

KENT COUNTY COUNCIL

PENSION FUND COMMITTEE

MINUTES of a meeting of the Pension Fund Committee held in the Council Chamber, Sessions House, County Hall, Maidstone on Tuesday, 26 September 2023.

PRESENT: Mr C Simkins (Chairman), Mr P Bartlett, Cllr S Beer, Cllr J Burden, Ms M Dawkins, Mr P Doust, Mr P M Hill, OBE, Cllr M Jones, Mr J P McInroy, Mr S Sim, Mr P Stepto, Mr J Wright and Cllr R Yates.

ALSO PRESENT: Mr P J Oakford and Mr R J Thomas.

IN ATTENDANCE: Ms Z Cooke (Corporate Director of Finance), Mr N Buckland (Head of Pensions and Treasury), Mr J Graham (Pension Fund Treasury and Investments Manager), Ms S Surana (Investments, Accounting and Pooling Manager), Mrs E Green (Senior Pensions Programme Manager), Mr S Tagg (Senior Accountant - Employer Governance and Compliance) and Mr M Dentten (Democratic Services Officer).

IN ATTENDANCE VIRTUALLY: Mr N Chard (Vice Chairman).

UNRESTRICTED ITEMS

151. Membership

(Item 1)

It was noted that Mr Hill, Mr Passmore, Mr Rayner, Cllr Beer and Cllr Yates had joined the Committee.

152. Apologies and Substitutes

(Item 2)

Apologies were received from Mr Passmore, Mr Rayner and Cllr Prenter who was substituted by Cllr Jones.

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

(Item 3)

1. In relation to Item 16 (Investment Strategy), Mr Bartlett declared that he was employed by the Bank of New York Mellon and would not participate in discussion of equity protection.
2. Cllr Beer declared that she was in receipt of a Kent LGPS pension.

154. Minutes of the meeting held on 22 June 2023

(Item 4)

RESOLVED that the minutes of the meeting held on 22 June 2023 are correctly recorded and that they be signed by the Chairman.

155. Committee Work Programme and Action Log

(Item 5)

1. Mr Buckland introduced the work programme for the Committee's next four meetings, to September 2024, and the action log from previous meetings. He shared the intention to consider developing a more detailed plan for the Committee in coming months which would include meetings focused on particular areas, including the review of asset managers and policies, alongside general meetings.

RESOLVED to note the work programme and updated action log.

156. Employer Governance

(Item 6)

1. Mr Tagg introduced the report which updated Members on Fund employers for the 3 months ending 30 June 2023 and proposed the admission to the Fund of Compass Contract Services UK Ltd, Churchill Contract Services Ltd and Purgo Supply Services Ltd as well as the allocation of Tascor Services Ltd's exit surplus to the Police and Crime Commissioner's notional share of the Fund.

RESOLVED to note the report and to agree:

- a) to the admission to the Kent Pension Fund of Compass Contract Services UK Ltd (re Crest Infants and Nursery School);
- b) to the admission to the Kent Pension Fund of Churchill Contract Services Ltd (re KCC 2022);
- c) to the admission to the Kent Pension Fund of Purgo Supply Services Ltd (re Leigh Academies Trust);
- d) the exit surplus in respect of Tascor Services Ltd is allocated to the Police and Crime Commissioner's notional share of the Fund;
- e) the decision for awarding the actuarial contract be delegated to the Corporate Director of Finance, in consultation with the Chairman; and
- f) that once legal agreements have been prepared for matters a) to c) the Kent County Council seal be affixed to the legal documents.

157. Pensions Administration

(Item 7)

1. Mrs Green introduced the report which updated Members on the administration of the Kent LGPS for the period 1 May to 31 July 2023, including performance, recruitment, projects, communications, training, technical developments, overpayment recovery and write off limits. She drew the Committee's attention to recent recruitment success seeing five new Pensions Assistants and two new Team Managers recruited, with nine vacancies remaining. It was noted that the Police Pension Scheme Administration Exit remained on track and work on the Guaranteed Minimum Pension (GMP) rectification project had continued. She confirmed that annual allowance statements were due to be issued within the next week.

RESOLVED to note the report.

158. McCloud Remedy

(Item 8)

1. Mrs Green introduced the report which detailed the preparations made for the McCloud Remedy. She noted that whilst the regulations had been approved and would take effect on 1 October 2023, guidance from the Department of Levelling Up, Housing and Communities (DLUHC) was outstanding. She explained that a delay in guidance would create a backlog in cases, which affected future resource availability.

RESOLVED to note the report, in particular the resource implications and progress to-date.

159. Pension Board update

(Item 9)

1. Mr Thomas, Chairman of the Pension Board, presented his report which summarised proceedings of Pension Board's 6 September meeting.

RESOLVED to note the report.

160. Investment Performance and Asset Allocation

(Item 10)

1. Mrs Surana introduced the report which detailed the Fund's asset allocation, performance, manager activity, cashflow and a proposal to dispose of a plot of land in Peterborough.
2. Mrs Surana gave assurance, following a question from a Member, that the Fund retained a sufficient cash balance. She noted that additional liquidity buckets would be investigated as part of the investment strategy development process.
3. In response to a question from a Member, Mrs Surana confirmed that the plot of land in Peterborough had a value of approximately £100,000. Mr Buckland noted the size of the Fund's overall property portfolio as well as cost to maintain the plot as the rationale for disposal.

RESOLVED to note the report; and to:

1. Agree that the Fund's asset allocation should not be changed in accordance with the Fund's rebalancing policy; and
2. Agree to sell the property referred to as "Plot of Land at Peterborough" through agents at best value for the Fund, and to delegate the disposal after taking proper advice to the Head of Pensions and Treasury, in consultation with the Chairman of the Committee.

161. Responsible Investment

(Item 11)

1. Mr Graham presented the report which updated the Committee on the Responsible Investment Working Group's work, which included consideration of the implications of establishing and implementing a net zero target.
2. The Vice Chairman noted that the performance of Funds which were early adopters of Responsible Investment (RI) targets had been monitored by the Working Group alongside consideration of the Fund's fiduciary duties and the impact of transition.
3. Members asked that the Fund ensure that Fund Managers be robust with Rio Tinto when raising concerns on the company's conduct.
4. A Member asked that the Fund question Ruffer, Fund Manager of the LF ACCESS Absolute Return Sub-Fund, on why they had 22.3% of the Sub-Fund's stock on loan. Concerns were raised that vote buying through stock lending was not conducive to good governance.
5. Members stressed the importance of careful consideration of the impact of technological transition on the Fund.
6. Following a question from a Member, Mr Graham explained that the voting rights were held by Fund Managers and that it was considered sensible for those charged with the management of assets to have those rights. He noted that whilst the Committee did not have a designated voting policy, and that many other Fund's had adopted one, the investment strategy was the framework for directing voting. Mr Buckland suggested voting policy as an area for consideration by the Responsible Investment Working Group.
7. A Member commented that RI progress should be accelerated.
8. In response to a question from a Member, Mr Graham confirmed that ACCESS had comprehensive voting guidelines on all pooled assets and agreed to share it with the Responsible Investment Working Group.

RESOLVED to note the report.

162. Governance and Policies

(Item 12)

1. Mr Buckland introduced the report which updated Members on the progress made implementing the recommendations arising from the Barnett Waddingham review as well as the position of the Fund's policies, Business Plan, Budget and Risk Register. He noted that regulatory delays had impacted the implementation of multiple recommendations. It was suggested that a minor review of governance be commissioned in the next year, to judge the progress made since the last review. Concerning the underspend in 2022/23, he confirmed that lower than expected investment manager fees were the main reason, which had been caused by limited asset movement over the past year. He confirmed that KCC risk officers had been consulted as part of the rework of the Fund's Risk Register. The Fund's new branding was brought to the Committee's attention.
2. In response to a question from a Member, Mr Buckland confirmed that the risk that guidance would not be available in time for the implementation of the McCloud Remedy presented the Fund's only significant (red) risk.

RESOLVED to note, and comment on the updates contained within, the report.

163. Member Training

(Item 13)

1. Mrs Green introduced the report which provided an update on the Member training undertaken and planned in 2023/2024. She noted that the results of the 2022/23 Member training survey had informed the plan and that all training sessions were recorded and materials available for all Committee Members.
2. The Chairman emphasised the importance of training in supporting the Committee to fulfil its responsibilities effectively and encouraged Member involvement.

RESOLVED to note the report.

164. Annual Report, Accounts and External Audit

(Item 14)

1. Mrs Surana introduced the Fund's 2022-23 draft Annual Report, Accounts and External Audit Findings Report. She highlighted the positive audit opinion, which concluded that the Fund's financial transactions had been true, fair and were properly prepared, with no unusual transaction to report. Members were told that the External Audit Findings Report would be considered by Governance and Audit Committee at its next meeting.
2. The Chairman thanked Katherine Gray for her service to the Fund over the previous 16 years and wished her success in her new role.
3. Regarding the Fund's policy to not divest from companies involved in fossil fuels, a Member asked whether the policy could be subdivided and divestment from coal be investigated. Mr Graham highlighted the Fund's policy of monitoring and supporting the development of companies' management of environmental issues, including those companies traditionally associated with fossil fuels. Mr Buckland advised that consideration of how assets were fit for transition was an important part of the Responsible Investment Working Group's role.

RESOLVED to:

- a) Note the content of the 2022-23 Pension Fund Draft Accounts and the Annual Report;
- b) Note the position with regards to external auditor's Draft Audit Findings Report;
- c) Note the position with regards to Governance and Audit Committee;
- d) Delegate authority to the Corporate Director of Finance, in consultation with the Chairman, to approve the final Annual Report on receipt of the audit certificate; and
- e) Confirm that once the report is authorised the Report and Accounts may be published to the Kent Pension Fund website.

Motion to exclude the press and public for exempt business

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.

RESTRICTED ITEMS

Open access

165. Exempt Minutes of the meeting held on 22 June 2023

(Item 15)

RESOLVED that the exempt minutes of the meeting held on 22 June 2023 are correctly recorded and that they be signed by the Chairman.

166. Investment Strategy

(Item 16)

Tony English and Nick Page (Mercer) were in attendance for this item.

1. Mr Graham introduced the report, reminded the Committee of its multistage approval of its revised investment strategy and the decisions taken at the previous meeting on equities, fixed income, strategic allocation to cash, alternative assets, private equity, infrastructure and diversified growth funds.
2. Mr Page gave a presentation which advised the Committee on strategic allocations, risk, static and systematic equity protection. He advised that a systematic equity protection structure would be optimal for the Fund.
3. Members asked a series of questions on static and systematic equity protection, the impact of equity protection on returns and risk management.

RESOLVED to note the report and agree:

- a) the continued use of the equity protection programme covering the Fund's global equity exposure following the expiry of the existing programme;
- b) the strategic asset allocation set out at paragraph 2.8;
- c) to adopt a systematic structure when implementing the new equity protection programme; and
- d) to delegate all other decisions regarding the implementation of the equity protection programme to the Head of Pensions and Treasury in consultation with the Chairman of the Pension Fund Committee and the Equity Protection Working Group.

167. Funding and Employer Governance

(Item 17)

1. Mr Tagg gave an overview of the report which updated the Committee on an employer matter and provided an employer risk analysis. He noted that under the LGPS employees carried no risk, whilst the Fund was exposed to employer risk. Concerning the areas identified for further investigations, he confirmed that they would be reported to a future meeting of the Committee.

RESOLVED to note the report.

168. LGPS: Next steps on investments consultation

(Item 18)

1. Mr Buckland introduced the report which included the Kent Pension Fund's draft response to the DLUHC Local Government Pension Scheme (England and Wales): Next steps on investments consultation.
2. Mr Buckland gave a presentation on the consultation's key proposals and considerations.
3. The Chairman reminded the Committee that ACCESS had responded to the consultation in addition to the Kent Pension Fund.
4. Members made a series of comments on the consultation proposals and the Fund's response.

RESOLVED to approve the response to the consultation.

169. ACCESS

(Item 19)

1. Mr Graham introduced the report and highlighted the decisions taken at the September meeting of the ACCESS Joint Committee.

RESOLVED to note the report.