £000's	Purchases at Cost £000's	Sales Proceeds £000's	Change in Market Value £000's	Market Value as at 31 March 17 £000's
- Investment Income due	12,702				16,948
Net Investment Assets	4,577,156			866,941	5,541,778

	Market Value as at 31 March 15 £000's	Purchases at Cost £000's	Sales Proceeds £000's	Change in Market Value £000's	Market Value as at 31 March 16 £000's
Bonds	313,962	36,555	-38,392	-1,229	310,896
Equities	1,744,779	386,150	-340,372	-57,888	1,732,669
Pooled Investments	1,695,987	156,700	-154,068	-33,869	1,664,750
Private Equity/ Infrastructure	96,958	20,456	-17,655	14,940	114,699
Property	407,182	21,291	-26,926	36,558	438,105
Pooled Property Investments	156,019	66,782	-7,792	11,688	226,697
	4,414,887	687,934	-585,205	-29,800	4,487,816
Derivative contracts					
- Forward Currency contracts	-7,993	6,446,800	-6,421,109	-10,091	7,607
	4,406,894	7,134,734	-7,006,314	-39,891	4,495,423
Other Investment balances					
- Investment Cash and cash equivalents	101,593			-107	70,117
- Amounts receivable for sales	0				4,214
- Amounts payable for purchases	-1,510				-5,300
- Investment Income due	11,355				12,702
Net Investment Assets	4,518,332			-39,998	4,577,156

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14. Analysis of Investments

	31 March 17 £000's	31 March 16 £000's
Bonds		
UK		
Corporate Quoted	17,301	19,926
Overseas		
Public Sector Quoted	40,223	39,923
Corporate Quoted	282,228	251,047
	339,752	310,896
Equities		
UK		
Quoted	957,638	782,037
Overseas		
Quoted	1,234,999	950,632
	2,192,637	1,732,669
Pooled Funds		
UK		
Fixed Income Unit Trusts	241,654	228,876
Unit Trusts	651,716	557,991
Overseas		
Unit Trusts	1,136,972	877,883
	2,030,342	1,664,750
Property	468,827	438,105
Property Unit Trusts	230,129	226,697
Private Equity Funds/Infrastructure	137,717	114,699
	836,673	779,501
Derivatives	2,905	7,607
Cash and cash equivalents	121,323	70,117
Investment income due	16,948	12,702
Amounts receivable for sales	14,103	4,214
	155,279	94,640
Total Investment Assets	5,554,683	4,582,456
Investment Liabilities		
Amounts payable for purchases	-12,905	-5,300

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	31 March 17 £000's	31 March 16 £000's
Total Investment Liabilities	-12,905	-5,300
NET INVESTMENT ASSETS	5,541,778	4,577,156

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 000's	Currency sold	Local value £000's	Asset value £000's	Liability value £000's
Up to one month	GBP	1,858	USD	2,267	45	
Up to one month	USD	1,604	GBP	1,297		-14
Up to one month	EUR	1,107	GBP	962		-16
Up to one month	USD	220	GBP	177		-2
Up to one month	USD	426	GBP	340		-1
Up to one month	USD	299	GBP	238	2	
Up to one month	GBP	770	EUR	893	7	
Up to one month	GBP	97,174	USD	120,332	946	
Up to one month	GBP	285	USD	353	3	
Up to one month	GBP	97,174	USD	120,332	946	
Up to one month	GBP	97,252	USD	120,332	1,024	
Up to one month	GBP	9,511	EUR	11,160		-35
					2,973	-68
Net forward currency contracts at 31 March 2017						2,905
Prior year comparative						
Open forward currency contracts at 31 March 2016					7951	-344
Net forward currency contracts at 31 March 2016						7,607

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14b. Property Holdings

	31 March 17 £000's	31 March 16 £000's
Opening Balance	438,105	407,182
Additions	314	21,291
Disposals	0	-26,926
Net increase in market value	30,408	36,558
Closing Balance	468,827	438,105

There are no restrictions on the realisability of the property or the remittance of income or proceeds on disposal and the Fund is not under any contractual obligation to purchase, construct or develop these properties.

The future minimum lease payments receivable by the Fund are as follows:

	31 March 17 £000's	31 March 16 £000's
Within one year	20,547	20,058
Between one and five years	63,622	62,066
Later than five years	88,650	75,794
	172,819	157,918

15. Investments analysed by Fund Manager

	Market value as at			
	31 March 17		31 March 16	
	£000's	%	£000's	%
Baillie Gifford	1,201,818	21.7	910,953	19.9
DTZ	520,265	9.4	486,979	10.6
Fidelity	109,577	2.0	106,854	2.3
Goldman Sachs	354,877	6.4	327,612	7.2
HarbourVest	65,469	1.2	53,921	1.2
Impax	42,993	0.8	33,067	0.7
Kames	60,596	1.1	60,644	1.3
M&G	330,157	6.0	244,275	5.3
Partners Group	57,191	1.0	52,546	1.2
BMO (Pyrford)	218,498	3.9	199,931	4.4
Sarasin	215,589	3.9	164,354	3.6
Schroders	1,408,560	25.4	1,165,045	25.5
State Street Global Advisors	589,586	10.6	521,371	11.4

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	Market value as at			
	31 March 17		31 March 16	
	£000's	%	£000's	%
YFM	15,056	0.3	8,233	0.2
Kent County Council Treasury Management Team	34,939	0.6	19,248	0.4
Woodford	316,607	5.7	222,123	4.8
Total	5,541,778	100	4,577,156	100

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 17	
	£000's	% (of asset class)
Pooled Funds		
UK		
UK Fixed Income Unit Trusts		
SISF Strategic Bond GBP Hedged	241,654	30.7
UK Equity Unit Trusts		
MPF UK Equity Index Sub-Fund	311,495	39.6
CF Woodford Equity Income Fund	316,607	40.2
Overseas		
Overseas Unit Trusts		
BMO Investments (Ireland PLC) Global Total Return-Pyrford	218,498	18.8
M&G Global Dividend Fund	316,673	27.3
MPF International Equity Index Sub-Fund	278,091	24.0
Schroder GAV Unit Trust	280,716	24.2
Property Unit Trusts		
Fidelity UK Real Estate Fund	109,577	47.6
Kames Capital UK Active Value Property Unit Trust	60,596	26.3
M&G Residential Property Fund	13,433	5.8
Private Equity and infrastructure funds		
Private Equity		
UK		
YFM Equity Partners 2015	9,286	11.5
Overseas		
HIPEP VI- Cayman	29,235	36.3

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Asset Class / Investments	31 March 17	
	£000's	% (of asset class)
HarbourVest Partners IX	36,234	45
Infrastructure		
Overseas		
Partners Group Global Infrastructure 2009	40,049	70
Partners Group Direct Infrastructure 2011	17,142	30

Property location	Type of Property	£000's	% (of asset class)
49/59 Battersea Park Road, London	Industrial	41,331	8.8
Drury House, London	Office	40,137	8.6
Lakeside Village, Doncaster	Mixed Use	33,124	7.1
Colingdale Retail Park, London	Retail	27,828	5.9
3-5 Charing Cross Road, London	Office	26,945	5.7
151-161 Kensington High Street, London	Retail	24,880	5.3
The Sanctuary, London	Office	23,581	5.0

	31 March 16	
	£000's	% (of asset class)
Pooled Funds		
UK		
UK Fixed Income Unit Trusts		
SISF Strategic Bond GBP Hedged	228,876	29.1
UK Equity Unit Trusts		
MPF UK Equity Index Sub-Fund	313,020	39.8
CF Woodford Equity Income Fund	222,123	28.2
Overseas		
Overseas Unit Trusts		
BMO Investments (Ireland PLC) Global Total Return-Pyrford	199,931	22.8
M&G Global Dividend Fund	231,689	26.4
MPF International Equity Index Sub-Fund	208,351	23.7
Schroder GAV Unit Trust	204,844	23.3
Property Unit Trusts		
Fidelity UK Real Estate Fund	106,854	47.1

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	31 March 16	
	£000's	% (of asset class)
Kames Capital UK Active Value Property Unit Trust	60,144	26.5
M&G Residential Property Fund	12,536	5.5
Private Equity and infrastructure funds		
Private Equity		
UK		
Chandos Fund (YFM)	4,325	7.0
YFM Equity Partners 2015	3,907	6.3
Overseas		
HIPEP VI- Cayman	25,101	40.4
HarbourVest Partners IX	28,820	46.4
Infrastructure		
Overseas		
Partners Group Global Infrastructure 2009	37,561	71.5
Partners Group Direct Infrastructure 2011	14,986	28.5

Property location	Type of Property	£000's	% (of asset class)
3-5 Charing Cross Road, London	Office	24,488	5.6
Drury House, London	Office	39,149	8.9
49/59 Battersea Park Road, London	Industrial	30,161	6.9
Lakeside Village, Doncaster	Mixed Use	32,290	7.4
151-161 Kensington High Street, London	Retail	26,087	6.0
The Sanctuary, London	Office	22,837	5.2
Colingdale Retail Park, London	Retail	24,454	5.6
Suncourt House, London	Office	22,840	5.2

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 overleaf.

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31 March 17			
Loan Type	Market value £000's	Collateral value £000's	Collateral type
Equities	156,014	165,118	Treasury Notes and other Government debt
Bonds	12,460	13,187	Treasury Notes and other Government debt
	168,474	178,305	

31 March 16			
Loan Type	Market value £000's	Collateral value £000's	Collateral type
Equities	69,555	74,333	Treasury Notes and other Government debt
Bonds	2,880	3,077	Treasury Notes and other Government debt
	72,435	77,410	

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 17			31 March 16		
	Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
	£000's	£000's	£000's	£000's	£000's	£000's
Financial Assets						
Bonds	339,752			310,896		
Equities	2,192,637			1,732,669		
Pooled Investments	2,030,342			1,664,750		
Property Pooled Investments	230,129			226,697		
Private Equity/ Infrastructure	137,717			114,699		
Derivative contracts	2,905			7,607		
Cash & Cash equivalents		132,102			78,013	

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	31 March 17			31 March 16		
	Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
	£000's	£000's	£000's	£000's	£000's	£000's
Other Investment Balances	31,051			16,916		
Debtors/ Receivables		26,975			27,460	
	4,964,533	159,077	0	4,074,234	105,473	0
Financial Liabilities						
Other Investment balances			-12,905			-5,300
Creditors			-14,358			-14,972
	0	0	-27,263	0	0	-20,272
	4,964,533	159,077	-27,263	4,074,234	105,473	-20,272

17b. Net Gains and Losses on Financial Instruments

	31 March 17 £000's	31 March 16 £000's
Financial assets		
Fair value through profit and loss	835,694	-76,449
Loans and Receivables	839	-107
Total	836,533	-76,556

18. Valuation of assets and liabilities carried at Fair Value

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuation provided
Quoted Equities	1	Bid Market price on last day of accounting period	Not required	Not required

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Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuation provided
Quoted Bonds	1	Market value on last day of accounting period	Not required	Not required
Quoted Pooled Investments	1	Net Asset Value/Bid prices on last day of accounting period	Net Asset Values	Not required
Unquoted Pooled Investments	2	Net Asset Value/Bid prices on last day of accounting period	Net Asset Values	Not required
Private Equity and Infrastructure Funds	3	Fair values as per International Private equity and venture capital guidelines (2012)	valuation of underlying investment/assets/companies/EBITDA multiples	Estimation techniques used in valuations, changes in market conditions, industry specific conditions
Property	2	Independent valuation by Colliers using RICS valuation standards	Market values of similar properties, existing lease terms estimated rental growth, estimated vacancies	Not required
Forward exchange contracts	2	Market forward exchange rates on the last day of accounting period	exchange rate risk	Not required

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the fund has determined that the valuation methods described above, are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2017.

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	Assessed valuation range	Value as at 31 March 2017	Value on increase	Value on decrease
	(+/-)	£000's	£000's	£000's
Private Equity	20%	80,525	96,630	64,420
Infrastructure	15%	57,191	65,770	48,612

18a. Fair Value Hierachy

Level 1

Assets and Liabilities 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

Assets and Liabilities 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 Derivatives, Direct Property Investments and Property Unit Trusts.

Level 3

Assets and Liabilities 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 and are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. 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. Assurances over the valuation are gained from the independent audit of the accounts.

These valuations are prepared by the Fund Managers in accordance with generally accepted accounting principles and the requirements of the law where these companies are incorporated. Valuations are usually undertaken periodically by the Fund Managers, and cash flow adjustments are used to roll forward the valuations where the latest valuation information is not available at the time of reporting.

The following table provides an analysis of the assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2017	Quoted market price	Using observable inputs	With significant unobservable inputs	
	Level 1 £000's	Level 2 £000's	Level 3 £000's	Total £000's
Assets				
Financial assets at fair value through profit and loss	4,593,782	233,034	137,717	4,964,533
Non- Financial assets at fair value through profit and loss		468,827		468,827

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Values at 31 March 2017	Quoted market price	Using observable inputs	With significant unobservable inputs	Total £000's
	Level 1 £000's	Level 2 £000's	Level 3 £000's	
Net Investment Assets	4,593,782	701,861	137,717	5,433,360

Values at 31 March 2016	Quoted market price	Using observable inputs	With significant unobservable inputs	Total £000's
	Level 1 £000's	Level 2 £000's	Level 3 £000's	
Net Assets				
Financial assets at fair value through profit and loss	3,725,231	234,304	114,699	4,074,234
Non- Financial assets at fair value through profit and loss		438,105		438,105
Net Investment Assets	3,725,231	672,409	114,699	4,512,339

18b. Reconciliation of Fair Value Measurements within Level 3

	Private Equity, Infrastructure £000's
Market Value 1 April 2016	114,699
Transfers into level 3	0
Transfers out of level 3	0
Purchases during the year	17,732
Sales during the year	-12,677
Unrealised gains/ losses	13,168
Realised gains/losses	4,795
Market Value 31 March 2017	137,717

19. 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.

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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. The Fund is exposed to security and derivative price risks. This arises from investments held by the Fund for which the future price is uncertain. All security investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The possible loss from shares sold short is unlimited. The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the Fund Investment Strategy.

Other price risk - sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisors, the Council has determined that the following movements in market price risk are reasonably possible for the 2017-18 reporting period.

Asset Type	Potential Market Movements (+/-)
UK Equities	7.94%
Overseas Equities	16.45%
Global Pooled Equities inc UK	15.00%
Bonds	5.55%
Property	13.33%
Infrastructure	14.45%
Private Equity	20.87%

The potential price changes disclosed above are based on predicted volatilities calculated based on our experience of market returns of our investments over a period of 3 years. The analysis assumes that all

Financial statements

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):

Asset Type	Value as at 31 March 17 £000's	Percentage change %	Value on increase £000's	Value on decrease £000's
Cash and cash equivalents	132,102	0.00	132,102	132,102
Investment portfolio assets:				
UK Equities	957,638	7.94	1,033,674	881,602
Overseas Equities	1,234,999	16.45	1,438,156	1,031,842
Global Pooled Equities inc UK	1,788,688	15.00	2,056,991	1,520,385
Bonds incl Bond Funds	581,407	5.55	613,675	549,139
Property Pooled Funds	230,129	13.33	260,805	199,453
Private Equity	80,525	20.87	97,331	63,719
Infrastructure Funds	57,191	14.45	65,455	48,927
Net derivative assets	2,905	0.00	2,905	2,905
Investment income due	16,948	0.00	16,948	16,948
Amounts receivable for sales	14,103	0.00	14,103	14,103
Amounts payable for purchases	-12,905	0.00	-12,905	-12,905
Total	5,083,730		5,719,240	4,448,220

Asset Type	Value as at 31 March 16 £000's	Percentage change %	Value on increase £000's	Value on decrease £000's
Cash and cash equivalents	78,013	0.00	78,013	78,013
Investment portfolio assets:				
UK Equities	782,037	7.94	844,131	719,943
Overseas Equities	950,632	16.45	1,107,011	794,253
Global Pooled Equities inc UK	1,435,874	15.00	1,651,255	1,220,493
Bonds incl Bond Funds	539,772	5.55	569,729	509,815
Property Pooled Funds	226,697	13.33	256,916	196,478
Private Equity	62,153	20.87	75,124	49,182
Infrastructure Funds	52,546	14.45	60,139	44,953
Net derivative assets	7,607	0.00	7,607	7,607
Investment income due	12,702	0.00	12,702	12,702
Amounts receivable for sales	4,214	0.00	4,214	4,214
Amounts payable for purchases	-5,300	0.00	-5,300	-5,300
Total	4,146,947		4,661,541	3,632,353

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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 2017 and 31 March 2016 are set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset Type	31 March 17 £000's	31 March 16 £000's
Cash and cash equivalents	121,323	70,117
Cash Balances	10,779	7,896
Bonds		
- Directly held securities	339,752	310,896
- Pooled Funds	241,654	228,876
Total	713,508	617,785

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 17 £000's	Change in year in the net assets available to pay benefits	
		+100bps £000's	-100bps £000's
Cash and cash equivalents	121,323	1,213	-1,213
Cash Balances	10,779	108	-108
Bonds			
- Directly held securities	339,752	-3,398	3,398
- Pooled Funds	241,654	-2,417	2,417
Total change in assets available	713,508	-4,494	4,494

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Asset Type	Carrying amount as at 31 March 16	Change in year in the net assets available to pay benefits	
	£000's	+100bps £000's	-100bps £000's
Cash and cash equivalents	70,117	701	-701
Cash Balances	7,896	79	-79
Bonds			
- Directly held securities	310,896	-3,109	3,109
- Pooled Funds	228,876	-2,289	2,289
Total change in assets available	617,785	-4,618	4,618

Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits. The analysis demonstrates that a 100 bps increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value and vice versa. Changes in interest rates do not impact on the value of cash/cash equivalent balances but they will affect interest income received on those balances.

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 GBP, 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 (£282m) of the assets managed by Goldman Sachs Asset Management held in non GBP 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 2017 and 2016:

Currency exposure - asset type	Asset value as at 31 March 17	Asset value as at 31 March 16
	£000's	£000's
Overseas Equities	1,234,999	950,632
Overseas Pooled Funds	1,136,971	877,883
Overseas Bonds	40,223	39,923
Overseas Private Equity, Infrastructure and Property funds	125,388	109,638
Non GBP Cash	14,125	8,302
Total overseas assets	2,551,706	1,986,378

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

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the 2017-18 reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant. A relevant strengthening/weakening of the pound against 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 17	Change to net assets available to pay benefits	
		+8.3%	-8.3%
	£000's	£000's	£000's
Overseas Equities	1,234,999	1,337,504	1,132,494
Overseas Pooled Funds	1,136,971	1,231,340	1,042,602
Overseas Bonds	40,223	43,562	36,884
Overseas Private Equity, Infrastructure and Property funds	125,388	135,795	114,981
Non GBP Cash	14,125	15,297	12,953
Total change in assets available	2,551,706	2,763,498	2,339,914

Currency exposure - asset type	Asset value as at 31 March 16	Change to net assets available to pay benefits	
		+8.3%	-8.3%
	£000's	£000's	£000's
Overseas Equities	950,632	1,029,534	871,730
Overseas Pooled Funds	877,883	950,747	805,019
Overseas Bonds	39,923	43,237	36,609
Overseas Private Equity, Infrastructure and Property funds	109,638	118,738	100,538
Non GBP Cash	8,302	8,991	7,613
Total change in assets available	1,986,378	2,151,247	1,821,509

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.

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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	Balance as at 31 March 17 £000's	Balance as at 31 March 16 £000's
Money Market Funds			
Northern Trust Sterling Fund	AAAm	75,918	44,059
SSGA Liquidity Fund	AAAm	28	228
Blackrock USD Government Liquidity Fund	AAAm	3,302	0
Aberdeen Sterling Liquidity Fund	AAAm	6,870	22
Goldman Sachs Liquid Reserve Government Fund	AAAm	8,187	5,015
Aviva Investors Sterling Liquidity Fund	AAAm	6,931	6,921
Deutsche Managed Sterling Fund	AAAm	33	584
HSBC Global Liquidity Fund	AAAm	4,943	1,709
LGIM Liquidity Fund	AAAm	9,795	4,732
Insight Sterling Liquidity Fund	AAAm	95	2,613
		116,102	65,883
Bank Deposit Accounts			
HSBC BIBCA	AA-	2,435	2,430
NatWest SIBA	BBB+	508	8
		2,943	2,438
Bank Current Accounts			
Natwest Current Account	BBB+	87	50
Natwest Current Account - Euro	BBB+	8,893	3,883
Natwest Current Account - USD	BBB+	1,800	9
Northern Trust - Current Accounts	AA-	178	4,463
Barclays - DTZ client monies account	A	2,099	1,287
		13,057	9,692
Total		132,102	78,013

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.

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All financial liabilities at 31 March 2017 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.

20. Funding Arrangements

In line with Local Government Pension Scheme (Administration) Regulations 2013 (as amended), the Fund is required to obtain an actuary's 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 2016.

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 2016 valuation a maximum deficit recovery period of 17 years (2013- 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.

In the 2016 triennial valuation, the smoothed value of the Fund's assets at the valuation date was £4,556m and the liabilities were £5,103m. The assets therefore, represented 89% (2013 - 83%) 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 increased from 20% to 20.9% of pensionable salaries. The funding level as a percentage has increased (due to good investment returns and employer contributions) although this has been partly offset by the changes in the financial assumptions used to calculate the liabilities.

The actuarial valuation has been undertaken on the projected unit method. At individual employer level the projected unit funding 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 remaining working lifetime, 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.

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The 2016 actuarial assumptions were as follows:

Assumptions	2016
Valuation of Assets:	Assets have been valued at a 6 month smoothed market rate
Rate of return on investments (discount rate)	5.4% p.a.
Rate of general pay increases: Long term	3.9% p.a.
Short term	CPI for period 31 March 2016 to 31 March 2020
Rate of increases to pensions in payment (in excess of guaranteed minimum pension):	2.4% p.a.

21. Actuarial Present Value of Promised Retirement Benefits

In addition to the triennial funding valuation, every year the fund's actuary undertakes a valuation of the Fund's liabilities on an IAS 19 basis, 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 2017 was £9,062.3m (31 March 2016: £7,479.8m). The Fair Value of the Scheme assets at Bid Value being £5,565.2m (31 March 2016: £4,597.5m) the Fund has a net liability of £3,497.1m as at 31 March 2017 (31 March 2016: £2,882.3m). 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 61.41% of the actuarial valuation of the promised retirement benefits. Future liabilities will be funded from future contributions from employers.

The liability above being calculated on an IAS 19 basis and differs from the results of the 2016 triennial funding valuation because IAS 19 stipulates a discount rate rather than a rate which reflects a market rate.

Assumptions used:	% p.a.
Salary increase rate	4.2%
Inflation/Pensions increase rate	2.7%
Discount rate	2.7%

22. Current Assets

	£000's	31 March 17 £000's	£000's	31 March 16 £000's
Debtors				
- Contributions due - Employees	3,816		2,860	
- Contributions due - Employers	11,974		17,092	
- Sundry debtors	9,982		5,257	
Total External Debtors		25,772		25,209

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	£000's	31 March 17 £000's	£000's	31 March 16 £000's
Amounts due from Kent County Council		1,203		2,251
Cash		10,780		7,896
Total		37,755		35,356
Analysis of External Debtors				
Other Local Authorities		22,437		19,462
Other Entities and individuals		3,335		5,747
Total		25,772		25,209

23. Current Liabilities

	£000's	31 March 17 £000's	£000's	31 March 16 £000's
Creditors				
- Benefits Payable	7,018		7,789	
- Sundry Creditors	3,406		4,288	
Total External Creditors		10,424		12,077
Owing to Kent County Council		3,934		2,895
Total		14,358		14,972
Analysis of External Creditors				
Other Local Authorities		5,790		7,431
Other Entities and individuals		4,634		4,646
Total		10,424		12,077

24. 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 either Equitable Life Assurance Company, Prudential Assurance Company or Standard Life Assurance Company. These amounts are included within the disclosure note figures below.

	Prudential		Standard Life		Equitable Life	
	2016-17 £000's	2015-16 £000's	2016-17 £000's	2015-16 £000's	2016-17 £000's	2015-16 £000's
Value at 1 April	6,371	6,235	2,049	2,061	628	782
Value at 31 March	7,591	6,371	2,373	2,049	614	628
Contributions paid	1,438	1,237	166	175	6	2

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25. Related Party Transactions

The Kent Pension Fund is required to disclose material transactions with related parties, not disclosed elsewhere, in a note to the financial statements. During the year each member of the Kent County Council Superannuation Fund Committee is required to declare their interests at each meeting. None of the members of the Committee or senior officers undertook any material transactions with the Kent Pension Fund.

	2016-17 £000's	2015-16 £000's
Kent County Council is the largest single employer of members of the Pension Fund and during the year contributed: A list of all contributing employers and amount of contributions received is included in the Fund's annual report available on the pension fund website at: www.kentpensionfund.co.uk	67,989	66,968
Charges from Kent County Council to the Kent Pension Fund in respect of pension administration, governance arrangements, investment monitoring, legal and other services.	2,940	2,706
Year end balance due to Kent County Council arising out of transactions between Kent County Council and the Pension Fund	-2,731	-645

Key management personnel

The employees of Kent County Council who held key positions in the financial management of the Kent Pension Fund during 2016-17 were the Corporate Director of Finance and Procurement, the Head of Financial Services, the Treasury and Investments Manager and the Pensions Manager. Details of officers' remuneration and members' allowances can be found in the accounts of Kent County Council under notes 6 and 7.

26. Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) as at 31 March 2017 totalled £102.3m (31 March 2016: £61.9m).

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.

27. Contingent Assets

32 admitted body employers in the Kent Pension 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 Fund and payment will only be triggered in the event of employer default.

Independent Auditor's report

Independent auditor's report to the members of Kent County Council on the consistency of the pension fund financial statements included in the superannuation fund annual report

Opinion

The superannuation fund financial statements of Kent County Council (the "Authority") for the year ended 31 March 2017 which comprise the fund account, the net assets statement and the related notes of Kent County Council superannuation fund are derived from the audited pension fund financial statements for the year ended 31 March 2017 included in the Authority's Statement of Accounts (the "Statement of Accounts").

In our opinion, the accompanying superannuation fund financial statements are consistent, in all material respects, with the audited financial statements in accordance with proper practices as defined in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Superannuation fund annual report - Superannuation fund financial statements

The superannuation fund annual report and the superannuation fund financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the Statement of Accounts. Reading the superannuation fund financial statements and the auditor's report thereon is not a substitute for reading the audited Statement of Accounts and the auditor's report thereon.

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our work has been undertaken so that we might state to the members of the Authority those matters we are required to state to them in an auditor's report and for no other purpose. 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.

The audited financial statements and our Report thereon

We expressed an unmodified audit opinion on the superannuation fund financial statements in the Statement of Accounts in our report dated 20 July 2017.

Corporate Director of Finance responsibilities for the superannuation fund financial statements in the superannuation fund annual report

Under the Local Government Pension Scheme Regulations 2013 the Chief Financial Officer of the Authority is responsible for the preparation of the superannuation fund financial statements, which must include the fund account, the net asset statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the superannuation fund financial statements in both the Statement of Accounts and the superannuation fund annual report are set out in the CIPFA/

Independent Auditor's report

LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Auditor's responsibility

Our responsibility is to express an opinion on whether the superannuation fund financial statements in the superannuation fund annual report are consistent, in all material respects, with the audited superannuation fund financial statements in the Statement of Accounts based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), Engagements to Report on Summary Financial Statements.

Elizabeth Jackson

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

Grant Thornton UK LLP
30 Finsbury Square
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27 July 2017

DRAFT

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