

KENT COUNTY COUNCIL

SUPERANNUATION FUND COMMITTEE

MINUTES of a meeting of the Superannuation Fund Committee held in the Medway Room, Sessions House, County Hall, Maidstone on Friday, 15 November 2019.

PRESENT: Mr C Simkins (Chairman), Mr N J D Chard (Vice-Chairman), Mr P V Barrington-King, Mr P Bartlett, Cllr J Burden, Cllr P Clokie, OBE, Mr P C Cooper, Mr D Coupland, Mr D S Daley, Mr P J Homewood, Mr J P McInroy, Mr J Parsons, Cllr S Tranter and Mr J Wright.

ALSO PRESENT: Mr P J Oakford and Mrs M E Crabtree

IN ATTENDANCE: Ms Z Cooke (Corporate Director of Finance), Mr N Vickers (Business Partner (Pension Fund)) and Miss T A Grayell (Democratic Services Officer).

UNRESTRICTED ITEMS

157. Membership

(Item 1)

The committee noted that Cllr Stuart Tranter had replaced Cllr Mrs Josie Iles as the Medway Council representative on the committee. Cllr Tranter was welcomed to the meeting.

158. Apologies

Apologies for absence had been received from Cllr Nick Eden-Green and Mrs Mary Wiggins.

There were no substitutes

159. Declarations of interest by Members in items on the agenda for this meeting.

(Item 3)

Mrs M Crabtree declared that she had recently discovered that a small part of her personal pension fund was invested with a Woodford fund.

Mr P J Bartlett declared that he was an employee of Bank of New York Mellon (BNYM). One of the fund managers listed in an appendix to agenda item 6, covering equity protection, was a BNYM affiliate. Mr Bartlett advised the committee that he had no activity in that part of BNYM's business so would remain in the room during discussion but would not take part in any vote relating to that item.

160. Minutes of 6 September 2019 (and exempt minute of part of the meeting held on 21 June 2019, which was omitted from the previous agenda but which needs to be approved and signed)

(Item 4)

It was RESOLVED that the minutes of the meeting held on 6 September 2019 and the restricted minute of the closed part of the meeting held on 21 June 2019 are correctly recorded and that both be signed by the Chairman.

There were no matters arising from either.

161. Motion to exclude the press and public for restricted items

It was RESOLVED that, under Section 100A of the Local Government Act 1972, the press and public be excluded from the meeting for the following business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of part 1 of Schedule 12A of the Act.

EXEMPT ITEMS

(Open access to minutes)

162. 31 March 2019 Actuarial Valuation results

(Item 5)

Graeme Muir, Partner, Barnett Waddingham, was in attendance for this item at the invitation of the committee.

1. The Chairman welcomed Mr Muir to the meeting and thanked him for attending.
2. Mr Muir presented the valuation results and set out the legal framework and timetable for the valuation process and the methodology used, including the need to take account of the McCloud judgement. He responded to questions of detail from the committee, including the impact of the McCloud judgement, the method used to calculate and compare the values of existing and future pensions, deferred benefits and the impact of the residue of employees with final-salary pensions.
3. The Chairman thanked Mr Muir and Mr Tagg, Senior Accountant, for the fullness of the report which the committee had been given and the explanations and clarifications Mr Muir had given the committee in response to their questions.
4. It was RESOLVED that the assumptions set out in the report and the initial results of the 31 March 2019 actuarial valuation be agreed.

163. Investment Strategy

(Item 6)

Catrina Arbuckle, Director, and Nick Page, Senior Investment Consultant, from Mercer Ltd were in attendance for this and the following item at the invitation of the committee.

1. Mr Vickers introduced the report and updated the committee on developments in respect of the Woodford Extra Income Fund since the committee's 6 September meeting, including the latest valuation of the County Council's investment. He and Ms Arbuckle answered questions of detail from the committee, including the risk to the County Council's investment compared to the risk in other areas and types of investment in the Woodford Extra Income Fund, the ongoing situation regarding fees payable and the legal advice given by the General Counsel.

2. Mr Vickers drew the attention of the committee to the letter from Link dated 15 October 2019, announcing that the Woodford Extra Income Fund would be wound up and Mr Woodford removed as the fund manager. He outlined the new arrangements for the management of the fund's assets, which are that, as from 15 October, BlackRock Advisors (UK) Limited had been appointed to prepare the listed assets (Portfolio A) for the winding up of the Fund. BlackRock will seek to sell the assets in Portfolio A and use the proceeds to purchase money market funds and FTSE 100 index instruments to enable Link to return part of investors' cash as soon as possible. Meanwhile PJT Partners(UK) Limited had been appointed as a specialist broker to assist in selling the unlisted assets (Portfolio B).

3. The committee commented on the negative media coverage which had been given to the issue and acknowledged the support given to the committee by the County Council's press office in communicating information to scheme members and the public. It was suggested that the 'Open Lines' magazine be used to communicate future news to pensioners and dependent pensioners.

4. Mr Page and Ms Arbuckle then set out and updated the committee on other aspects of the County Council's investment strategy and answered questions of detail from the committee, including options for moving investment between different types of asset, and equity protection. The committee agreed that it needed to have more information on, and examples of, the investment options set out and requested a briefing session with Mercer Ltd and fund managers in the near future to help them to understand fully the options available.

5. The committee then addressed the report's recommendations and it was RESOLVED that:-

- a) the latest position on the Woodford Extra Income Fund be noted;
- b) the investment in multi-asset credit funds with the companies set out in recommendation (2) of the report be agreed;
- c) the committee seek more information on the investment options set out and hold a briefing session with Mercer Ltd and fund managers in the near future to help them to understand fully the options available;
- d) reports from Mercer Ltd be received on a quarterly basis;
- e) the progress made on ACCESS be noted; and
- f) the intention to focus on Environmental, Social and Government (ESG) issues at the February meeting be noted.

164. Competition and Markets Authority (CMA) Order *(Item 7)*

1. Mr Vickers and Ms Surana introduced the report and explained the new statutory requirement for local authorities to set strategic objectives against which their investment advisors' performance could be measured. The deadline for this compliance was 10 December 2019. Ms Arbuckle added that there was a sanction of a financial penalty for any authority not complying by the deadline, that the objectives agreed could be reviewed at any time in the future and should be reviewed at least every three years.

2. The committee discussed the four overall objectives set out in the appendix to the report and agreed a number of changes to the wording, which Ms Arbuckle accepted on behalf of Mercer Ltd.

3. It was RESOLVED that:-

- (a) the requirements of the Competition and Markets Authority order and the deadline of 10 December 2019 for the Kent Fund to set its investment advisors strategic objectives be noted;
- (b) the objectives for the investment consultancy provider to the Kent Fund be approved, subject to the changes to the wording discussed and agreed by the committee in the meeting; and
- (c) authority be delegated to the Corporate Director of Finance to agree these objectives with Mercer Ltd.

UNRESTRICTED ITEMS
(meeting re-opens to the public)

165. Fund position statement
(Item 8)

Ms Arbuckle and Mr Page from Mercer Ltd remained in the meeting for this item at the invitation of the committee.

1. Mr Vickers introduced the report and Ms Arbuckle responded to comments and questions from the committee, including the following:-

- a) asked about the possibility of reallocating some funds to boost investment in multi-asset credit, Ms Arbuckle advised that it would be a good idea to grow multi-asset credit and fixed income funds to their optimum size, as set out in the committee's investment strategy; and
- b) one speaker suggested moving more funds into property, using a reputable firm, as the property market may enjoy a further boom in the future.

2. Arising from the advice given at paragraph 1.a) above, the Chairman proposed and Mr J Wright seconded that £100m be transferred from the Baillie Gifford fund and directed into multi-asset credit. This would allow the County Council to further diversify its portfolio, as set out in its strategy for 2020. The committee discussed whether or not this should be delayed until after the General Election on 12 December but were in agreement that the transfer should be made as soon as possible.

Agreed without a vote.

- c) asked how this would affect the ability of the Baillie Gifford fund to perform well, Ms Arbuckle advised that investments in fixed-income funds would have more protection.

3. It was RESOLVED that:-

- a) the information set out in the report and given in response to comments and questions be noted; and

- b) £100m be transferred from the Baillie Gifford fund and directed into multi-asset credit, as soon as possible.

166. ACCESS pooling update

(Item 9)

It was RESOLVED that the information set out in the report be noted.

167. Training

(Item 10)

It was RESOLVED that the revised training strategy be approved and the need to complete an assessment of the committee's training needs be noted.

168. Pensions Administration

(Item 11)

Barbara Cheatle, Pensions Manager, was in attendance for this item.

1. Mrs Cheatle introduced the report and highlighted the reduction in the number of enquiries from scheme members, partly due to the new format of pensions illustrations and partly due to more scheme members using the online calculation facility. Work to address the backlog of cases was continuing, and more staff could instead be deployed on new work, but there was still a challenge around the recruitment and retention of permanent staff. To 'future-proof' the service and establish a more robust career path, a new staffing structure had been introduced.

2. The Charman thanked Mrs Cheatle and her team for the work they undertook, the accuracy and quality of which was vital to the County Council's good reputation as a pension provider and the confidence of scheme members that their pensions were being well managed. This was endorsed by the committee.

3. Mrs Cheatle responded to comments and questions from the committee, including the following:-

- a) concern was expressed about the value for money represented by the cost of the temporary assistance bought in – approximately £350,000 - to clear the backlog of cases. Asked if the new staffing structure would avoid the need for this expense in the future, Mrs Cheatle advised that this would be easier to assess once full staffing had been achieved; and
- b) a view was expressed that the level of resourcing and the effectiveness of the new structure would need to be appraised honestly.

4. It was RESOLVED that:-

- a) the information set out in the report be noted and the Pensions team be thanked for their work, which was vital to the County Council's good reputation as a pension provider; and
- b) a call-off from the Norfolk Framework be undertaken to engage a company to help clear backlog cases.

169. Fund Employer Matters

(Item 12)

Steve Tagg, Senior Accountant, was in attendance for this item.

1. Mr Tagg introduced the report and responded to comments and questions from the committee, including the following:-
 - a) asked if there were any employers who consistently paid their contributions to the scheme late, Mr Tagg advised that one, a local authority trading company, had made payment slightly late due to changes in the staff dealing with the work. He assured the committee that any late payment would always be promptly followed up in a monthly meeting, and any persistent late payers reported to the Pensions Regulator. There had been only one such case to report, and some employers consistently paid their contributions early.
2. It was RESOLVED that the employer report be noted and it be agreed that:-
 - a) the Amey Community Ltd admission agreement may be opened for the two staff transferring to them from Kier Facility Services Ltd;
 - b) any surplus may be returned by officers to Canterbury Archaeological Trust;
 - c) any surplus may be returned by officers to Invicta Telecare trading as Centra Pulse;
 - d) the Chairman may sign the minutes relating to recommendations a) to c) at the end of today's meeting; and
 - e) once legal agreements have been prepared for the Amey matter, the Kent County Council seal can be affixed to the legal document.

170. Date of next meeting

(Item 13)

It was noted that the next meeting of the committee would be held on Friday 7 February 2020, commencing at 10.00 am.