

KENT COUNTY COUNCIL

PENSION BOARD

MINUTES of a meeting of the Pension Board held in the online on Wednesday, 1 September 2021.

PRESENT: Mr D Jeffrey, Ms A Kilpatrick, Mr J Parsons and Mr R J Thomas (Chair)

IN ATTENDANCE: Mrs B Cheatle (Pensions Manager), Mrs A Mings (Treasury and Investments Manager, and Acting Business Partner for the Kent Pension Fund) and Ms S Surana (Principal Accountant - Investments)

UNRESTRICTED ITEMS

1. Membership - the board is asked to note its revised membership

(Item 1)

The Chairman, Mr Thomas, welcomed the new members to the board and expressed his thanks to those who had served on it previously.

Mrs Mings agreed to discuss the current board membership vacancies with the Chairman, further to the recommendations of the Barnet Waddingham review, prior to the next board meeting.

2. Apologies and Substitutes

(Item 2)

Apologies for absence had been received from Mr Coupland and Mr Simkins (Chair of the Superannuation Fund Committee).

3. Declarations of Interest by Board members on items on the agenda for this meeting

(Item 3)

The Chairman, Mr Thomas, said that he was a Councillor for Canterbury City Council which was a member of the scheme.

4. Minutes of the meeting held on 15 October 2021

(Item 4)

It was RESOLVED that these were a correct record and that a paper copy be signed by the Chairman when this can be done safely.

5. Internal Audit Action Plan - Verbal Update

(Item 5)

1. Mrs Mings gave a verbal update and said good progress had been made on the recommendations made by the 2019 internal audit review which had included the undertaking of a review by Barnett Waddingham. An investment advisor was now

attending each meeting of the Superannuation Fund Committee and a review of the Fund Strategy Statement (FSS) was taking place.

2. It was RESOLVED that the information provided in the verbal update be noted.

6. Training Update

(Item 6)

1. Mrs Mings introduced the report setting out the progress on the fund training programme, training undertaken by committee and board members during 2021-21, and events planned for 2021-22.
2. Mrs Mings asked board members to confirm if they wished to attend the LGPS overview event on 28 October 2021 advising this event was for board members who were unable to attend the event in July.
3. Mrs Mings confirmed the LGPS pensions administration event on 4 November 2021 would be rescheduled as it coincided with County Council.
4. It was RESOLVED that the information set out in the report be noted.

7. Pension Fund Business Plan

(Item 7)

1. Mrs Mings introduced the report which included the updated business plan, costs incurred to deliver the plan in 2020-21 and the forecast for 2021-22.
2. In response to questions from the board Mrs Mings and Ms Surana said the following:

(a) The 15% forecast increase in ACCESS pooling costs was due to outstanding complex issues taking longer to complete.

(b) The Audit Fee increase to £41,000 included two years' worth of auditor charges (for the provision of assurances to scheduled bodies) being incorporated into last year's accounts. Later in the meeting, Ms Surana provided further clarification regarding this issue explaining the baseline increase had been used for the 2021/22 forecast.

Ms Surana further advised that scheduled bodies would be recharged for the assurance fee and communication would be made with employers in advance of any action taken. Mrs Kilpatrick requested more detail regarding this which Ms Surana undertook to provide.

(c) The forecast of £50,000 for legal fees (in comparison to the 2020/21 budget of £125,000) related to work undertaken by Invicta Law in reviewing applications from employers to become admission bodies. In the last two years the number of applications and activity had reduced due to the pandemic and changes in legislation.

(d) The forecast increase for investment accounting and oversight costs related to the review of finance resources required to support the fund. A recruitment process had been approved, further to a recommendation from the Barnet Waddingham review, to establish a team of KCC staff to support the pension fund.

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

8. Fund Employer and Governance Matters

(Item 8)

1. Mrs Mings introduced the report setting out information on employer related matters for the year ending 31 March 2021 and for the three months to 30 June 2021.
2. Mrs Mings and Mrs Cheatle responded to comments and questions from the board, including the following:
 - (a) Regarding non-payment from fund employers Mrs Mings confirmed that most employers paid on time, however, some employers had issues over the last 12-18 months because of the pandemic and contact had been maintained during this time. It was confirmed that each employer was allocated a share of fund assets and if an employer underpaid their contributions then the shortfall was set against that balance to protect other employers in the Fund.
 - (b) The Chairman queried the timescale and administrative process for implementing the McCloud remedy. Mrs Cheatle explained a pilot was being carried out with one fund employer to test the data collection process with a view to all employers being contacted at the end of September. Once all the information had been received, verified, and uploaded to the database, benefits would be recalculated.
3. It was RESOLVED that the information set out in the report be noted.

9. Pensions Administration

(Item 9)

1. Mrs Cheatle introduced the report bringing members up to date with a range of issues concerning the administration of the Kent Local Government Pension Scheme (LGPS).
2. Mrs Cheatle responded to comments and questions from the board, including the following:
 - (a) Five pension assistants had recently been recruited with the recruitment of project officers planned. Although vacancies remain, Mrs Cheatle was hopeful the outstanding vacancies would be filled this year. The option of using an external company to deal with the backlog was noted, along with the additional cost this could incur.
 - (b) The board noted that officers had done exceptionally well in managing workload despite the number of current vacancies. Asked whether there was an optimum level of scheme members per staff Mrs Cheatle said that increasingly members were requiring more information and there was therefore a need to reduce this number. Other means of reducing officer time dealing with enquiries were being considered, for example, the introduction of a member self-service system.
 - (c) Asked whether a KPI for members per staff should be introduced, Mrs Cheatle said an optimum number would be difficult to gauge because of additional projects being added to the workload.
 - (d) The Chairman noted the importance of addressing the issue of staff vacancies and asked that the next pensions administration update focus on current vacancies and recommendations for alternative staffing arrangements.
3. It was RESOLVED that the information set out in the report be noted.

10. Breach of the Pension Scheme Regulations

(Item 10)

1. Mrs Cheatle introduced the report making the board aware of a breach of the Local Government Pension Scheme regulations and the options for reporting the breach to the Pensions Regulator.
2. Kent Police, an employer in the fund, had not supplied the information regarding their active members to KCC by the deadline of 30 June 2021, or by subsequent deadlines. KCC was therefore unable to issue annual benefit statements to the Police employees in the Local Government Pension Scheme by 31 August 2021. The report recommended that the breach be recorded but that it was not significant enough to be reported to the Pensions Regulator.
3. The Chairman noted although the breach related to one employer, a significant number of members (approximately 3,100) had been affected.
4. Mrs Cheatle confirmed discussions had taken place between KCC and Kent Police and Kent Police had put plans in place to ensure data was received by KCC in time next year.
5. The Chairman proposed that the recommendation of the report be changed, and the breach be reported to the Pensions Regulator. This was seconded by Mr Jeffrey.
6. It was RESOLVED that the information set out in the report be noted and that the breach be reported to the Pensions Regulator.

11. Report from the Superannuation Fund Committee (Verbal)

(Item 11)

1. Mr Simkins had sent his apologies to the meeting and Mrs Mings, in his absence, gave a verbal report from the Superannuation Fund Committee.
2. Mrs Mings said the membership of the Superannuation Fund Committee had changed since its meeting on 23 June and updated the board on the issues the committee was currently focusing on, including:
 - (a) The careful monitoring of the Equity Downside Protection Strategy since its implementation in December 2020. The strategy protects the value of the global equity portfolio should it fall.
 - (b) The formation of a responsible investment working group to consider the committee's agreed policy, how it should be implemented, and its work moving forward. There were plans to undertake a beliefs survey to understand the committee's current view of environmental issues.
 - (c) Reviewing the investment strategy and being mindful that the fund was significantly invested in equities. It was agreed at the last meeting that no changes were required.
 - (d) Developing the relationship between the board and the committee, as recommended by the governance review. Mr Thomas had been invited to attend committee meetings with Mr Simkins invited to attend board meetings.
3. In response to a question about the Equity Downside Protection Strategy Mrs Mings confirmed the programme only applied to the Fund's global equity exposure. The Fund was 98% funded at the last valuation.

4. The Chairman noted the importance of a 100% funded position and asked whether there was any intention of a review with scheme employers. Mrs Mings explained, on the issue of responsible investment, a consultation had been carried out with stakeholders and employers, and the committee welcomed these views.
5. In response to a question Mrs Mings confirmed that she was working with Mr Simkins and Zena Cooke on briefing the board on the findings of the governance review.
6. It was RESOLVED that the information set out in the verbal report be noted.

12. Access Update

(Item 12)

1. Mrs Mings introduced the report and provided a summary of the activities of the ACCESS pool and an update on membership of the Joint Committee.
2. Mrs Mings advised that the training session for members on 27 September 2021 would cover the issue of risk in the fund, and provide more detail about ACCESS and its significance for the Kent Fund. The Chair expressed his gratitude for the training that was available to members.
3. It was RESOLVED that the information set out in the report be noted.

13. Date of next meeting

(Item 13)

It was noted the next meeting of the board would be held on 17 November 2021, commencing at 2pm.

A request was made by a member for Wednesday afternoons to be avoided for future meetings

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

(Item)

The Committee 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.

SUMMARY OF EXEMPT MINUTES

(where access remains restricted)

15. Pension Fund Risk Register

(Item 14)

1. Mrs Mings introduced the report and provided the board with a summary of the risks currently on the register and explained the separate covid risk register had been closed with the transfer of outstanding risks to the main risk register.
2. It was RESOLVED that the information set out in the report be noted.

- (a) **FIELD**
- (b) **FIELD_TITLE**