

PENSION FUND COMMITTEE

Wednesday, 22nd June, 2022

10.00 am

**Council Chamber, Sessions House, County Hall,
Maidstone**





AGENDA

PENSION FUND COMMITTEE

Wednesday, 22nd June 2022 at 10.00 am Ask for: **Theresa Grayell**
Council Chamber, Sessions House, Telephone: **03000 416172**
County Hall, Maidstone

Membership

Conservative (8):	Mr C Simkins (Chairman), Mr N J D Chard (Vice-Chairman), Mr P Bartlett, Mrs P T Cole, Mr P Cole, Mr P C Cooper, Mr J P McInroy and Mr J Wright
Labour (1):	Ms M Dawkins
Liberal Democrat (1):	Mr D S Daley
Green and Independent (1):	Mr P Stepto
District Council (3)	Cllr J Burden, Cllr P Clokie and Cllr N Eden-Green
Medway Council (1)	Cllr R Thorne
Kent Active Retirement Fellowship (2)	Two vacancies
UNISON (1)	Mr J Parsons
Staff Representative (1)	Vacancy

UNRESTRICTED ITEMS

(During these items the meeting is likely to be open to the public)

- 1 Apologies and Substitutes
- 2 Declarations of interest by Members in items on the agenda for this meeting.
- 3 Minutes of the meeting held on 30 March 2022 (Pages 1 - 12)
- 4 Future Meeting Dates

The committee is asked to note that the following dates have been reserved for its meetings in 2022/23:-

Wednesday 28 September 2022, 10.00 am
Thursday 8 December 2022, 10.00 am
Thursday 2 February 2023, 10.00 am
Wednesday 29 March 2023, 10.00 am
Thursday 22 June 2023, 10.00 am

All meetings are planned to take place at Sessions House, Maidstone.

- 5 Fund Employer and Governance Matters (Pages 13 - 24)
- 6 Pensions Administration (Pages 25 - 34)
- 7 Report from the Pension Board - verbal
- 8 ACCESS update - TO FOLLOW
- 9 Fund position (Pages 35 - 46)
- 10 Governance Review update (Pages 47 - 60)

Motion to exclude the press and public for exempt business

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.

Paragraph 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information)

EXEMPT ITEMS

(During these items the meeting is likely NOT to be open to the press and public)

- 11 Responsible Investment update (Pages 61 - 66)
- 12 Risk Register - TO FOLLOW
- 13 Equity Protection update - TO FOLLOW
- 14 Cash Flow (Pages 67 - 70)
- 15 Investment Strategy (Pages 71 - 140)
- 16 Manager Presentation - DTZ Investors
- 17 Manager Presentation - Partners Group

Benjamin Watts
General Counsel
03000 416814

Tuesday, 14 June 2022

In accordance with the current arrangements for meetings, representatives of the Managers have been given notice of the meeting and will be in attendance for their items.

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KENT COUNTY COUNCIL**SUPERANNUATION FUND COMMITTEE**

MINUTES of a meeting of the Superannuation Fund Committee held in the Council Chamber, Sessions House, County Hall, Maidstone on Wednesday, 30 March 2022.

PRESENT: Mr C Simkins (Chairman), Mr N J D Chard (Vice-Chairman), Mr P Bartlett, Cllr J Burden, Cllr P Clokie, OBE, Mrs P T Cole, Mr P C Cooper, Cllr N Eden-Green, Mr J Parsons and Mr P Stepto.

ALSO PRESENT: Mr P J Oakford

IN ATTENDANCE: Mr N Buckland (Head of Pensions and Treasury), Mrs A Mings (Pension Fund and Treasury Investments Manager), Ms L Savage (Pensions Administration Performance and Operations Manager), Ms S Surana (Investments, Accounting and Pooling Manager), Mr S Tagg (Senior Accountant - Employer Governance and Compliance), Miss T A Grayell (Democratic Services Officer) and Mr M Dentten (Democratic Services Officer).

COMMITTEE MEMBERS JOINING REMOTELY: Ms M Dawkins and Mr J P McInroy

UNRESTRICTED ITEMS**28. Apologies and Substitutes**

(Item 1)

1. Apologies for absence had been received from Mr P Cole, Cllr R Thorne and Mr J Wright. There were no substitutes.
2. The committee noted that Ms M Dawkins and Mr J P McInroy were joining the meeting remotely.

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

(Item 2)

1. Mr P Bartlett declared that he was employed by the Bank of New York Mellon, the parent company of Insight, which was managing the equity downside protection programme (agenda item 15). He was advised that he did not need to leave the meeting during discussion of that item.

30. Minutes of the meetings held on 1 December 2021 and 3 February 2022

(Item 3)

1. It was RESOLVED that the minutes of the meetings held on 1 December 2021 and 3 February 2022 are correctly recorded and they be signed by the Chairman. There were no matters arising.

31. Chairman's Announcements

1. The Chairman advised that this was the last meeting of the committee which Alison Mings would attend before moving to work part-time for the County Council on specific

projects, including the governance review. He thanked Mrs Mings for the great amount of support she had given to him and the committee since 2013 and as acting Business Partner since 2020, and for her extensive work with internal audit and on the governance review, especially as pensions work had become very much more complicated in recent years.

2. He also announced that Barbara Cheatle would shortly be retiring, having worked for the County Council since 1978 and as the Manager of the Pensions team since 2014, leading the team through a period of change and substantial increase in workload. He expressed his sincere gratitude to Mrs Cheatle for delaying her retirement to ensure continuity of service.

3. The committee supported and endorsed the Chairman's comments and recorded their thanks and very best wishes to Mrs Mings and Mrs Cheatle.

32. Pension Fund Business Plan

(Item 4)

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

- a) asked if the ongoing vacancies in the Pensions team would affect the service provided to fund members, Mr Buckland advised that there were vacancies still to be filled in the new structure but this did not give rise to any serious concern about the service to pension fund members. He added that these vacancies were being actively recruited to;
- b) the costs which would show in the 2022/23 financial year rather than the 2021/22 year were due to the restructure of the service and the delay in planned recruitment. Costs had been simply delayed due to circumstances rather than deliberately deferred; and
- c) Mr Buckland undertook to keep the committee informed of any further changes arising from the restructure.

2. It was RESOLVED that the information set out in the report and given in response to comments and questions be noted, with thanks.

33. Fund Employer and Governance Matters

(Item 5)

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

- a) asked how, with reference to the GAD S13 report, the Kent Pension Fund compared to other Local Government Pension Scheme funds across the UK, Mr Buckland advised that he was not concerned about Kent's comparative position. He undertook to look into any analysis available to indicate any correlation between the actuaries engaged by a fund, their funding levels and contribution rates, and to advise the committee after the meeting; and
- b) asked about the difficulties experienced by SLL, referred to in the report, Mr Tagg reassured the committee that a recovery plan was in place with

Sevenoaks District Council and that he was confident that SLL would be able to make the required pensions contributions. The leisure industry continued to be challenged by the economic impact of the covid pandemic and the fund would continue to watch leisure companies with caution. Mr Tagg undertook to look at the latest published accounts of SLL and advise the committee after the meeting of any specific concerns.

2. The committee RESOLVED to note the report and to agree:-
 - a) to the admission to the Kent County Council Pension Fund of Seeclear Facilities UK Ltd (re Future Schools Trust);
 - b) to the admission to the Kent County Council Pension Fund of Sports and Leisure Management Ltd (re Sevenoaks Leisure Ltd);
 - c) to the admission to the Kent County Council Pension Fund of Town and Country Cleaners Ltd (re Stour Academy Trust);
 - d) that the Chairman may sign the minutes relating to recommendations a) to c) at the end of today's meeting; and
 - e) that, once legal agreements have been prepared for matters a) and c), the Kent County Council seal can be affixed to the legal documents

34. Pension Administration (Item 6)

1. Mr Buckland and Ms Savage introduced the report, about which there were no questions or comments.
2. It was RESOLVED that the information set out in the report be noted, with thanks.

35. Report from the Pension Board - verbal (Item 7)

1. Mr R Thomas, Chair of the Pension Board, gave a verbal update on the recent work of the board and outlined its difficulties in achieving a quorum at recent meetings, due to the ongoing challenge of filling the several vacancies on the board.
2. He expressed his thanks and congratulations to Mrs Mings and Mrs Cheatle and added his best wishes to those of the committee.
3. In response to questions, Mr Buckland advised that members of the committee could not join the board to help fill vacancies as they could not serve on both bodies.
4. It was RESOLVED that the update be noted, with thanks.

36. ACCESS update (Item 8)

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

- a) asked about the process for becoming an observer at ACCESS meetings, Mr Buckland undertook to look into this and advise the committee after the meeting;
 - b) concern was expressed about the apparent interference of the Government in directing how pooling groups invested their funds, and the lack of current detail available about this intention. The Chairman added that Kent had joined the pool on the grounds that it would be able to preserve its sovereignty over strategic investment decisions, and other authorities in the pool were known to share this view. The publication of the White Paper would hopefully set out detail of the Government's view; and
 - c) asked why union representatives were included in the investment committee, as membership of this was previously limited to Chairs of Pension Fund Committees, Mr Buckland advised that the committee was required to include scheme member representatives, not specifically union representatives.
2. It was RESOLVED that the information set out in the report and given in response to comments and questions be noted, with thanks.

37. Fund Position

(Item 9)

1. Ms Surana introduced the report, on which there were no questions, although some comment was made about the level of diversity of investment it was sensible to have across a fund.
2. It was RESOLVED that the information set out in the report be noted, with thanks.

38. Governance Review update

(Item 10)

1. Mr Buckland introduced the report and advised that the change of name of the committee had been agreed by the Selection and Member Services Committee on 29 March and would be submitted to the full Council in May for agreement. Mrs Mings added that the governance policy statement included with the report was the first to be prepared in relation to the fund and emphasised the importance of the training strategy in keeping Members up to date with pensions policy and investment practice.
2. Mrs Mings responded to comments and questions from the committee, including the following:-
 - a) referring to the timescale for addressing recruitment to the committee and the Pension Board, Mrs Mings advised that this would be her priority in the immediate future; and
 - b) Mrs Mings undertook to check the wording relating to observers attending ACCESS meetings to ensure that it corresponded with information set out in the ACCESS update report considered previously.
3. It was RESOLVED that the report and the proposed name change be noted and that:-

- a) the Fund Governance Policy and Compliance Statement and the Fund Training Strategy be approved; and
- b) should the name change be agreed, the word 'Superannuation' be replaced by 'Pension' in each document.

39. Date of next meeting

(Item 11)

The committee noted that the next meeting of the committee would be held on Wednesday 22 June 2022, commencing at 10.00 am at Sessions House, Maidstone.

40. Motion to exclude the press and public for exempt business

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 41 to 45, and 48.

Summary of minutes 46, 47 and 49, where access to these minutes remains restricted)

41. Pension Fund Risk Register

(Item 12)

1. Mr Buckland presented the fund's Risk Register and advised that he would be reviewing the risks and the levels before the committee's next meeting in June.
2. A view was expressed by several members that the risk register could be expanded to include climate risk and reputational risk. Mr Buckland noted that reputational risk was included as a sub-risk of a number of the existing risks, but undertook to review the register and include climate and any other pertinent risks when it was reported in future.
3. It was RESOLVED that the information set out in the report be noted, with thanks.

42. Manager Presentation - Baillie Gifford

(Item 13)

Lynn Dewar, Lucy Haddow and Gareth Roberts from Baillie Gifford were in attendance for this item at the invitation of the committee.

1. The Chairman welcomed Ms Dewar, Ms Haddow and Mr Roberts and thanked them for attending. He advised the committee that this was the final meeting Ms Dewar would attend as she was shortly to leave Baillie Gifford after 30 years, 19 of those years working with the Kent fund.
2. Ms Dewar, Ms Haddow and Mr Roberts updated the committee on the composition and performance of the funds they managed for the Kent fund and responded to comments and questions of detail, including how investment held in Russian companies would be handled in the future, the impact of investment performance on share price and the frequency of checks on performance, which the committee was assured were regular and very thorough.

3. The Chairman thanked Ms Dewar, Ms Haddow and Mr Roberts for attending and for their frank and helpful answers to the committee's questions. The committee particularly thanked Ms Dewar and wished her well for the future.

4. It was RESOLVED that the update be noted, with thanks.

43. Invasion of Ukraine - impact on the Fund
(Item 14)

This item was considered with agenda item 17 and is minuted below.

44. Update from the Equity Protection working group
(Item 15)

This item had been emailed to Members after the main agenda pack had been issued.

1. Mr Sinnott introduced the update report and he and Mr English responded to comments and questions of detail from the committee, including about the likely impact of the change in the rate of inflation.

2. It was RESOLVED that the information set out in the report be noted, with thanks.

45. Pension Fund Cash Flow
(Item 16)

1. Mr Buckland and Ms Surana introduced the report, about which there were no questions or comments.

2. It was RESOLVED that the information set out in the report be noted, with thanks.

46. Invasion of Ukraine - impact on the Fund
(Item 14)

Agenda items 14 and 17 were discussed together as their subject matter was very closely related.

1. Mr Buckland introduced the report and he and Mr English responded to comments and questions of detail from the committee, including about the handling of media interest, the future re-opening of the Russian stock markets, how the committee could respond at short notice to future developments affecting the fund, and a comparison of Kent's approach to those of other funds.

2. The committee agreed the recommendation set out in the exempt report.

47. Investment Strategy
(Item 17)

1. Mr Buckland introduced the report, the discussion of which was combined with that of agenda item 14.

2. The committee agreed the recommendation set out in the exempt report.

48. Responsible Investment update

(Item 18)

1. Mr Buckland introduced the report, about which there were no questions or comments.
2. It was RESOLVED that the information set out in the report be noted, with thanks.

49. Fund Employer Admission Matters

(Item 19)

1. Mr Buckland introduced the report and he, Mr Tagg and Mrs Mings responded to comments and questions of detail from the committee, including about the change in rules since some companies had joined the fund and the current impact of this.
2. The committee agreed the recommendations set out in the exempt report, and asked that a further report be brought to the committee's June meeting on the issues covered in the report

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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From: Chairman Pension Fund Committee
Corporate Director of Finance

To: Kent Pension Fund Committee – 22 June 2022

Subject: Fund Employer and Governance Matters

Classification: Unrestricted

Summary:

This report provides information on Fund employers and an admission application. It also provides updates on information previously shared with the Committee at their March 2022 meeting.

Recommendations:

The Committee is asked to note the report and to resolve to agree:

- a) to the admission to the Kent Pension Fund of The PCS Group Ltd (re Primary First Trust);
- b) that the Chairman may sign the minute relating to recommendation a) at the end of today's meeting; and
- c) that once legal agreements have been prepared for the above matter the Kent County Council seal can be affixed to the legal documents.

FOR DECISION

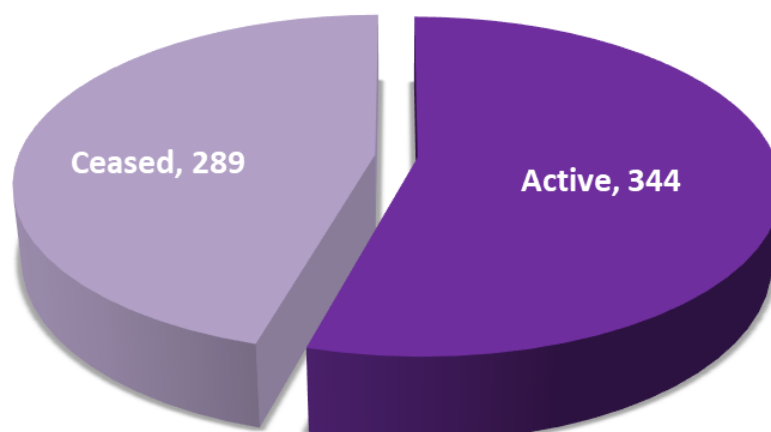
1 Introduction

- 1.1 This report sets out information on employer related matters for the 12 months ending 31 March 2022.
- 1.2 It also provides details of an admission application, further information on the GAD S13 report, an update on the payment plan agreed with Sevenoaks Leisure Ltd and information on employers with five or less active LGPS members.

2 Employers update

- 2.1 There was a total of 633 employers in the Kent Pension Fund on 31 March 2022, reduced by 1 since December 2021.

Split of Employers between Active and Ceased



2.2 The number of active employers regularly paying contributions reduced by 2, one employer merged into an existing Trust and 1 employer ceased to have active members in the Local Government Pension Scheme (LGPS). The ceased employers include both those employers that have ceased to have active members but for whom the termination process is incomplete and those that no longer have active contributing members in the LGPS and for whom the Fund has an existing or future liability to pay any pensions.

2.3 The following table lists employers who joined the Fund as well as those who ceased to have active members in the Fund during the 12 months to 31 March 2022.

New Employers	Effective date	New Notification
<i>Admission Bodies</i>		
Churchill Contract Services Ltd (re Thinking Schools Academy Trust)	1 September 2019 (backdated admission)	
Cleantec Services Ltd (re Dartford Grammar School for Girls Academy)	1 October 2019 (backdated admission)	
<i>Scheduled Bodies</i>		
Canterbury Environment Company Ltd	1 February 2021 (backdated)	
Kite College	1 May 2021 (backdated)	
<i>Academy Trusts</i>		
Inspire Trust	1 April 2021	

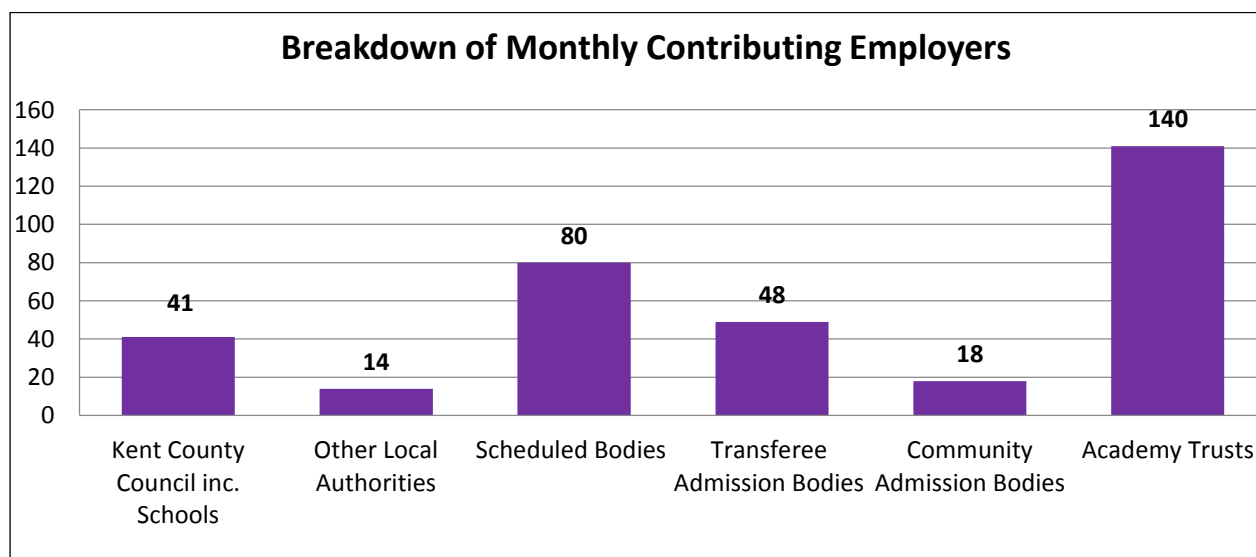
Ceased / Merged to Trust Employers	Effective Date	New Notification
Admission Bodies		
Kent College Canterbury	31 January 2021 (late notification of last active member leaving)	
Rochester Care Homes Ltd	31 March 2021	
Deep Beat Entertainment Ltd (Medway Park)	18 May 2021	
Deep Beat Entertainment Ltd (Strood)	18 May 2021	
Busy Bee Cleaning Services Ltd	31 July 2021	
Tascor Services Ltd	28 January 2022	x
Academy Trusts		
Village Academy Trust	31 May 2021	
Brook Learning Trust	31 August 2021	
Castle Academy Trust	31 December 2021	
Cliffe Woods Primary School Trust	31 December 2021	x
Scheduled Bodies		
Kent Magistrates Courts Committee	31 March 2021	
Farningham Parish Council	30 November 2020 (late reporting to Committee)	

2.4 In the 12 months to March 2022 the Fund received £271.8m from employers in respect of their monthly contributions (employer and employee) as follows:

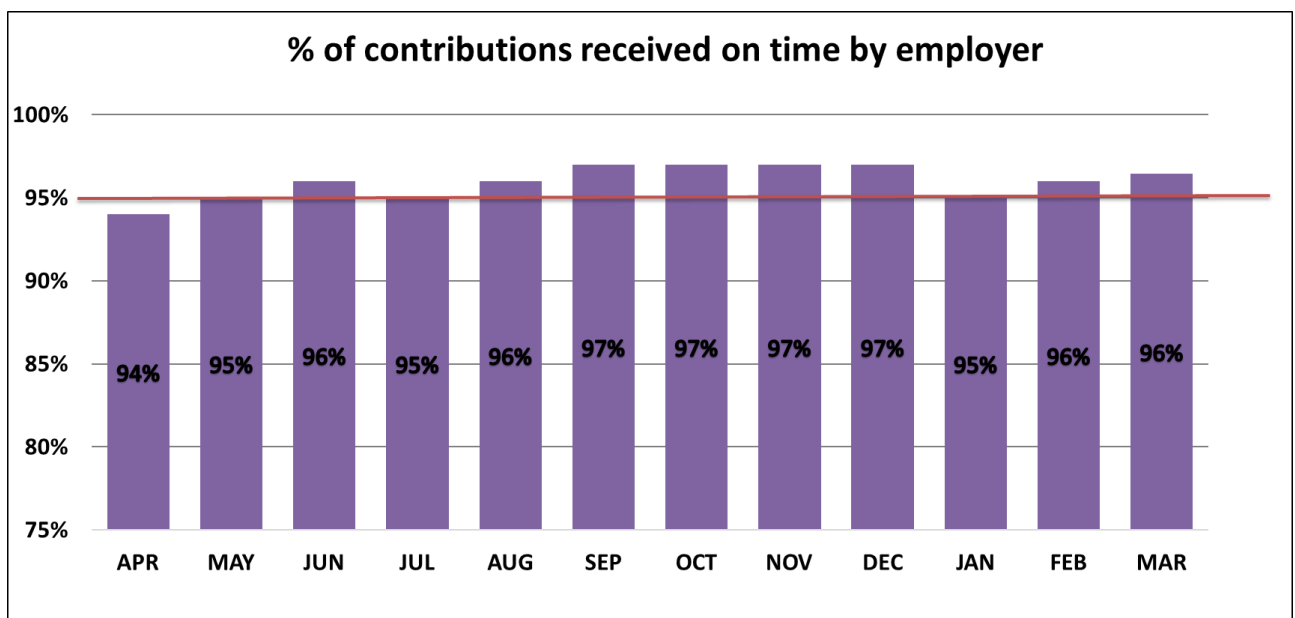
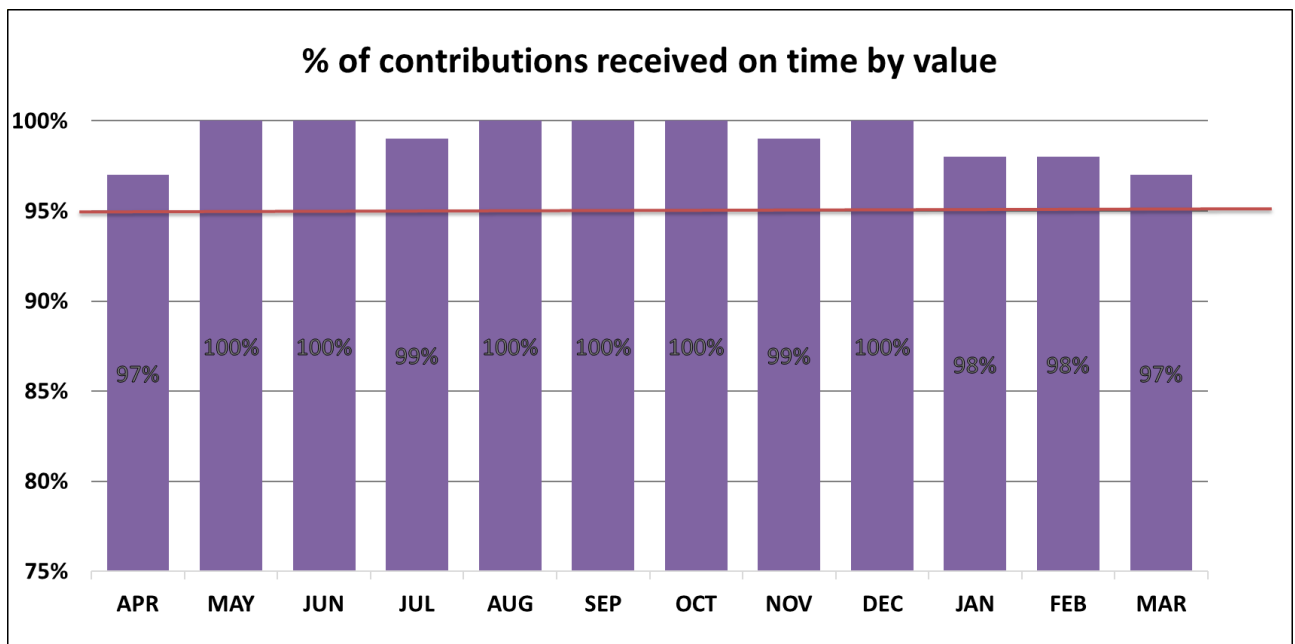
	Received Early	Cash on 19th	Received Late	Total
	£	£	£	£
April	12,837,382	8,765,672	588,584	22,191,638
May	12,281,627	9,762,070	60,340	22,104,037
June	12,722,129	9,642,137	76,147	22,440,413
July	13,285,609	8,791,062	224,541	22,301,212
August	12,747,650	9,592,330	38,343	22,378,323
September	13,048,730	9,111,031	27,175	22,186,936

October	13,845,594	8,590,553	21,743	22,457,890
November	13,195,251	9,662,220	119,552	22,977,023
December	13,861,455	9,767,618	56,483	23,685,556
January	12,126,632	10,116,735	480,348	22,723,715
February	12,573,925	9,830,030	511,856	22,915,811
March	13,171,337	9,501,051	748,856	23,421,244
Total	155,697,321	113,132,509	2,953,968	271,783,798

2.5 The following table shows employers from whom the Fund receives monthly contributions by Employer Group. Note the KCC figures reflect the council's and schools' relationships with several payroll providers.



2.6 Officers continue to monitor the receipt of these contributions and the following two charts show the % of employer contributions received on time by two different measures; by value and by number of employers. The Key Performance Indicator (KPI) of 95% for % of contributions received on time by employer was not achieved in April 2021, due to backdated admissions and some parish councils having issues with their banking arrangements.



3 The PCS Group Ltd (re The Primary First Trust)

- 3.1 The Primary First Trust awarded a 3-year + 2-month contract for cleaning services from 1 June 2021 and this involved the transfer of 8 employees to The PCS Group Ltd.
- 3.2 The PCS Group Ltd has applied retrospectively for admission to the Pension Fund to ensure the continuity of pension arrangements for staff.
- 3.3 The admission application has been made under Schedule 2 Part 3 1(d) (i) of the LGPS Regulations 2013, as amended, and under this regulation the admitted body is required to provide some form of security.

- 3.4 The completed questionnaire and supporting documents provided by the PCS Group Ltd has been examined by officers to ensure compliance with the LGPS Regulations, and Invicta Law has given a favourable opinion.
- 3.5 The Fund actuary has assessed the employer contribution rate as 28.8% for a closed agreement.
- 3.6 The Primary First Trust as the scheme employer party to the admission agreement has agreed to provide a guarantee. A satisfactory assessment of the financial strength of the academy trust has been undertaken and the terms of the guarantee will be captured in the admission agreement.

4 Sevenoaks Leisure Ltd (SLL)

- 4.1 At their meeting on 1 December 2021 the Committee agreed a 6-year instalment plan for the payment of the arrears of employer contributions be entered into with SLL under advice from Barnett Waddingham.
- 4.2 At the Committee meeting on 30 March 2022 it was agreed officers would monitor payments from SLL and provide an update at future meetings of the Committee and Board.
- 4.3 Officers can now advise that SLL has paid all their employee and employer contributions on time since November 2021 including the instalments agreed for the arrears of employer contributions.
- 4.4 The instalment plan was legally completed on 25 April 2022 for the agreed period of six years.
- 4.5 Officers will continue to monitor payments by SLL and provide further updates including an update on SLL's published accounts.

5 Employers with 5 or less active LGPS members

- 5.1 At their meeting on 30 March 2022 the Committee discussed the issue of employers with a small number of active LGPS members and what could be done to proactively manage their potential exit from the Fund.
- 5.2 Since the 2016 triennial valuation report the actuary has reported indicative cessation figures (i.e. likely exit surpluses/deficits) with the valuation results to employers with 5 or less active LGPS members.
- 5.3 The purpose of this information has been to highlight potential issues to employers and demonstrate that assumptions used by the actuary to calculate cessation figures differ from the ongoing assumptions used to set employer contribution rates. Employers are also expected to take their own advice.
- 5.4 There are approximately 65 employers in the Fund with less than 5 active LGPS members, including some parish and town councils and admission bodies. Cessation figures will again be provided to the small employers with

their March 2022 valuation results and officers will liaise with the actuary and follow up with employers to identify any issues to mitigate any potential impact when they leave the fund.

- 5.4 A further update will be provided to the Committee as part of the 31 March 2022 triennial valuation results.

6 GAD Section 13 Report on the LGPS 2019 valuations

- 6.1 At their meeting in March the committee asked for more information on the Kent Fund's funding level and contribution rates compared with other LGPS funds. The chart at appendix 1 shows the position of the Kent Fund relative to others together with details of the actuaries involved as follows:

Aon
Barnett Waddingham
Hymans Robertson
Mercer

Alison Mings, Pensions and Treasury Strategic Advisor – Kent Pension Fund

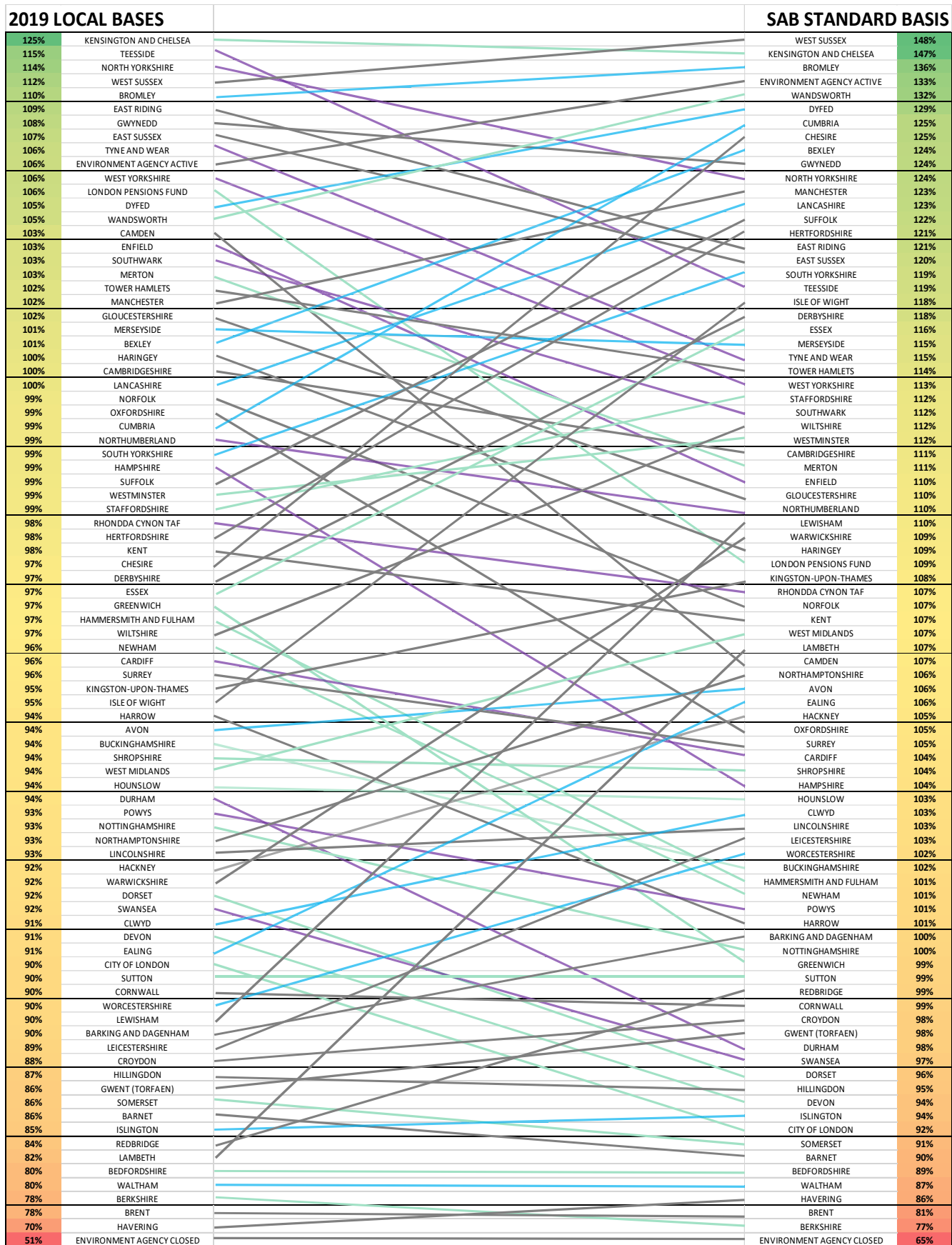
T: 03000 416488

E: Alison.mings@kent.gov.uk

June 2022

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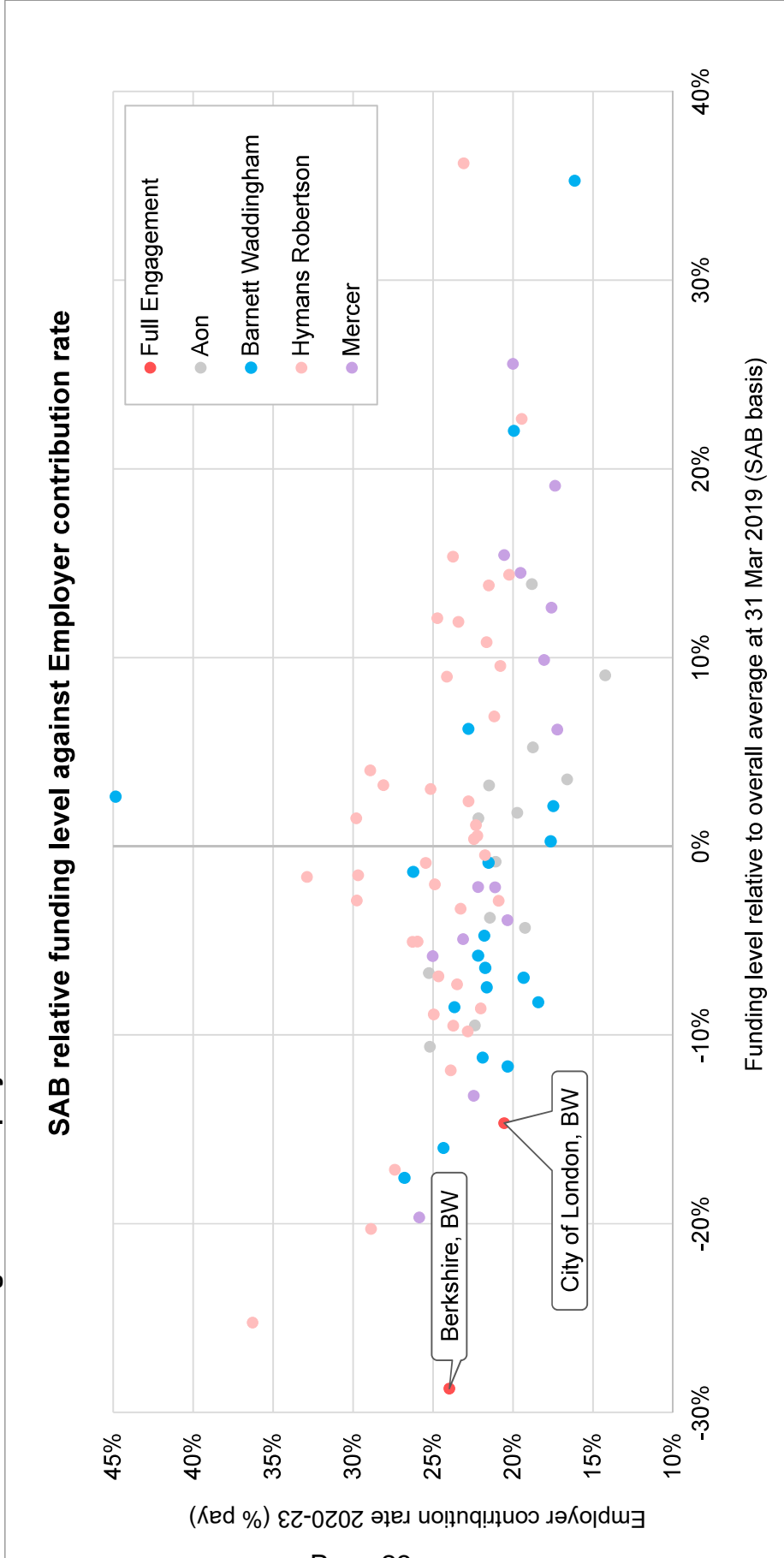
Chart B1: Standardising Local Valuation Results



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Deficit Period, Required Return and Return Scope

Chart 7.1 SAB funding level vs Employer contribution rate



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From:	Chairman Pension Fund Committee Corporate Director of Finance
To:	Pension Fund Committee – 22 June 2022
Subject:	Pensions Administration
Classification:	Unrestricted

Summary:

This report brings members up to date with a range of issues concerning the administration of the Kent Local Government Pension Scheme (LGPS)

Recommendations:

The Committee is recommended to note the report.

REPORT SUMMARY

1. Performance Update – Proposal for new way of measuring and reporting performance, update on Status 2 project.
2. End of Year/Valuation Update.
3. Process Reviews – Heywood’s Health Check, hybrid mail/secure e-mails.
4. Customer Engagement – Telephony system, iConnect.
5. Projects – System contract, GMP Rectification, McCloud, Administration Strategy.
6. Prudential performance update

For Information

1. Performance

- 1.1 Having reviewed the current method of reporting performance against the Chartered Institute of Public Finance and Accountancy (CIPFA) best practice requirements, it is proposed that consideration is given to an overhaul of the current process in order to provide more robust and transparent reporting of data. The Pension Board will be reviewing proposals to determine a final agreed format, but this is likely to include data on the number of cases at the start of the period, cases received, completed, completed within service level agreement, and outstanding at the end of the period. This will be across all casework and not just a selection of the work conducted. In addition, the report will include updates on other work conducted within the team such as customer engagement, technical & training and scheme events and other pertinent issues.
- 1.2 The team is currently being supported by ITM to clear some of the backlog of Status 2 (Undecided Leaver) cases. The current arrangement has been a success and is soon ending and the contract with ITM is due to end on 30 June 2022. To date, ITM have completed 11,002 cases. 2,375 cases have been passed back to the administration team to process. There are currently

1,100 queries with scheme employers to respond to before cases can be progressed, and employers were reminded at the Employer Forum on 7 June of the importance of replying to these queries as quickly as possible. ITM currently have 4,804 with them to be checked. The current number of Status 2 records is circa 7,400 and the Actuary have confirmed that they are happy with this number in relation to the size of the Kent Pension Fund.

2. End of Year/Valuation Update

- 2.1 End of year data has been received from all employers. So far, 160 returns have been sent back to employers due to issues with the data. 174 of the data sets have been loaded to Altair. A deadline of 8 July has been set for all year end data to be posted and associated activities completed to ensure valuation data can be submitted to the Actuary by the deadline of the end of July. A full report on employer performance will be reviewed by the Pension Board following completion of the project.
- 2.2 Data to 31 March 2020 and 31 March 2021 has been reviewed and cleansed (where possible) following uploads to the Actuary data checker. Once all year end jobs have been completed, data for 31 March 2019 to 31 March 2022 will be run, reviewed, cleansed, and submitted to the Actuary by 31 July. Due to the level of data cleansing that is conducted during the year end process, we anticipate a relatively low number of data issues. In addition, the Common and Scheme Specific data scores for 2021 were of a high standard. The main issue for the Actuary was the number of Status 2 records which was significantly high at the last Valuation, however the work with ITM (referred to in paragraph 1.2) has reduced this to a level the Actuary is content with. Later in the year plans will be developed for continuous data cleansing in anticipation of the McCloud and Pensions Dashboard projects.

3 Process Reviews

- 3.1 Members will be aware that the team uses the Aquila Heywood Altair pension administrations system. Aquila Heywood's have been commissioned (using some of the complimentary training and development days) to spend 2-3 days with members of the administration team at the end of June to review how the Altair system is currently being utilised and report back on functionality in the system that is currently not being used, or not being used to its full capacity, so that processes can be made as efficient and effective as possible. Some of the functionality we anticipate they will recommend is Immediate Payments and bulk Deferred and Refund processing. We are aware that there is also functionality within iConnect and the My Pensions Portal that is not currently being utilised such as employer strain cost estimates and online member processes i.e., retirements and transfers. Consideration will need to be given to the cost, time and effort needed to implement any improvements with a roadmap being developed based on which will provide the most benefit and what the aims/priorities of the section are.
- 3.2 One area that has been reviewed over the last few weeks is how we send correspondence to members, employers, and other pension funds. E-mail recipients with an address ending ".gov.uk" are deemed as secure without the need to add any further level of encryption. This has been checked with the Kent Counter Fraud team who have confirmed exchanging sensitive data this way is acceptable and have recommended that documents are password protected. This concurs with guidance issued by the Local Government Association during the Covid pandemic.

Therefore, with immediate effect all correspondence sent to other pension funds will be sent by e-mail. This will ensure that cases can be processed more quickly, and the team are not spending time printing, packing and posting large volumes of paper. In addition, we have been investigating ways of using a mailing house to print, pack and dispatch all our other correspondence. Currently, the team spend on average 12 hours per week in the office carrying out this task and we are keen to free up these hours to allow greater focus on more pensions administration related work. We are investigating options available and will report back to the Committee and Board with the outcome of this piece of work.

4. Customer Engagement

- 4.1 Telephony Service – At present all telephone calls come into the team on one line and the team members answering the calls do not have any indication what the call is in relation to. This can frustrate customers and the team as not all staff are trained in all aspects of pensions administration, due to its technical nature. This often results in a customer not being able to obtain the answer they require at the first attempt. Representatives from the team have been reviewed a new telephony service that allows callers to select options relating to their enquiry which will direct them to the most appropriate person within the admin team. There is also web chat functionality available which will allow members to access the information they require 24 hours a day, 7 days per week. This has been reviewed in conjunction with other KCC services that receive a high level of telephone enquiries, and this will be progressed collaboratively with colleagues.
- 4.2 iConnect is a function of the Altair system that allows the Fund’s employers to submit information to the administration team via a secure portal. The team is currently in the process of onboarding Kent County Council (payroll administered by Cantium) to iConnect. Test files have been loaded and checked, and Live files are now in the process of being loaded. It is our intention to make iConnect the mandatory method for monthly employer data submission due to the timing and accuracy benefits that this brings. A date for this is yet to be agreed dependant on resource both within the administration team and with employers. Therefore, onboarding is currently carried out via expression of interest from employers and a reminder of the benefits of using iConnect will be communicated at the next employer forum.

5. Key Projects

- 5.1 There are several key projects for the team that need to be initiated or progressed with the main ones being administration system contract renewal, GMP Rectification, McCloud, and the Administration Strategy.
- 5.2 Administration System Contract - the current contract with Aquila Heywood’s for the provision of Altair expires in May 2023. Concerns have been expressed regarding the lack of time and resource to carry out a full procurement exercise, plus the risk of transferring large quantities of data at a time when Funds are cleansing data ahead of the McCloud and Pensions Dashboard projects. Discussions have commenced with KCC Procurement colleagues about a direct award and evidence has been sought from other LGPS Funds who have taken this route. A business case is currently being drafted detailing what we need to do, why and by when.

- 5.3 GMP Reconciliation/Rectification – the reconciliation part of this exercise has now been completed with all outstanding data queries responded to. We now have all the information needed to begin taking the appropriate action to correct any pension benefits that are being paid at the wrong level. ITM supported the Kent Pension Fund with the reconciliation aspect of this project and have provided a quote to provide support for the rectification process (cost in the region of £85k). Due to the value of the contract, it is likely that this will require a full procurement exercise to appoint a successful provider. The team will liaise with KCC procurement to progress this.
- 5.4 McCloud - the same process will likely be needed for the McCloud project as well. The Kent Pension Fund is yet to request any data from scheme employers, but they have been made aware that this requirement is imminent. ITM have also provided costs for supporting Kent with the McCloud project (in the region of £250k+ dependant on the level of support provided).
- 5.5 Administration Strategy – the 2013 LGPS Regulations state that an administering authority ‘may’ prepare a written statement of the authority’s policies in relation to such matters as liaison and communication with employers, service levels which the administering authority and employers are expected to achieve, setting of performance targets, procedures which aim to secure compliance with statutory requirements. Whilst this is not mandatory, we believe it to be best practice to have such a policy in place. In addition, we are aware that the Scheme Advisory Board’s Good Governance review recommends an Administration strategy becomes a mandatory requirement.
- 5.6 Whilst the Fund currently publishes the expectations for scheme employers on the Kent Pension Fund website, there is currently no formal Administration Strategy in place. As part of reviewing and developing new performance measures and targets, it makes sense to link this in with the development of an Administration Strategy. The Strategy will be developed in the coming weeks and months and brought to the Board and Committee for approval once complete.

6. Prudential performance update

- 6.1 Prudential provide the Additional Voluntary Contribution (AVC) service to a number of LGPS Funds (including KCC) and have suffered performance issues over recent months. Representatives from Prudential attended a Scheme Advisory Board (SAB) meeting in December 2021 to discuss the performance issues experienced by Administering Authorities since November 2020. At the meeting, Prudential agreed to produce a communication to explain the issues that have arisen, the steps that have and are being taken to resolve the situation, and the expected timescales for normal service to be resumed.
- 6.2 Prudential have now written to Jo Donnelly, Head of Pensions at the Local Government Association (LGA), to provide this update. The letter (**Appendix 1**) was shared with Pension Managers on 13 May 2022.

Clare Chambers – Pensions Administration Manager – Kent Pension Fund

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June 2022

Appendix 1 – Letter from Prudential

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Jo Donnelly
Head of Pensions
Local Government Association
18 Smith Square
Westminster
London
SW1P 3HZ

29th April 2022

Dear Jo

M&G plc administration delays for Local Government AVCs

Further to our meetings and discussions in relation to administration performance for Local Government AVC schemes, I have provided some explanations below on this specific areas we have discussed.

Acknowledgement of delays

In reference to our recent conversations and feedback received from you, M&G acknowledge that the service provided to Local Government AVC pension schemes and members has not been meeting expectations and requirements. M&G apologises that the service has not been what members would expect and is committed to the improvement of service to Administering Authorities, employers and scheme members.

Description of problems

In late 2020 M&G migrated to an established administration platform. The platform is designed to offer M&G corporate pension customers and members greater digital capability and online access to their policies.

The approach to processing of contributions paid by employers was enhanced to introduce more controls. Historically, M&G have provided manual assistance to ensure contribution listings and payments were processed quickly (for instance where the payment and contribution listing amounts did not agree).

The enhanced system controls require the contribution listings and payments to agree. As this was not always the case, there were delays in the processing of contributions while discrepancies were addressed.

Contributions are a key dependency for all other administration processes. As a result of the processing delays, there was a collateral effect on the rest of the service that was initially experienced through increased call waiting times and delays in the processing of quotes and claims.

At the same time, as a result of the pandemic, there were restrictions in place that required colleagues to work from home. This had the effect of reducing operational efficiency which would not have been the case if colleagues had been co-located.

Actions taken to improve service

As the administration delays and extended call waiting times became apparent, M&G have been operating a Service Recovery Operation. This has facilitated:

- Recruitment of additional staff into the administration and voice functions
- Dedicated staff working with employer payroll teams to resolve file disparities
- Provision of an escalation route for urgent claims and complaints
- A fast-track complaint resolution process
- Upskilling completed in Annuities and Pensions servicing
- Embedding of improved training processes
- Enhanced contingency plans being put in place from both a people and system perspective

Where there have been delays in the processing of benefits and contributions, M&G have ensured that no member has suffered financial detriment as a result of a delay caused by M&G. M&G assess each case on its own merit paying the member compensation, where appropriate.

Expected timescales for resumption of normal service

Call waiting times

- Staffing in our Voice teams was increased by c.50% since the deterioration in performance and the impacts of both Covid and system migration. Continued recruitment and upskilling continues on a monthly basis to deliver both further and future improvements in performance
- Telephone call abandonment rates and call wait times improved significantly through the second half of 2021 and early 2022. Unfortunately, more recently, the abandonment rate and call waiting times have increased. A recovery plan has been put in place to improve performance.

M&G aim to have abandonment rate of less than 5% with a call wait time of less than 2 minutes.

Customer Journeys (including Bereavements, Claims, New Business, Servicing)

M&G is now processing the large majority of core transactions (e.g. retirement claims, transfers, bereavements, contribution changes, fund switches and new member applications) within normal service levels.

Performance is measured on an end to end journey basis. This means that all activities are joined together and the customer journey time is calculated from the first point of contact to the point of closure where no other activity is required to deliver the customer outcome.

The target is for more than 95% of work to be completed within a set number of days depending on the specific work required. For example we aim to have all claims and bereavements processed within 5 working days of receiving all of the relevant documentation.

For the quarter to December 2021, for Local Government AVCs in England and Wales, 90.2% of work was completed within this target. M&G continue to focus on improving performance to this target.

Annual Benefit Statements and Scheme Revisions

As a consequence of the servicing delays outlined above, the production of the 2020 / 2021 annual scheme revision information and Annual Benefit Statements has been delayed. The majority of schemes received their annual benefit statements within the regulatory deadline. M&G is in contact with any schemes where information is yet to be issued. Detailed planning for the distribution of 2021/22 year scheme revision information and Annual Benefit Statements is underway and expected turnaround times will be confirmed to individual Administering Authorities.

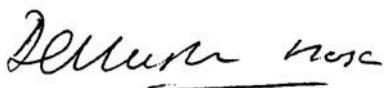
Scheme members can check the value of their AVC account through the online service. Members can login or register for the service at www.pru.co.uk/login

Existing AVC members can access additional support for any general enquiries through the AVC support team which is available Monday – Friday 8.30 - 6pm on 0800 6000 343. Secure messages can also be sent once you have registered for M&G online service.

The Pensions Regulator

M&G have continued to inform The Pensions Regulator about service performance and delays.

Yours sincerely



Alastair Hogg
Head of Corporate Pensions

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From: Chairman Pension Fund Committee
Corporate Director of Finance

To: Pension Fund Committee – 22 June 2022

Subject: Fund Position

Classification: Unrestricted

Summary:

To provide a summary of the Fund's asset allocation and performance.

Recommendation:

The Committee to note the Fund's asset allocation and performance as of 31 March 2022

FOR INFORMATION

1. Introduction

- 1.1 This report provides an update on the asset allocation and manager performance.
- 1.2 A copy of the Fund Position Statement is at Appendix 1

2. Asset Allocation

- 2.1 As of 31 March 2022, the Fund's value was £7.67bn, a decrease of £80m over the quarter and table 1 below compares the actual asset allocation to that set out in the Fund's Investment Strategy.

Table 1 asset allocation

Asset Class	Value £m	Actual %	Benchmark %	Over / (Under) weight %
UK Equity	1,541	20.1	23.5	-3.4
Global Equity	2,966	38.6	32	6.6
Fixed Income	1,121	14.6	15	-0.4
Private Equity	273	3.6	4	-0.4
Infrastructure	168	2.2	3.5	-1.3
Property	905	11.8	13	-1.2
Absolute Return	567	7.4	8	-0.6
Cash	129	1.7	1	0.7
Total	7,674	100	100	

- 2.2 The Ukraine conflict and the stringent financial sanctions imposed by Western Governments on Russia has dominated the impact on the investments in this quarter. Inflation which was already high prior to that has further worsened and the central bank's response of increasing interest rates has dampened returns.
- 2.3 As Global Equities have fallen and cash has been drawn for Private Equity and infrastructure investments, the relative overweight positions of Equities and Cash has reduced. However, all asset classes remain within the target allocation range and therefore do not necessitate rebalancing.

3. Investment performance quarter to 31 March 2022

- 3.1 The uncertain geopolitical environment, coupled with continued supply chain and inflationary pressures created a perfect storm for global stocks and bonds both of which have seen negative returns in the quarter. On the other hand, it is UK Equity portfolios with oil stocks, as well as property assets that have held up the returns and cushioned the falls for diversified portfolios.
- 3.2 In the quarter, the Fund returned a negative performance of -0.94% compared to a benchmark return of 0.26%.
- 3.3 This was mainly due to the large drawdown in the Baillie Gifford mandate which continues to suffer from growth stocks being out of favour in the current political environment.
- 3.4 On the other hand, the M&G and Schrodgers global equity portfolios with their cyclical and value strategies respectively have achieved positive returns in a falling market.
- 3.5 Pleasingly, the Fund's UK Equity and property managers provided positive returns close to or above their benchmarks.
- 3.6 The Fund also benefitted from the protection strategy on its Global Equities which pays out in a falling market.

4. Longer term investment returns

- 4.1 The last twelve months saw high returns on most asset classes on the back of lifting of lockdowns and the prospect of economic recovery. Property has returned the highest benchmark returns of over 23% in the last year followed by UK equities (14.5%) and Global equities (12.4%). High inflation has also pushed benchmark returns on absolute return portfolios which are linked to RPI+ 5% to 14%. Bond returns were a more modest 4%. Other asset classes had a lower benchmark return; this has resulted in an overall benchmark return of 11.2% for the Fund.
- 4.2 For the year ended March 2022, the Fund significantly underperformed its benchmark and achieved a return of 2.3%. The Fund's large allocation to the Baillie Gifford portfolio which suffered from a reversal of sentiment away from growth stocks returned -16.3% was the most significant drag on performance.

- 4.3 The remaining active managers across all asset classes underperformed their one-year benchmarks with the exception of Schroders Global Active Value Fund and the M&G Global Dividend Fund which outperformed benchmarks.
- 4.4 Over the three-year period ending March 2022, the Fund achieved an annualised return of 7.43% compared to 7.63%, with global equities and property driving the returns.
- 4.5 Whilst growth equities provided best returns in the first half of the pandemic, value and cyclical stocks caught up in the latter half, making equities the best performing asset class overall in the 3-year period to March 22. Property has also recorded near double digit growth pulled by the recent uptick in valuations driven by industrial assets. Fixed income was the poorest performing asset class over this period.
- 4.6 Private Equity returns have been strong during the last three years. The 'building-up stage' of the bulk of our infrastructure fund investments managed by Partners Group has contributed to the slow movement in valuations in that portfolio.

Sangeeta Surana, Investments, Accounting and Pooling Manager

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June 2022

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FUND POSITION STATEMENT

Summary of Fund Asset Allocation and Performance

Pension Fund Committee

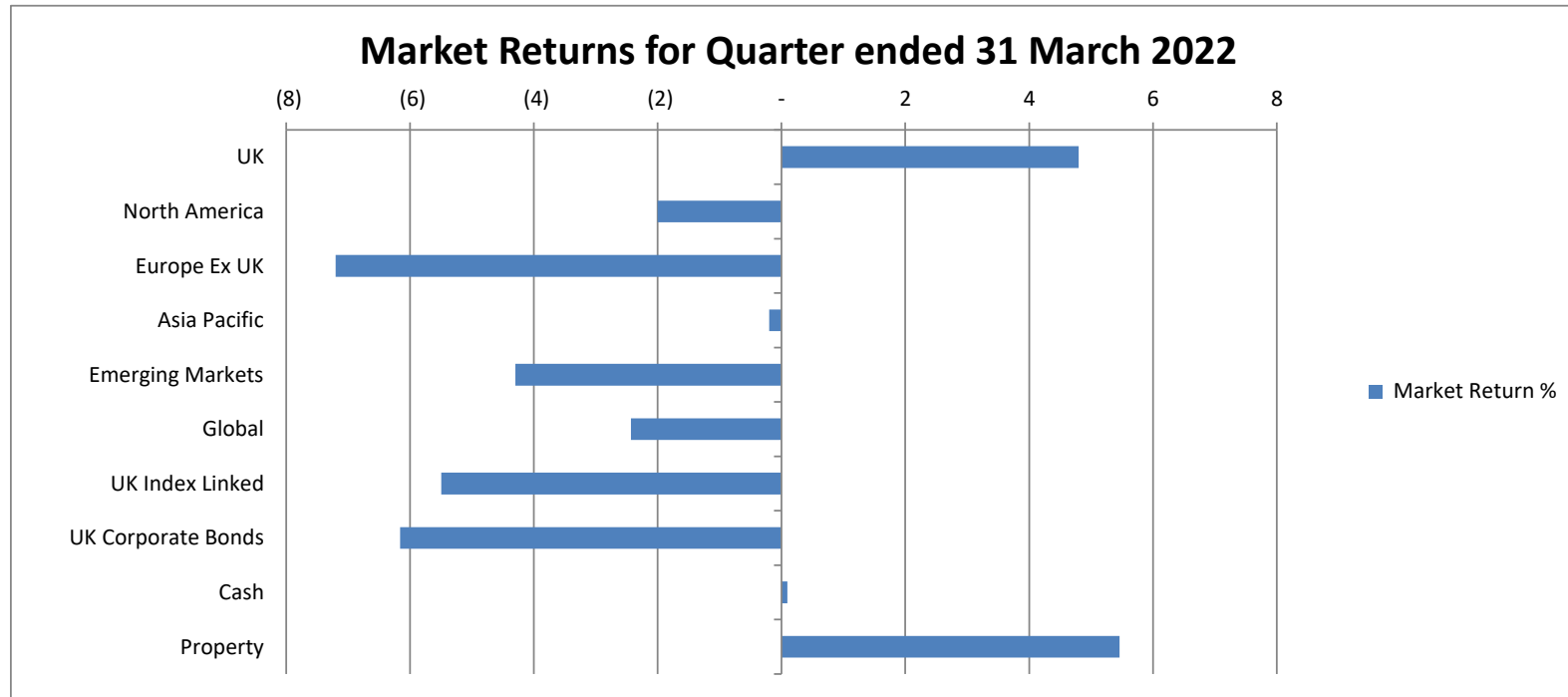
By: Chairman Pension Fund Committee
Corporate Director of Finance



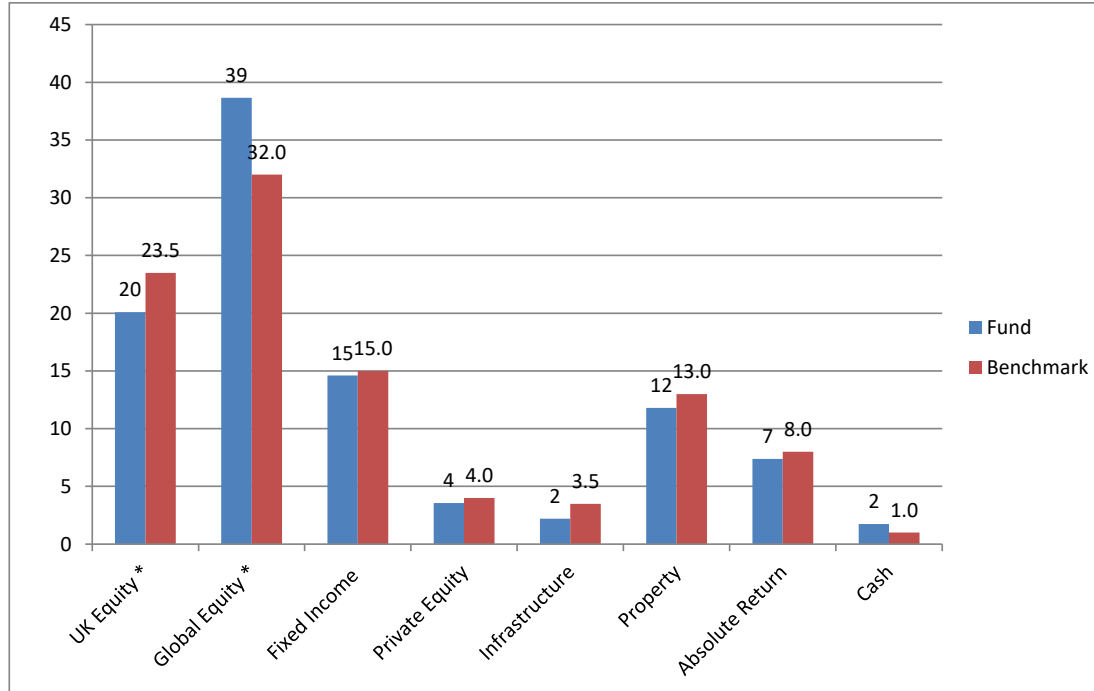
Kent County Council
Pension Fund Q4 2021-22

Katherine Gray- Principal Accountant

Market Returns for Quarter ended 31 March 2022



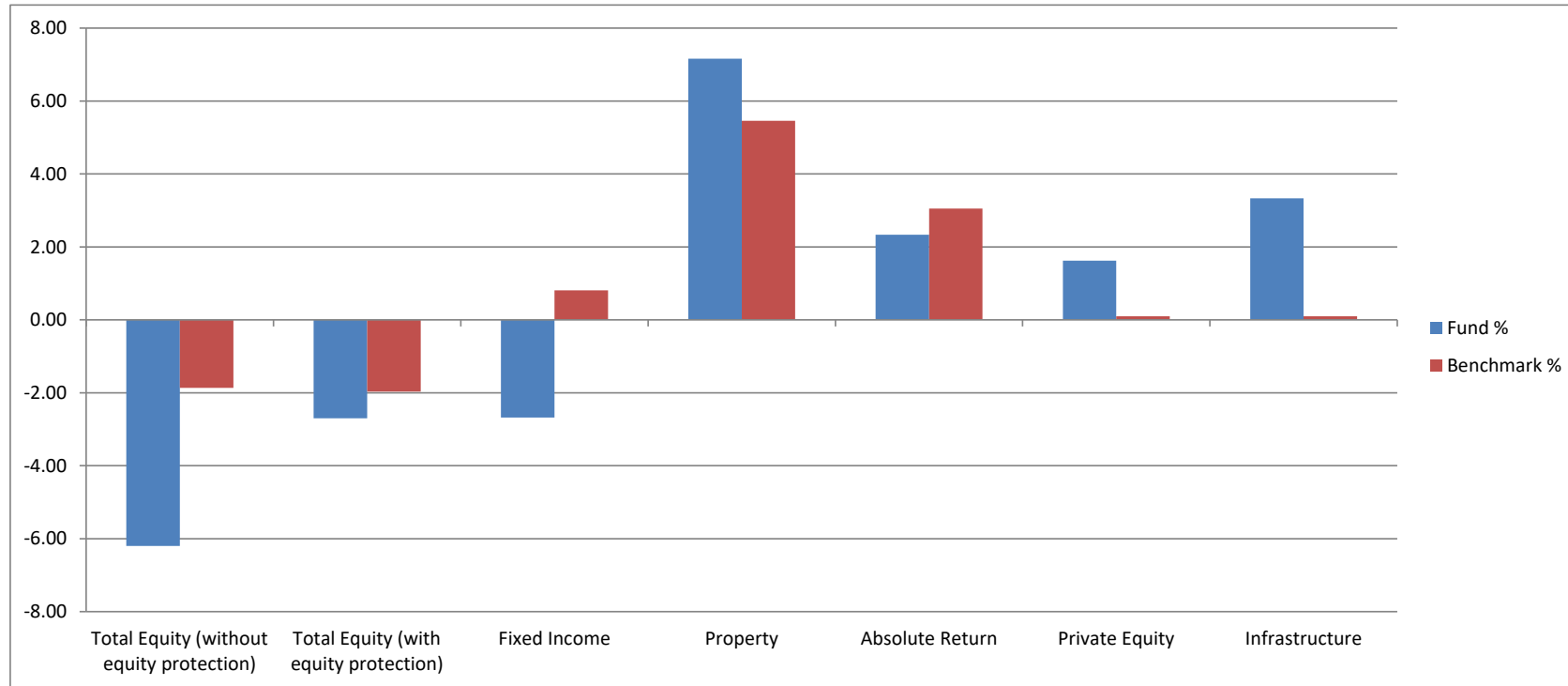
Fund Asset Allocation vs Benchmark as at 31 March 2022



Asset Class	Fund		Benchmark	Over / (under) weight
	£m	%	%	%
UK Equity *	1,541	20.1	23.5	-3.4
Global Equity *	2,966	38.6	32	6.6
Fixed Income	1,121	14.6	15	-0.4
Private Equity	273	3.6	4	-0.4
Infrastructure	168	2.2	3.5	-1.3
Property	905	11.8	13	-1.2
Absolute Return	567	7.4	8	-0.6
Cash	134	1.7	1	0.7
Total	7,674	100	100	

* Our synthetic equity exposure with Insight is included in UK and Global Equities

Fund Asset Class Performance for Quarter ending 31 March 2022



Asset Class	Fund %	Benchmark %	Outperformance %
Total Equity (without equity protection)	-6.20	-1.87	-4.34
Total Equity (with equity protection)	-2.70	-1.97	-0.73
Fixed Income	-2.68	0.81	-3.49
Property	7.16	5.46	1.70
Absolute Return	2.33	3.05	-0.72
Private Equity	1.63	0.10	1.53
Infrastructure	3.33	0.10	3.23

Market Value Summary by Fund Manager as at 31 March 2022

Fund Manager	Asset Class	Market Value as at 31 December 2021 (£m)	Market Value as at 31 March 2022 (£m)	Change in Market Value (£m)	% of Total Fund 31 March 2022
Baillie Gifford - LF ACCESS Global Equity Core Fund	Global Equity	1,475	1,190	-286	15.5%
Schroders - LF ACCESS UK Equity Fund	UK Equity	1,114	1,143	29	14.9%
Insight	Equity Protection Program	670	791	121	10.3%
DTZ	Direct Property	538	578	40	7.5%
M&G - LF ACCESS Global Dividend Fund	Global Equity	493	518	24	6.7%
Goldman Sachs	Fixed Interest	423	401	-21	5.2%
Schroders GAV - LF ACCESS Global Active Value Fund	Global Equity	394	401	8	5.2%
Sarasin	Global Equity	395	381	-14	5.0%
Pyrford	Absolute Return	370	376	6	4.9%
Schroders	Fixed Interest	249	243	-6	3.2%
M&G Alpha Opportunities	Fixed Interest	242	240	-2	3.1%
CQS	Fixed Interest	240	238	-2	3.1%
Harbourvest	Private Equity	204	217	13	2.8%
Ruffer - LF ACCESS Absolute Return Fund	Absolute Return	184	191	7	2.5%
Partners	Infrastructure	135	168	33	2.2%
Fidelity	Pooled Property	159	165	7	2.2%
Impax Environmental Markets	Global Equity	81	75	-7	1.0%
M&G Residential Property	Pooled Property	67	68	1	0.9%
YFM	Private Equity	57	56	-1	0.7%
DTZ Pooled Funds	Pooled Property	46	50	4	0.7%
Aegon (Kames)	Pooled Property	43	43	1	0.6%
Woodford	UK Equity	9	8	-1	0.1%
Internally managed cash	Cash	167	132	-35	1.7%
Total Kent Fund		7,755	7,674	-81	100.0%

Total investments in ACCESS pooled funds	3,675	3,442
Percentage of the total Fund	47%	45%

Performance Returns as at 31 March 2022

	Quarter		1 Year		3 Year (p.a.)	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
Total Fund *	-0.94	0.26	2.26	11.19	7.43	7.63
UK Equity						
Schroders - LF ACCESS UK Equity Fund	2.62	1.67	10.79	14.51	6.07	4.70
Woodford	-10.97	0.49	1.45	13.03	-27.71	5.31
Global Equity						
Baillie Gifford - LF ACCESS Global Equity Core Fund	-19.37	-2.99	-16.29	8.76	14.28	10.53
Sarasin	-3.43	-2.64	8.06	12.42	14.50	13.36
Schroders - LF ACCESS Global Active Value Fund	1.94	-2.64	13.65	12.42	11.19	13.36
Impax	-8.24	-2.64	5.12	12.42	16.02	13.36
M&G - LF ACCESS Global Dividend Fund	4.95	-2.64	16.74	12.42	13.09	13.36
Fixed Interest						
Goldman Sachs	-5.08	0.86	-3.73	3.50	1.41	3.50
Schroders Fixed Interest	-2.38	0.12	-4.75	0.20	0.00	0.50
CQS	-0.84	1.11	2.40	4.20	--	--
M&G Alpha Opportunities	-0.63	1.11	0.90	4.20	--	--
Property						
DTZ	8.10	5.46	22.12	23.72	8.99	8.46
Fidelity	4.18	5.46	21.99	23.72	8.03	8.46
Aegon (Kames)	13.34	5.46	16.27	23.72	4.03	8.46
M&G Property	2.47	5.46	4.28	23.72	1.66	8.46
Private Equity						
Harbourvest	2.58	0.10	41.51	0.04	30.37	0.17
YFM	-1.87	0.10	39.30	0.04	24.80	0.17
Infrastructure						
Partners	3.33	0.10	4.60	0.04	-1.77	0.17
Absolute Return						
Pyrford	1.60	3.05	4.31	14.01	3.57	9.33
Ruffer - LF ACCESS Absolute Return Fund	3.80	3.05	5.45	14.01	12.63	9.33

* The total fund return includes the impact of the equity protection program, a separate report detailing the performance of the program is provided as a separate report

Fund Manager Benchmarks and Performance Targets

Asset Class / Manager	Performance Benchmark	Performance Target
UK Equities:		
Schroders - LF ACCESS UK Equity Fund	Customised	+1.5% pa over rolling 3 years
Woodford	FTSE All Share	Unconstrained
Global Equities:		
Baillie Gifford - LF ACCESS Global Equity Core Fund	Customised	+1.5% pa over rolling 3 years
Sarasin	MSCI AC World Index NDR	+2.5% over rolling 3 - 5 years
M&G - LF ACCESS Global Dividend Fund	MSCI AC World Index GDR	+3% pa
Schroders - LF ACCESS Global Active Value Fund	MSCI AC World Index NDR	+3% - 4% pa over rolling 3 years
Impax	MSCI AC World Index NDR	+2% pa over rolling 3 years
Fixed Income:		
Schroders Fixed Interest	ICE BofA Sterling 3 month Gov Bill Index	+4% pa over a full market cycle
Goldman Sachs	+3.5% Absolute	+6% Absolute
CQS	ICE BofA Sterling 3 month Gov Bill Index + 4%	
M&G Alpha Opportunities	ICE BofA Sterling 3 month Gov Bill Index + 4%	
Property:		
DTZ	IPD Pension Fund Index	≥ 3 year rolling average of benchmark returns
Fidelity	IPD UK PF Property Fund Index	
Aegon (Kames)	IPD UK PF Property Fund Index	
M&G Property	IPD UK PF Property Fund Index	
Alternatives: (Cash / Other Assets)		
Private Equity – YFM	SONIA	
Private Equity – HarbourVest	SONIA	
Infrastructure – Partners Group	SONIA	
Absolute Return – Pyrford	Retail Price Index (RPI)	RPI + 5%
Ruffer - LF ACCESS Absolute Return Fund	Retail Price Index (RPI)	
Internally managed cash – KCC Treasury and Investments team	SONIA	

Fund Structure as at 31 March 2022

UK Equities	Global Equities	Fixed Interest	Property	Cash/Alternatives
Schroders +1.5% £1,143 m	Baillie Gifford +1.5% £1,190 m	Goldman Sachs +6.0% Abs. £401 m	DTZ Property £628 m	Internally managed Cash £132 m
Woodford £8 m	M&G +3.0% £518 m	Schroders +4.0% £243 m	Fidelity Property £165 m	Partners Infrastructure £168 m
	Schroders +3.0% - +4% £401 m	CQS £238 m	Aegon(Kames) Property £43 m	YFM Private Equity £56 m
	Impax +2.0% £75 m	M&G Alpha Opps £240 m	M&G Property £68 m	HarbourVest Private Equity £217 m
	Sarasin +2.5% £381 m			Pyrford Abs. Return RPI + 5% £376 m
	Insight Equity Protection £791 m			Ruffer Abs. Return RPI £191 m
				ACCESS fund
			Total Fund £7.7 bn	

From: Chairman Pension Fund Committee
Corporate Director of Finance

To: Pension Fund Committee – 22 June 2022

Subject: Governance Review update

Classification: Unrestricted

Summary:

To advise the Committee of the progress made to date on implementing the recommendations of the review of the Fund's governance, including changes to the Pensions Board membership. This report also covers changes to the non-voting membership of the Committee and includes details of the committee terms of reference and meeting guidelines and documented decision-making procedures.

Recommendation:

The Committee is recommended to note the report and to resolve to approve changes to the non-voting membership:

- a) That a scheme member seat be reallocated to a representative of the non-local council employers in the Fund
- b) That the staff and KARF member seats be redesignated as an active member representative and a pensioner member representative
- c) That dual membership with the Local Pensions Board of any type is not allowed

FOR DECISION

Introduction

1. As previously agreed, the committee will be updated at each meeting on the progress made on the implementation of the Barnett Waddingham recommendations.
2. Since the committee meeting in March work has been undertaken on the proposals for the Pensions Board as well as the committee's terms of reference, their meeting arrangements and documentation of committee decision making procedures.
3. The change of name of the Fund and Committee to Pension Fund and Pension Fund Committee was approved by County Council on 26 May 2022.

4. The intention is that the changes to the Board and Committee terms of reference will be submitted to the Selection and Member Services Committee for their agreement prior to their submission to County Council.
5. Once the membership is agreed then arrangements will be made to recruit the new members to the Board and Committee.

Pensions Board review

6. The Barnett Waddingham recommendations were considered by an informal meeting of the Board on 7 June and members were generally supportive of the proposed changes including a revised terms of reference document and changes to the board membership.
7. The main changes proposed to the board membership are as follows:
 - Increase the total number of members from eight to ten to allow for the appointment of independent members including an independent chair
 - Replace the two employer representatives of the districts / boroughs/ Medway Councils and Fire/Police, with representatives of any non KCC employers including academies and admitted bodies
 - The staff and pensioner categories represented by three of the four scheme member representatives to be include all members with at least one staff and one pensioner representative desirable
 - Dual membership of the board and committee to be disallowed
 - The board will meet four times a year and meetings to be held online as well as in person
 - The meeting quorum to be a third of the voting membership (3) rather than half (4) as presently
8. The board also considered the work programme for the coming year including proposals for enhanced reporting on the performance of the Pensions Admin activity.

Pension Fund Committee Terms of reference

9. As per the review's recommendations the Committee terms of reference contained within the Constitution have been reviewed and a document has been produced collating the key details including Committee members' responsibilities and duties and information such as the term of office, how the chair is chosen, what constitutes a quorum and other operational procedures.

10. It is intended that this document is used for members' reference and training and to assist the Board members and supporting officers to understand the role of the Committee and, in turn, to assist and support them respectively.
11. A copy of the draft terms of reference document is at annex 1. Details of the Committee's role and function and guidelines for committee meetings are included as appendices.

Proposed changes to the non-voting membership

12. Membership of the Committee is set out in the Council's constitution as:
11 Members; plus, as voting members - District/Borough members (appointed by Kent Leaders Group): 3; Medway Council: 1; and as non-voting members - others: 4.
13. At the present time the 4 non-voting members represent scheme members from each of the following groups:
 - 1 Trade Union representative nominated by Unison
 - 1 KCC staff representative
 - 1 representative from non KCC (Medway and District) Councils
 - 1 representative from the Kent Active Retirement Fellowship (KARF)
14. Only the Trade Union seat is occupied with the other seats being vacant following resignations in 2021. The current Unison representative is also on the Pensions Board as a staff representative.
15. Barnett Waddingham undertook a review of the non-voting membership and have made recommendations for change.
16. Members are now asked to consider the following proposed changes:
 - a) That a scheme member seat be reallocated to a representative of the non-local council employers in the Fund to widen representation and employer engagement. Including other types of employers such as admitted bodies or academies would also be best practice. In the Kent Pension Fund just over 60% of active employers are either admitted bodies or academies.
 - b) That the trade union representative be retained with the other member seats being redesignated as an active member representative and a pensioner member representative. Scheme members will be invited to apply for these seats and will be selected by a panel comprising the chair of the Pension Fund Committee, the Corporate Director of Finance (or their nominee), the Head of Pensions and Treasury and the General Counsel (or their nominee)

- c) That to avoid the perception of, or actual, conflict and to make best use of the Pension Board role to assist the Scheme Manager, no dual roles are allowed.

Committee Meeting Guidelines

17. All decisions of the committee must be taken in accordance with the procedures set out in the constitution. The guidelines at appendix 2 to the terms of reference describe the processes for scheduled and urgent meetings as well as where shorter notice needs to be given for meetings, and delegations to officers.
18. It should be noted that all decisions must be made at formal meetings. In the event that a decision is required before the next formal meeting then a delegation may be made to the Corporate Director of Finance after consultation with the Chair of the Pension Fund Committee in respect of a future decision. This decision should then be reported to the next scheduled committee meeting.

Documentation of Committee investment decision making procedures

19. In their review published in December 2019 Internal Audit commented:
- that there is a risk that without a procedure setting out the basic steps that the Committee should take when making an investment decision, turnover of members could mean that decisions might be made without full consideration of all the available information and/or proper advice, causing a similar situation to arise again, affecting reputations and leading to financial loss.*
20. The Barnett Waddingham review recommended that the decision-making process is documented and training in it be given to members. A procedure note could give assurance that the statutory guidance is being met too.
21. Procedures for Investment decision-making and non-investment decision-making have been documented and are at annex 2. These have been agreed with the Council's Monitoring Officer and it is anticipated that these procedures will be used at each committee meeting to ensure they are followed.

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June 2022

The Kent Pension Fund Committee's terms of reference

Kent County Council Constitution

The Pension Fund Committee's terms of reference are set out in the [Council's Constitution](#). The Constitution records the committee as an *Ordinary Committee* of the Council.

1. Membership of the Committee as set out in Section 17.46 is:

11 Members; plus, as voting members - District/Borough members (appointed by Kent Leaders Group): 3; Medway Council: 1; and as non-voting members - others: 4.
2. The Chair is elected by Members of the County Council only (section 17.47).
3. This Committee discharges the functions of the Council in relation to the control and investment of the Pension Fund (section 17.48). More details of the Committee's Role and Function are at appendix 1.
4. The terms of office of Members is 4 years from the relevant election / date of appointment as set out in section 21.3.
5. Members will at all time observe the Code of Member Conduct set out in Section 21 and to have registered the interests required by that Code.
6. Members are expected to attend at least two meetings of the Committee per year.
7. The Committee's meeting and decision-making procedures follow the common procedures set out in section 15 of the constitution and are set out in more detail in appendices 2 and 3.
8. Members must disclose their interests as per the procedures set out in section 15.25 onwards.
9. The quorum for a meeting is one third of its total voting membership (5) as set out in section 15.31-33.
10. If a Member cannot attend a meeting of the Committee, a nominated spokesperson of their Political Group may nominate a substitute by written notice to the Clerk as per section 15.34-35
11. These terms of reference will be reviewed annually when the Governance Compliance Statement is reviewed for publication in the annual report and accounts, to ensure that they remain up to date and are consistent across the Constitution.

Non-voting members

12. 4 non-voting members

1 representative of non-local council employers to come from nominations from other employers in the Fund (e.g. Academies, Police, Fire and other scheduled or admitted body employers in the Kent Pension Fund).

3 members representing scheme members:

- 1 Trade Union representative nominated by Unison
- 1 active member representative
- 1 pensioner representative

13. Scheme members will be invited to apply for the active and pensioner seats and will be selected by a panel comprising the chair of the Pension Fund Committee, the Corporate Director of Finance (or their nominee), the Head of Pensions and Treasury and the General Counsel (or their nominee)

14. Dual membership with the Local Pensions Board of any type is not allowed

Pension Fund Committee Role and Function

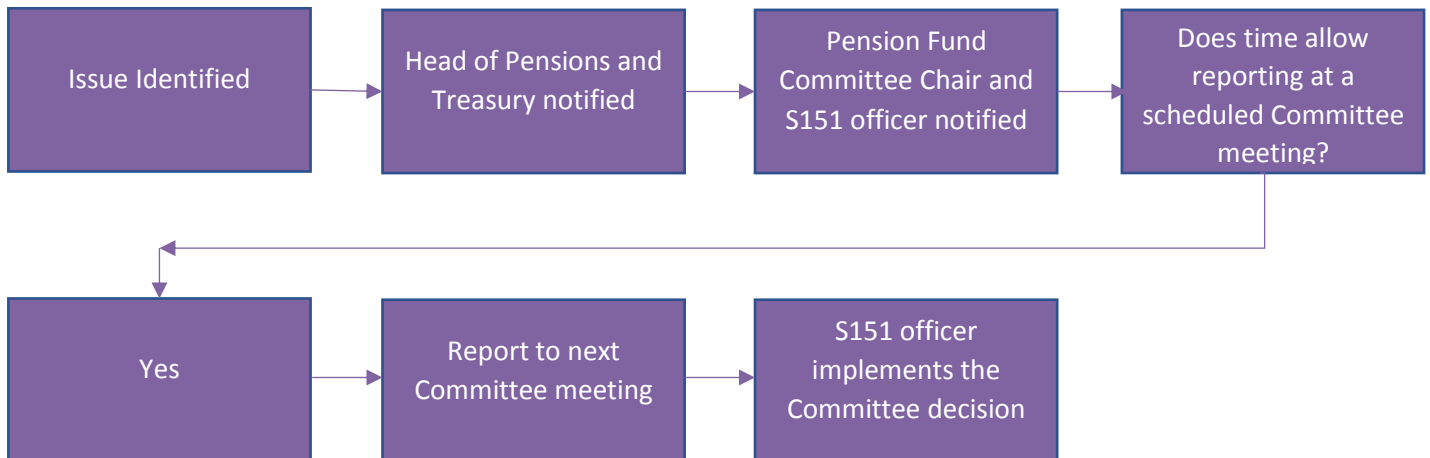
The Pension Fund Committee applies all the powers and duties of Kent County Council (KCC) as the administering authority for the Fund. The committee is responsible for:

- monitoring the administration of the Fund, including compliance with Local Government Pension Scheme (LGPS) and other legislation, ensuring that it delivers best value and compliance with statutory and non-statutory best practise guidance where considered appropriate
- determining pension fund policy regarding employer admission and cessation arrangements
- determining, reviewing, and monitoring the Fund's aims, objectives, strategies, compliance statements and procedures relating to the funding strategy, including approving its Funding Strategy Statement
- determining, reviewing, and monitoring the Fund's other aims, objectives, policies, strategies, compliance statements and procedures for the overall management of the Fund, including but not limited to administration, communication, and governance
- setting investment strategy, carrying out regular reviews, and monitoring the Fund's investments
- appointing the Fund's advisers, including actuaries, governance advisers and specialist lawyers (where required) and to periodically review those arrangements
- appointing professional fund managers relating to the investments of the Fund
- considering the Fund's financial statements
- approving an Annual Report on the activities of the Fund in line with legislation and guidance

Committee Meeting Guidelines

All decisions of the Committee must be taken in accordance with the decision-making procedures set out in the [Council's Constitution](#).

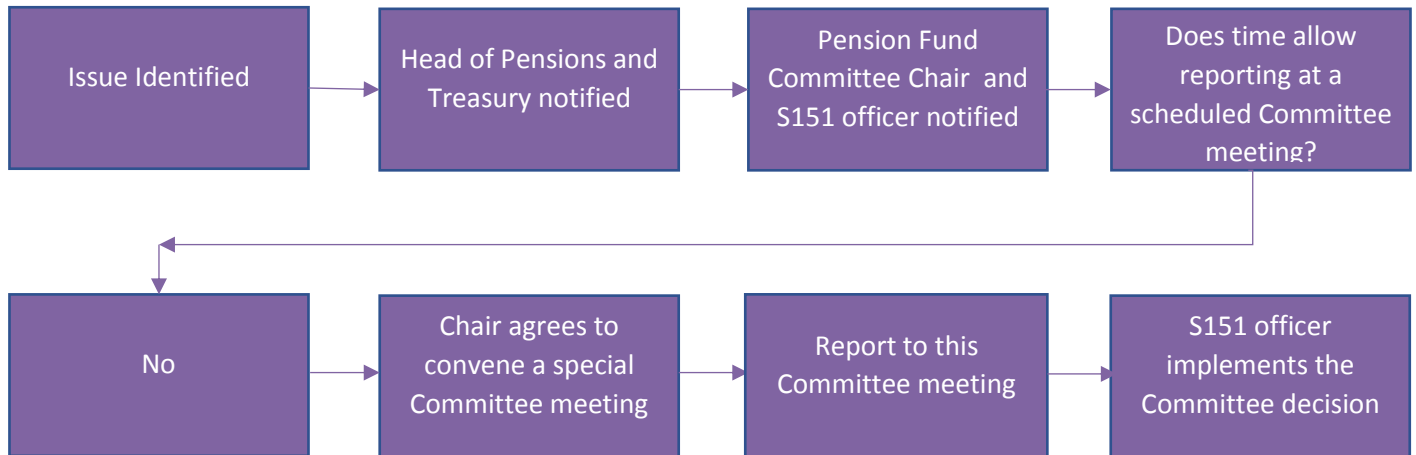
1. Scheduled Committee meeting cycle
 - 1.1 The Committee meets five / six times a year including four quarterly meetings to receive regular reports, with an additional meeting set for February which is available for other purposes or items. Additional meetings may be called as required.
 - 1.2 The majority of decisions required to be made by the Pension Fund Committee are tabled sufficiently in advance to allow members to receive appropriate briefings and make the decision within the normal meeting cycle.
 - 1.3 At least 5 clear working days are required for the notice of meetings, publication of the agenda and reports.
 - 1.4 The following process is used when there is time to allow a decision to be made at the next scheduled Committee:



2 Special / urgent meetings

- 2.1 The Fund recognises that good governance requires that on occasion the Committee can respond to urgent matters by taking decisions promptly outside of the scheduled meeting cycle. On such occasions the following processes may be adopted.
- 2.2 At least 5 clear working days are required for the notice of meetings, publication of the agenda and reports

2.3 The process to be used when the Chair agrees to convene a special Committee meeting:



3 Shorter notice of meetings

3.1 A meeting may be convened at shorter notice than 5 working days and a copy of the agenda and associated reports must be available to members when the meeting is convened. Where an item is added to the agenda after it is published then an amended agenda and any report must be available when that item is added to the agenda.

4 Delegation to officers

4.1 All decisions must be made at formal meetings and cannot be made for example by email.

4.2 Should a decision be required before the next formal meeting is scheduled or it is not possible to convene a special meeting then according to the constitution decisions relating to the County Council's Pension Fund may be delegated to Officers by the Pension Fund Committee.

4.3 The Committee may discuss an issue and resolve that a delegation be made to the Corporate Director of Finance, after consultation with the Chair of the Pension Fund Committee in respect of a future decision. This decision should then be reported to the next scheduled committee meeting.

4.4 The Council scheme of delegation is set out in Section 10 of the Constitution (section 10.9 onwards). This scheme also sets out the process for urgent decisions where it had not been possible to put a delegation in place by the Committee.

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Kent Pension Fund Committee decision making procedures

1. LGPS 2016 regulations
 - 1.1 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 includes expectations around decision making as follows:

When making investment decisions, administering authorities must take proper advice and act prudently. In the context of the local government pension scheme, a prudent approach to investment can be described as a duty to discharge statutory responsibilities with care, skill, prudence and diligence. This approach is the standard that those responsible for making investment decisions must operate.

Administering authorities are expected to be able to demonstrate that those responsible for making investment decisions have taken and acted on proper advice and that diversification decisions have been taken in the best long term interest of scheme beneficiaries.

2. All decisions of the Committee must be taken in accordance with the decision-making procedures set out in the [Council's Constitution](#).
3. The Committee should follow the procedures as set out below when making decisions for the Fund:

Kent Pension Fund Committee investment decision making procedure

- Identify / clarify the issue.
- Conflicts of interest have been declared and recorded in the minutes. ⁽¹⁾

Committee members may have other roles and responsibilities which cause them to have other personal, business, or other interests which could affect their fiduciary duty to act in the best interest of the Fund. By declaring these conflicts and recording them in the minutes of the meeting, it provides an accurate record and clarity around who was involved in the decision.

- Viewed all available information and supporting papers from officers relevant to the decision which needs to be made. ⁽¹⁾

The Council's Constitution requires that decisions are made based on *all* relevant information/evidence. By reviewing supporting papers from the finance function, the committee is ensuring that it follows procedure and continues to represent good practice. This also allows for decisions to be made using

accurate, up-to-date, unbiased information, ensuring the Committee is acting in the best interests of the Fund.

Guidance given in weekly meetings with the Chair should be passed on to other Committee members.

- The Fund's independent investment advisors (Mercer) attend each meeting. Advice is commissioned prior to making any investment decisions.

Mercer are expert advisors who can provide advice on a range of issues, including how to manage risks, responsible investment, investment strategy and much more. By commissioning advice from Mercer, the Committee can ensure it is well informed prior to making any decisions. They provide an objective view of the Fund and any risks to it and may pick up on information which may have been missed elsewhere.

- Guidance received from Officers regarding exit strategies and segregated mandates.

Segregated mandates are run exclusively for clients and so they will be customised to the investment objectives of each Fund. This means that the Officers of the Fund may be better placed to provide guidance/advice surrounding issues of these mandates.

- Members have the opportunity to speak and ask questions. ⁽¹⁾

- Risk register has been reviewed and updated to show current risks and/or changes to the Fund.

The fundamental responsibility of the Fund is to ensure it has adequate monies available to pay pensions as they fall due. To fulfil this responsibility, it is important to ensure that all risks are managed effectively and kept up to date. The risk register helps to identify potential risks and to stay on top of any potential issues which could prevent the Fund from being able to meet its duties.

- Decisions have been recorded in the minutes of the meeting. ⁽¹⁾

- Minutes signed and non-exempt minutes published on the website. ⁽¹⁾

⁽¹⁾ Procedure set out in the Council's constitution

Kent Pension Fund Committee Non - Investment decision making procedure

Identify / clarify the issue.

Conflicts of interest have been declared and recorded in the minutes. ⁽¹⁾

Committee members may have other roles and responsibilities which cause them to have other personal, business, or other interests which could affect their fiduciary duty to act in the best interest of the Fund. By declaring these conflicts and recording them in the minutes of the meeting, it provides an accurate record and clarity around who was involved in the decision.

Viewed all available information and supporting papers from officers relevant to the decision which needs to be made. ⁽¹⁾

The Council's Constitution requires that decisions are made based on *all* relevant information/evidence. By reviewing supporting papers from the finance function, the committee is ensuring that it follows procedure and continues to represent good practice. This also allows for decisions to be made using accurate, up-to-date, unbiased information, ensuring the Committee is acting in the best interests of the Fund.

Guidance given in weekly meetings with the Chair should be passed on to other Committee members.

Admission matters: advice received from the Fund's actuary (Barnett Waddingham)

To carry out their role effectively the committee must have access to expert professional advisers

Admission and other legal matters: advice received from the Fund's legal advisors (Invicta Law) or other appropriate advisor

To carry out their role effectively the committee must have access to expert professional advisers

Members have the opportunity to speak and ask questions. ⁽¹⁾

Risk register has been reviewed and updated to show current risks and/or changes to the Fund.

The fundamental responsibility of the Fund is to ensure it has adequate monies available to pay pensions as they fall due. To fulfil this responsibility, it is important to ensure that all risks are managed effectively and kept up to date. The risk register helps to identify potential risks and to stay on top of any potential issues which could prevent the Fund from being able to meet its duties.

Decisions have been recorded in the minutes of the meeting. ⁽¹⁾

Minutes signed and non-exempt minutes published on the website. ⁽¹⁾

⁽²⁾ Procedure set out in the Council's constitution

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item 11

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