

**PENSION FUND COMMITTEE**

**Wednesday, 28th September, 2022**

**10.00 am**

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







## AGENDA

### PENSION FUND COMMITTEE

**Wednesday 28th September 2022 at  
10.00 am  
Council Chamber, Sessions House,  
County Hall, Maidstone**

Ask for: **Theresa Grayell**  
Telephone: **03000 416172**

#### 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 N Eden-Green and one vacancy
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 Membership - to advise that Cllr Paul Clokie has left the committee
- 2 Apologies and Substitutes
- 3 Declarations of interest by Members in items on the agenda for this meeting.
- 4 Minutes of the meeting held on 22 June 2022 (Pages 1 - 10)

- 5 Date of next meeting  
The next meeting of the committee will be held on **Thursday 8 December 2022**, commencing at 10.00 am at Sessions House, Maidstone.
- 6 Fund Employer and Governance Matters (Pages 11 - 16)
- 7 Update on National LGPS issues - presentation by Jeff Houston, Barnett Waddingham (Pages 17 - 28)
- 8 Pensions Administration (Pages 29 - 46)
- 9 Training update (Pages 47 - 50)
- 10 Pension Fund Report and Accounts and External Audit (Pages 51 - 138)
- 11 Report from the Pension Board - verbal
- 12 ACCESS Update (Pages 139 - 140)
- 13 Fund Position (Pages 141 - 150)
- 14 Governance Review - update (Pages 151 - 154)

**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)*

- 15 Business Plan (Pages 155 - 170)
- 16 Pension Fund Risk Register (Pages 171 - 178)
- 17 Investment Strategy (Pages 179 - 218)
- 18 Actuarial Valuation 2022 Update (Pages 219 - 246)
- 19 Responsible Investment update (Pages 247 - 264)

Benjamin Watts  
General Counsel  
03000 416814

**Tuesday, 20 September 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****PENSION FUND COMMITTEE**

MINUTES of a meeting of the Pension Fund Committee held in the Council Chamber, Sessions House, County Hall, Maidstone on Wednesday, 22 June 2022.

PRESENT: Mr C Simkins (Chairman), Mr P Bartlett, Mrs P T Cole, Mr P Cole, Mr P C Cooper, Mr D S Daley, Cllr N Eden-Green, Mr J P McInroy, Mr J Parsons, Mr P Stepto, Cllr H Tejan (Substitute for Cllr R Thorne) and Mr J Wright.

IN ATTENDANCE: Mr B Watts (General Counsel), Mr J Betts (Interim Corporate Director of Finance), Mr N Buckland (Head of Pensions and Treasury), Ms C Chambers (Pensions Administration Manager), Ms L Savage (Pensions Administration Performance and Operations Manager), Mr S Tagg (Senior Accountant - Employer Governance and Compliance), Miss T A Grayell (Democratic Services Officer) and Mr M Dentten (Democratic Services Officer).

**UNRESTRICTED ITEMS****50. Chairman's welcome**

1. The Chairman welcomed Members to the first meeting of the committee since it had changed its name from the Superannuation Fund Committee to the Pension Fund Committee, following agreement of the new name by the County Council on 26 May 2022.
2. He also welcomed two new officers who were attending their first meeting of the committee:
  - John Betts, who had joined the County Council in the role of Interim Director of Finance to cover Zena Cooke's maternity leave; and
  - James Graham, who was joining the meeting remotely ahead of starting his new role with the County Council as Treasury and Investments Manager at the end of July, having previously worked in a similar role for The City of London Corporation.

**51. Apologies and Substitutes**

*(Item 1)*

1. Apologies for absence had been received from Cllr Paul Clokie, Ms Mel Dawkins and Cllr Richard Thorne.
2. Cllr Habib Tejan was present as a substitute for Cllr Thorne.
3. The Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services, Peter Oakford, and the Chair of the Pension Board, Rob Thomas, were unable to join committee.
4. The committee noted that Tony English and Robbie Sinnott from Mercer Ltd were joining the meeting remotely.

**52. 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 13). He was advised that he did not need to leave the meeting during discussion of that item as no decision was being sought.

**53. Minutes of the meeting held on 30 March 2022**  
(Item 3)

1. It was RESOLVED that the minutes of the meeting held on 30 March 2022 are correctly recorded and that they be signed by the Chairman.

2. Under Minute 32, paragraph 1.a), referring to vacancies in the Pensions team, Mr Buckland advised that five new Pensions Assistants had been appointed in the preceding week and that James Graham would join the team at the end of July as Treasury and Investments Manager.

**54. Future Meeting Dates**  
(Item 4)

The committee NOTED that the following dates had 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

And that all meetings were planned to take place at Sessions House, Maidstone.

**55. Fund Employer and Governance Matters**  
(Item 5)

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

a) referring to the standardised local valuation results included in the report, which compared 2019 local bases with Scheme Advisory Board standard bases, comparison was welcomed but more explanation was requested. Mr Buckland undertook to provide more information about the method of calculation to the questioner after the meeting.

2. The committee RESOLVED to note the report and 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.

## **56. Pensions Administration**

*(Item 6)*

1. Mr Buckland introduced the report and he and Ms Savage responded to comments and questions from the committee, including the following:-
  - a) concern was expressed about the workload generated by large numbers of both new starters and leavers in the scheme;
  - b) concern was also expressed that the fund was required to absorb costs arising from the late provision of data, as this seemed unfair. Mr Buckland advised that work was in hand to develop an administration strategy for the fund, which would, in part, look to address performance of some employers; and
  - c) Ms Savage undertook to look into costs arising from the McCloud judgement. The regulatory framework for this would be covered by the New Burdens protocol.
2. It was RESOLVED that the information set out in the report be noted, with thanks.

## **57. Report from the Pension Board - verbal**

*(Item 7)*

1. As the Chair of the Pension Board, Rob Thomas, was unable to attend the meeting due to attendance at pensions training, Mr Buckland gave a verbal update on the most recent gathering of the board members to discuss various issues relating to its future work. The committee Chairman, Mr Simkins, added that the board and committee enjoyed a good relationship, with the board scrutinising and approving what the committee did. This constructive relationship was vital to the successful working of both.
2. A view was expressed that a written update report rather than a verbal update would be more helpful and Mr Buckland acknowledged this, on behalf of Mr Thomas, and agreed that, for future meetings, a brief summary of the Board meeting would be written.
3. Mr Buckland advised that the aim was to increase the membership of the board and look into appointing an independent Chair.
4. It was RESOLVED that the verbal update be noted, with thanks.

## **58. Business considered as urgent**

The Chairman sought and received the committee's agreement that agenda items 8 and 12 be considered as urgent business as they had been published late and hence had not been in the public domain long enough to meet the statutory requirement for the publication of papers.

## **59. ACCESS update**

*(Item 8)*

1. Mr Buckland introduced the report and advised that it had been agreed that ACCESS meetings may have up to six Local Pension Board observer attendees at each meeting. A rota had been prepared to apportion opportunities to attend. Kent was in the third tranche and would take its turn to attend in March 2023. He responded to comments and questions from the committee, including the following:-

- a) asked about the White Paper on levelling up and the workstreams arising from it, and if the committee would have the opportunity to debate the White Paper and contribute to consultation, the Chairman advised that the start of the consultation had been delayed from summer to autumn 2022; and
- b) it was important that the committee make full use of the opportunity to comment on the White Paper and it was suggested that the recently retired Head of Pensions from the Local Government Association, Jeff Houston, be invited to attend on 28 September to address the key issues for the Local Government Pension Scheme, including this consultation, so the committee was able to prepare to make the most effective response possible.

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

## **60. Fund position**

*(Item 9)*

1. Mr Buckland introduced the report, on which there were no questions.

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

## **61. Governance Review update**

*(Item 10)*

1. Mr Buckland and Mrs Mings introduced the report, which sought approval from the committee for key changes to the non-voting membership of the committee. It was also important to expand the board's membership to ensure that it had sufficient members to achieve a quorum and be able to meet effectively. It was also proposed that part of the County Council's decision-making process be adapted for use by the committee, and that Democratic Services colleagues be consulted on achieving this.

2. Asked about the process for agreeing the committee's and board's new terms of reference, Mr Buckland advised that these would need to be considered by the Selection and Member Services Committee and then by full Council. Mrs Mings added that changes to the board's membership would need to be reported to the Selection and Member Services Committee for information only.

3. The report advised that the committee was able to call a meeting urgently, if needed, without giving the usual statutory requirement of five clear working days' notice of the date and the business to be transacted. The Democratic Services Officer appraised the committee of the practical limitations of arranging such a meeting, for example, of achieving a quorum of members and finding a meeting venue, as the meeting would need to be physical. The status of the business at such a meeting would be exclusively urgent as the usual public notice would not be able to be given.

4. Mr Buckland undertook to provide more information at the committee's September meeting about the issue of appointing an independent Chair for the Pension Board.

5. It was RESOLVED that the report be noted and that the following changes to the non-voting membership of the committee be approved:-
  - a) that a scheme member seat be re-allocated to a representative of the non-local council employers in the fund;
  - b) that the staff and Kent Active Retirement Fellowship member seats be re-designated as an active member representative and a pensioner member representative, respectively; and
  - c) that dual membership with the Local Pension Board of any type be not allowed.

## **62. 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**

Summary of minute 63, where access to this minute remains restricted.

Open access to minutes 64 to 70.

## **63. Woodford - verbal update**

1. Mr Watts gave the committee an update on the Financial Conduct Authority (FCA) investigation and responded to comments and questions. He undertook to provide a written update to the committee's September meeting and to provide a link to the FCA website.
2. It was RESOLVED that the verbal update be noted, with thanks.

## **64. Responsible Investment update**

*(Item 11)*

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

## **65. Pension Fund Risk Register**

*(Item 12)*

1. Mr Buckland introduced the report and responded to questions of detail from the committee, including about the McCloud judgement and how risk associated with inflation would be covered within the register.
2. It was RESOLVED that the information set out in the report and given in response to questions be noted, with thanks.

## **66. Equity Protection update**

*(Item 13)*

1. Mr Sinnott introduced the report and presented a series of slides setting out the performance of the Equity Protection strategy (the same slides were included as an appendix to the Investment Strategy report, agenda item 15). He responded to questions of detail from the committee, including about how the Equity Protection working group would respond to market changes.
2. It was RESOLVED that the information set out in the presentation and given in response to questions be noted, with thanks.

## **67. Cash Flow**

*(Item 14)*

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

## **68. Investment Strategy**

*(Item 15)*

1. Mr Buckland introduced the report and he and Mr English responded to comments and questions of detail from the committee, including about the share of investment between asset managers, managers' investment strategies and performance, communications and preparing for future opportunities.
2. It was RESOLVED that the information set out in the report and given in response to comments and questions be noted, with thanks, and that the recommendation in the exempt report be agreed.

## **69. Manager Presentation - DTZ Investors**

*(Item 16)*

*Jennifer Linacre and Peter O’Gorman from DTZ joined the meeting virtually for this item at the invitation of the committee.*

1. The Chairman welcomed Ms Linacre and Mr O’Gorman to the meeting and thanked them for attending.
2. Ms Linacre and Mr O’Gorman presented a series of slides setting out a review of the portfolio which they managed on behalf of the committee, its content and performance, work on social impact initiatives and zero carbon, and responded to comments and questions from the committee, including about rent collection, responsible investment, predictions of interest rates and future plans.
3. It was RESOLVED that the information set out in the presentation and given in response to comments and questions be noted, with thanks.

## **70. Manager Presentation - Partners Group**

*(Item 17)*



*Sarah Brewer and Alex Hodgkins from Partners were present for this item at the invitation of the committee.*

1. The Chairman welcomed Ms Brewer and Mr Hodgkins to the meeting and thanked them for attending.
2. Ms Brewer and Mr Hodgkins presented a series of slides setting out a review of the portfolio which they managed on behalf of the committee, its content and performance, work on Environmental Social Governance (ESG) issues and zero carbon, and future plans, and responded to comments and questions from the committee, including about figures being quoted in Euros rather than sterling, transparency around tax and the need to monitor it, cashflow projections and assumptions and ESG issues.
3. It was RESOLVED that the information set out in the presentation and given in response to comments and questions be noted, with thanks.

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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  
Interim Corporate Director of Finance

To: Kent Pension Fund Committee – 28 September 2022

Subject: Fund Employer and Governance Matters

Classification: Unrestricted

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**Summary:**

This report provides information on Fund employers, two admission applications and an update on the government's academy guarantee.

**Recommendations:**

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

- a) to the admission to the Kent County Council Pension Fund of Apleona UK Ltd (re Education for the 21<sup>st</sup> Century Academy Trust);
- b) to the admission to the Kent County Council Pension Fund of Cater Link Ltd (Sir Roger Manwood's School);
- c) that the Chairman may sign the minutes relating to recommendations a) and b) at the end of today's meeting; and
- d) that once legal agreements have been prepared for matters a) and b) the Kent County Council seal can be affixed to the legal documents.

**FOR DECISION**

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**1. Introduction**

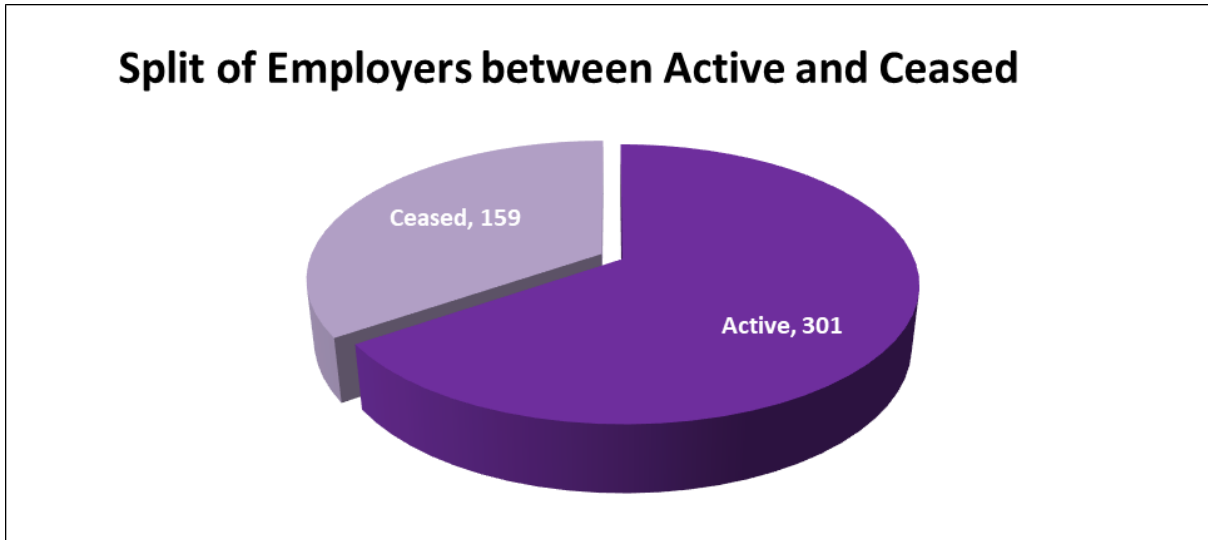
- 1.1. This report provides information on Fund employers for the 3 months ending June 2022 and two admission applications.
- 1.2. It also provides an update on the government's academy guarantee.

**2. Employers update**

- 2.1. There was a total of 460 employers in the Kent Pension Fund on 30 June 2022 which is a significant change from the 31 March 2022 position reported to Committee at their 22 June 2022 meeting. We have previously separately reported KCC schools where they have individually contracted with payroll

providers. The numbers now being reported for KCC align with those included in the Fund's annual report and reflect their status as part of KCC.

- 2.2. 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 3 months from 1 April to 30 June 2022.

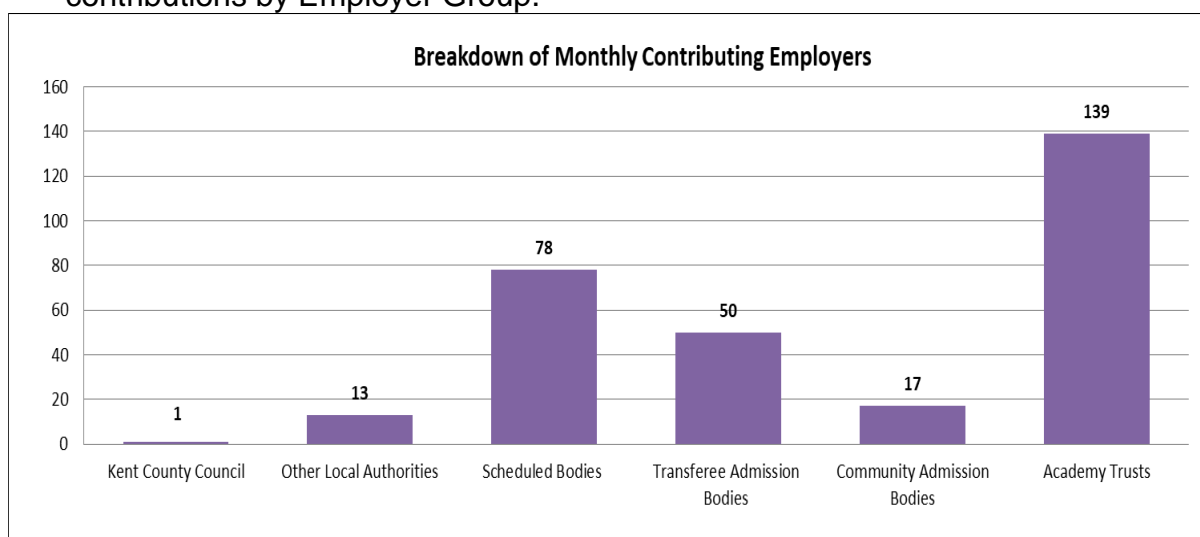
<b>New Employers</b>	<b>Effective date</b>	<b>New Notification</b>
<b><i>Admission Bodies</i></b>		
Olive Dining Ltd	1 May 2019 (backdated admission)	X
Independent Catering Management Ltd (re Robert Napier Fort Pitt Thomas Aveling Academies)	1 August 2020 (backdated admission)	X
Secclear Facilities UK Ltd	1 September 2020 (backdated admission)	X
Town and County Cleaners Ltd (re The Stour Academy Trust)	1 August 2021 (backdated admission)	X
<b><i>Scheduled Bodies</i></b>		
Leybourne Parish Council	1 September 2021 (backdated resolution)	X

<b>Ceased</b>	<b>Effective Date</b>	<b>New Notification</b>
<b>Admission Bodies</b>		
Olive Dining Ltd	31 October 2020 (backdated admission)	X
Capita Managed IT Solutions Ltd (St Georges School)	31 March 2022	X
Orbit Housing Association Ltd	30 June 2022	X
<b>Scheduled Bodies</b>		
Higham Parish Council	5 October 2021	X

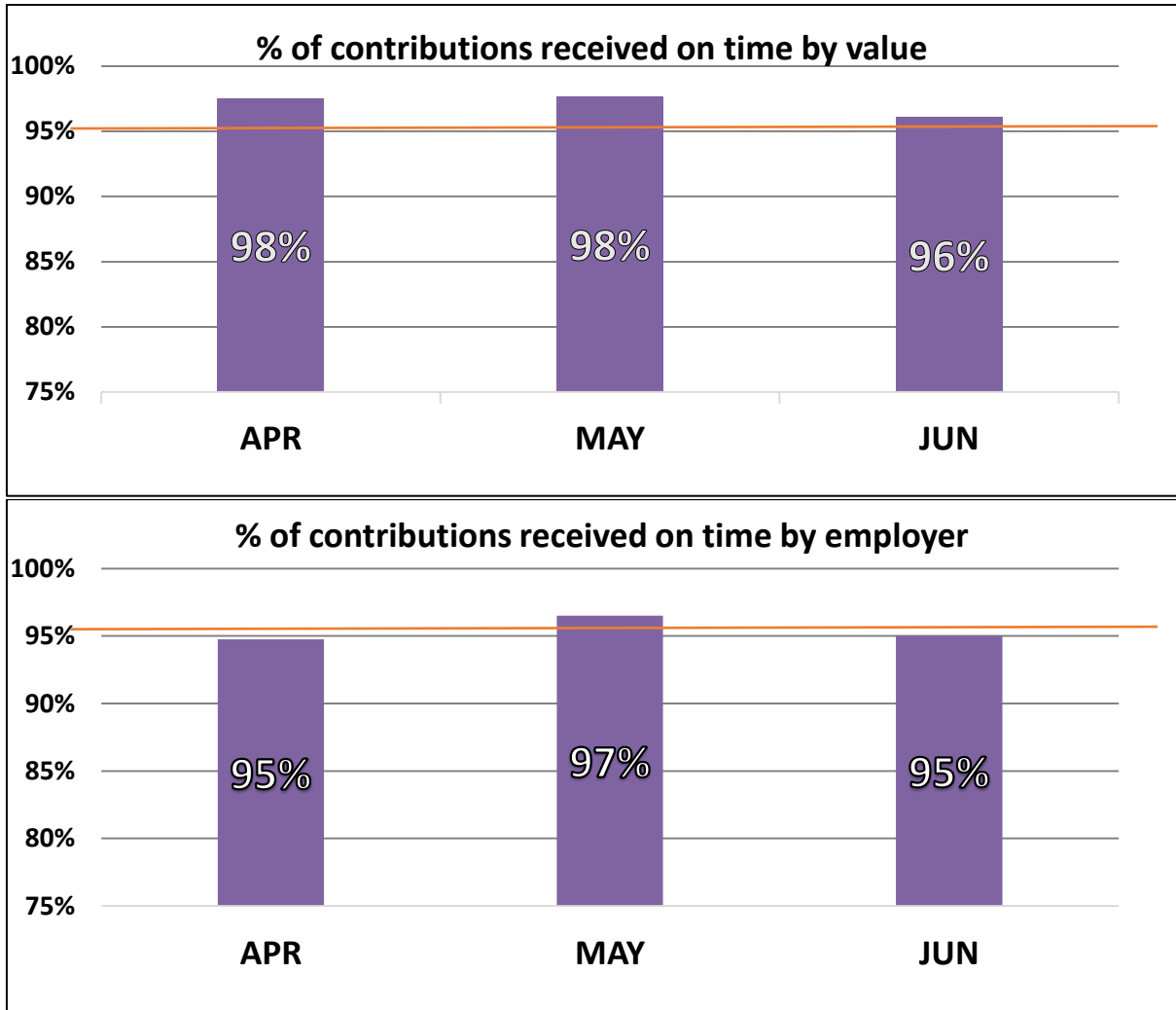
2.4. In the 3 months 1 April to 30 June 2022 the Fund received £72.2m from employers in respect of their monthly contributions (employer and employee) as follows:

	<b>Received Early</b>	<b>Cash on 19<sup>th</sup></b>	<b>Received Late</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
April	14,007,833	9,506,817	597,200	24,111,850
May	14,067,165	9,189,650	552,985	23,809,800
June	14,205,514	9,108,519	960,945	24,274,978
<b>Total</b>	<b>42,280,512</b>	<b>27,804,986</b>	<b>2,111,130</b>	<b>72,196,628</b>

2.5. The following table shows employers from whom the Fund receives monthly contributions by Employer Group.



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 and employers was met every month April to June 2022.



### 3. Admission matters

- 3.1. The following organisations (discussed at paragraphs 4 and 5) have applied retrospectively for admission to the Pension Fund to ensure the continuity of pension arrangements for staff.
- 3.2. The admission applications have 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.
- 3.3. The completed questionnaires and supporting documents provided by the applicants have been examined by officers to ensure compliance with the LGPS Regulations, and Invicta Law has given favourable opinions.



#### **4. Apleona UK Ltd (re Education for the 21st Century Academy Trust)**

- 4.1. Education for the 21st Century Academy Trust has awarded a 3-year contract for cleaning services from 21 February 2022 and this involved the transfer of 7 employees to Apleona UK Ltd.
- 4.2. The Fund actuary has assessed the employer contribution rate as 26.1% for a closed agreement and the bond for the first year as £8,000.
- 4.3. As an alternative to a Bond, if Education for the 21st Century Academy Trust agreed to provide a guarantee the terms of the guarantee will be captured in the admission agreement.

#### **5. Cater Link Ltd (Sir Roger Manwood's School)**

- 5.1. Sir Roger Manwood's School has awarded a 3-year contract for catering services from 1 April 2022 and this involved the transfer of 8 employees to Cater Link Ltd.
- 5.2. The Fund actuary has assessed the employer contribution rate as 27.8% for a closed agreement and the guarantee for the first year as £24,000.
- 5.3. Sir Roger Manwood's School as the scheme employer party to the admission agreement has agreed to provide a guarantee and the terms of the guarantee will be captured in the admission agreement.

#### **6. Academy guarantee**

- 6.1. In 2013 the Department for Education (DfE) introduced the academy guarantee. The guarantee provides that, in the event of an academy closing, any outstanding liabilities will not revert to the LGPS fund.
- 6.2. After a reassessment, The Secretary of State for Education confirmed on 21 July 2022 in a written ministerial statement that it will continue to provide the academy guarantee. The annual estimated ceiling limit will also increase from its current level of £14 million to £20 million. This represents the amount that the DfE can approve without further recourse to HM Treasury rather than a hard limit. There were 139 active academy trusts in the Kent Pension Fund at the end of June 2022.
- 6.3. Although there is no end date to the guarantee, the government is committed to regularly reassessing it to determine whether it remains affordable and is fully recognised by administering authorities.
- 6.4. LGPC bulletin 227 at: <https://www.lgpsregs.org/bulletinsetc/bulletins.php> and previously circulated to members, includes information on the guarantee as well as updates on other LGPS matters.

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**T: 03000 416290**

**E: James.graham@kent.gov.uk**

**September 2022**

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# LGPS Update

Kent County Council Pension Fund Committee  
28<sup>th</sup> September 2022

Jeff Houston, Senior Pensions Consultant



# Regulatory information

The information in this presentation is based on our understanding of current taxation law, proposed legislation and HM Revenue & Customs practice, which may be subject to future variation. This presentation is not intended to provide and must not be construed as regulated investment advice. Returns are not guaranteed and the value of investments may go down as well as up.

Barnett Waddingham LLP is authorised and regulated by the Financial Conduct Authority. BW SIPP LLP is authorised and regulated by the Financial Conduct Authority.

# The new DLUHC Team

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**Paul Scully MP**  
Minister of State

**Rt Hon Simon Clarke MP**  
Secretary of State



# McCloud – what's next?



# McCloud – what's next

## Timing

- LGPS further consultation
- In force date



## Latest

- Who is in scope
- Teachers



## Comms

- Annual Benefit Statements or not?
- Managing expectations



## Tax

- Authorisation of late lump sums
- Impact on Annual and Lifetime Allowances



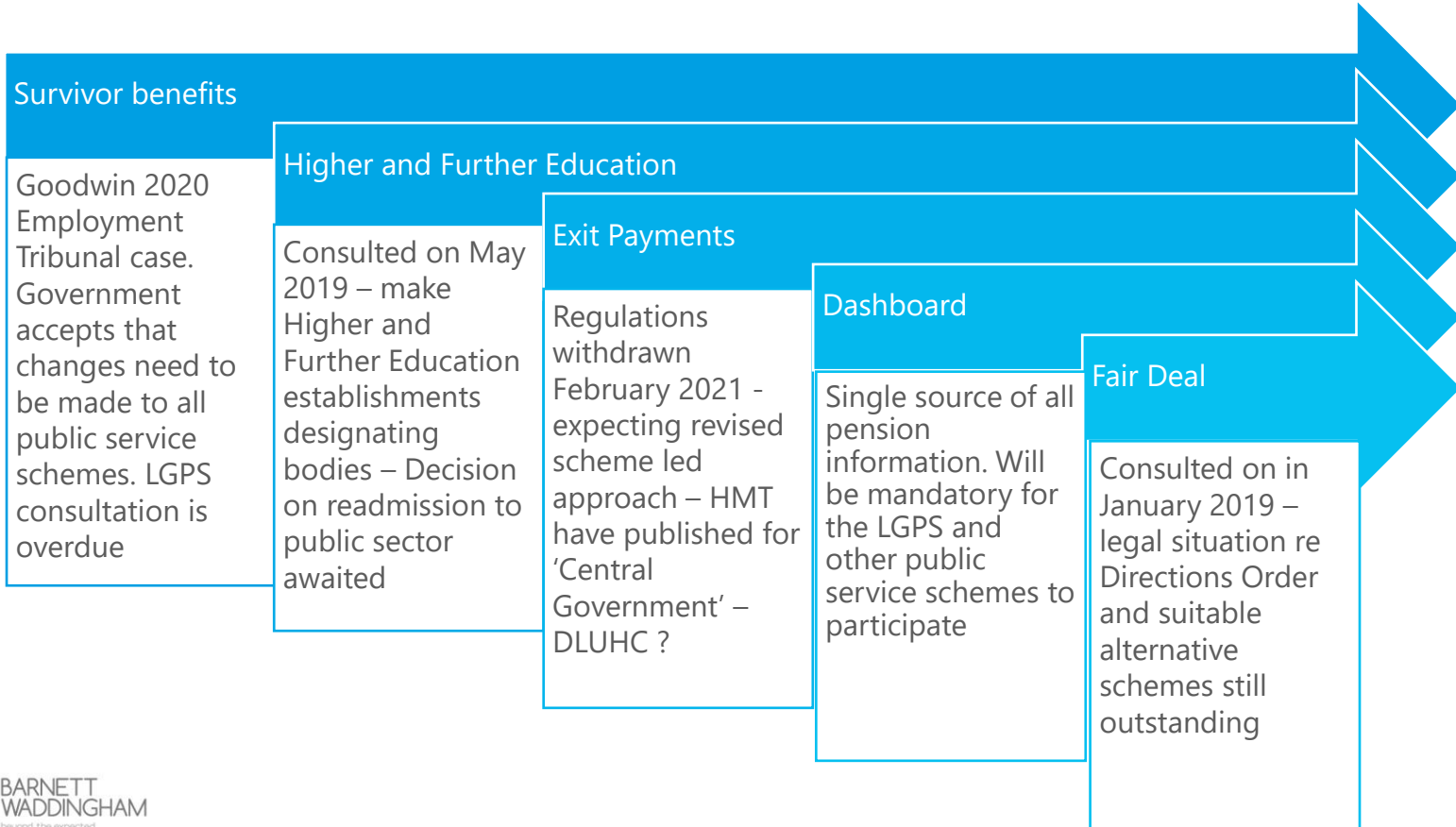
# What's hot on the back burner?





# What's hot (or not)

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# The Climate consultation

# 3

# What's in it?

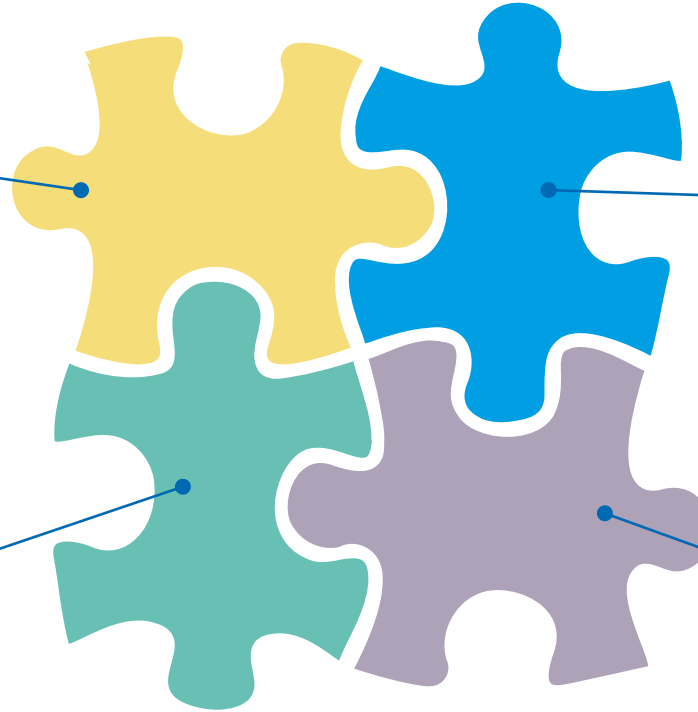
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## Governance

Oversight of climate related risks and opportunities  
Assess impact on funding and investment strategies.

## Measures

Metric 1 Absolute emissions  
Metric 2 Emissions intensity  
Metric 3 Data Quality  
Metric 4 Paris Alignment  
Annual reporting



## Scenarios

One scenario must be Paris-aligned and one scenario will be discretionary  
Must be conducted at least once in each valuation period

## Target

In relation to one metric chosen by the fund or any TCFD target - non binding but progress must be assessed once a year,

Still to come?

4

# What else is promised?

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# THANK YOU

From:	Chairman Pension Fund Committee Interim Corporate Director of Finance
To:	Pension Fund Committee – 28 September 2022
Subject:	Pensions Administration
Classification:	Unrestricted

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**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;
- Endorse the plans to review the current workloads within the team and strengthen where necessary;
- Review and agree the draft Administration Strategy for consultation with employers.

**REPORT SUMMARY**

1. Performance Update
2. Process Reviews
3. Projects
4. Administration Strategy

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**For Information****1. Performance**

- 1.1 The administration team are trialling a new format of reporting to the Local Pension Board to ensure full transparency across the whole team in order for Board members to be able to fulfil their scrutiny and support responsibilities. Highlights and trends will be shared with Members in the supporting commentary.
- 1.2 Unfortunately, due to the cancellation of the recent meeting, Board members have not had the opportunity to review the latest data for April to July, therefore have not been able to feedback on the report or raise any questions on the data.

- 1.3 As the new report is significantly more extensive than previous iterations, this will develop over time and new subjects will be introduced over time and specific areas highlighted at each meeting.
- 1.4 During the period 1 April to 31 July 2022 a total of 16,957 new cases were received into the admin team, with 11,038 cases completed during the same period. The number of cases outstanding at the end of the period increased from 9,091 to 13,035. The majority of these related to new scheme joiners and early leavers (refunds and deferred membership) which is the result of late notification of starters and leavers being received by scheme employers as part of the end of year data cleansing work.
- 1.5 The total number of cases completed within the service level agreement was 74% and performance against some targets was of a high standard. Initial Death Notifications (95%), Balance of Death Payments/Recovery of Death Overpayments (90%), Provision of Retirement Estimates (97%), Pension Sharing on Divorce Estimates (96%), New Scheme Joiners (99%), General Correspondence (99%) and Change of Details (99%). Some areas have struggled during this period whilst resource has been moved to support work on financial year-end and iConnect projects.

## **2. Process Reviews**

- 2.1 Reviews have been undertaken relating to the way the team currently deal with certain processes. Particular focus has been given to the existing telephony and post processes, and an assessment of new solutions has been carried out.
- 2.2 More efficient and effective solutions have been identified including a new telephony system linked to Microsoft Teams that allows the redirection of callers to call handlers that are knowledgeable and experienced in the subject query, plus an automated online chat facility which will result in callers having access to pensions information 24/7, thus improving the 'once and done' rate. This, combined with a push to increase customer self-service will ensure constant, immediate access to information. Current management information on the calls handled by the team is unreliable and does not cover the whole of the team, therefore another benefit of an improved telephony system would be more accurate and reliable data.
- 2.3 Formal costings have been received and approved, and the team await advice on next steps from the provider.
- 2.4 Another area of focus has been reviewing the way the team currently deal with outgoing post. Currently, the team of Pension Assistants spend on average 12 hours per week printing, packing, and dispatching all of the correspondence produced by the administration team. The same third-party provider that dispatches the Fund's bulk correspondence (Annual Benefit Illustrations, P60's, Pension Increase letters) could carry out this task which would release capacity



within the team to focus on more pensions related work.

- 2.5 A commissioning brief is currently being drafted to request the necessary work be carried out so that daily printing can be sent to the external provider.
- 2.6 In light of the additional demands on the team, as highlighted above, and the existing backlog work, in addition to the work needed to develop the plans highlighted in the Fund's Business Plan it will be necessary to increase the resource within the team. The team will be working with the Corporate Director of Finance to develop the plan and will report back to the next meeting with an update on progress.

### 3 Projects

- 3.1 **End of Financial Year/Annual Benefit Illustrations (ABI's)** (deadline 31 August) – although there were difficulties in obtaining accurate data from some scheme employers which required escalation, the project stayed on track to issue ABI's on time. Data was sent to the third-party printers along with the 2022 template, and statements were dispatched on 26 August. A significant amount of data cleansing occurs in the lead up to the production of the statements, however there is always follow up cleansing to be carried out in conjunction with employers with regard to any missing data.
- 3.2 **Triennial Valuation** (deadline 29 July) – all member data for the period 1 April 2019 to 1 April 2022 was uploaded to the Actuary's secure portal before the end of July. This was following many months of data cleansing and reviewing/correcting errors where applicable. The first set of queries from the Actuary have been received and responded to.
- 3.3 **Annual Allowance** (deadline 6 October) – the number of members who appear to have exceeded the Annual Allowance for 2021/22 appears significantly higher (an increase of approximately 50%) than previous years which is a result of the work carried out in relation to clearing the backlog of Status 2 (Undecided Leaver) records, large pay increases and a jump in benefit revaluation from 0.5% (2021) to 3.1% (2022). The genuine number of Pension Saving Statements that need to be issued will be much lower, however all identified records need to be assessed first to determine whether members have genuinely exceeded or not. Additional support is needed from the admin team to ensure this project is completed by the statutory deadline, and some overtime has been approved to ensure success.
- 3.4 **Backlog** – July saw the closure of the backlog project with the third-party provider supporting on this project. There are still a sizeable number of

outstanding queries which employers did not respond to which will now have to fall to the admin team to pick up. However, the project has been successful with the target of over 17,000 cases completed.

- 3.5 **Administration System** – the contract with the current system provider is due to expire at the end of April 2023. Engagement is well underway with KCC Procurement, and a business case has been submitted with a preference to direct award to Heywood's for another contract term. This is currently with KCC legal team for advice and support. The pressures of a potential full tender exercise in a brief period of time, in conjunction with the numerous data heavy projects on the horizon has led for a desire to re-contract with the current provider if possible.
- 3.6 **Guaranteed Minimum Pension (GMP) Rectification** – with Phase 1 (membership reconciliation) and Phase 2 (financial reconciliation) being completed and reconciled data being submitted by the third party provider supporting on the project, attention now moves to uploading the reconciled data for those members under State Pension Age and without pensions in payment (there is a cost from the system provider for the tools needed to upload this data) and correcting benefits for those over State Pension Age and with pensions in payment. Engagement is well underway with Procurement regarding the latter due to the significant amount of work involved and the lack of resource to cope with this within the admin team. There is a desire to ensure this project is completed before McCloud and Pensions Dashboard commence as these are also data heavy projects therefore risking the integrity of the data if the projects overlap.

#### **4 Administration Strategy**

The draft of the new Administration Strategy can be found at **Appendix 1**. This document has been created to bring together the employer and pensions team performance expectations in one document. This was due to be reviewed by the Pension Board at their recent cancelled meeting, but they will have the opportunity to review at a later stage. Once feedback has been received from members the strategy will be shared via a consultation with scheme employers, and then a final version will be shared with the Pension Fund Committee at the next meeting. Plans will also need to be considered as to how employer performance can be measured and reported against this strategy.

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September 2022

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## **Kent Pension Fund**

### **Administration Strategy**

#### **Effective from April 2023**

1. Introduction
2. Purpose of the Pension Administration Strategy
3. Role of Scheme employers
4. Role of the Kent Pension Fund
5. Non-Compliance
6. Additional charges

#### **1. Introduction**

- 1.1 This is the Pension Administration Strategy of the Kent Pension Fund (The Fund) in relation to the Local Government Pension Scheme (LGPS) in Kent. The strategy is kept under review and revised to reflect changes to the LGPS Regulations and Fund policies. This document sets out a framework by way of outlining the policies and performance standards to be achieved to enable provision of a cost-effective and high-quality administrative service.
- 1.2 Regulation 59 of the LGPS Regulations enables Administering Authorities to prepare a written statement of the authority's policies in relation to matters such as communicating with scheme employers, establishing levels of performance which the administering authority and its scheme employers are expected to achieve, procedures which aim to secure compliance with statutory requirements, other matters as appear to the administering authority after consulting with scheme employers to be suitable for inclusion in the strategy.
- 1.3 The Pension Administration Strategy applies to all employers in the Kent Pension Fund. Employers must have regard to this strategy when carrying out their role.
- 1.4 Kent Pension Fund is responsible for the implementation of the Pension Administration Strategy including the collection of contributions and other fees as well as the management of admission matters.

#### **2. Purpose**

- 2.1 An effective Pension Administration Strategy supports the Kent Pension Fund (the Fund) and its employers to deliver on their responsibilities so that all members and stakeholders receive the highest possible level of service.
- 2.2 The aim of the Fund is to ensure we are paying the correct benefits to (and collecting the correct income from), the correct people at the correct time, and to continuously review current procedures so improvements can be made to ensure the Kent Pension Fund is as effective and efficient as possible. The Fund also wants to ensure that all stakeholders have easy access to relevant information to enable informed decision making.
- 2.3 The purpose of this strategy is to provide clarity on the roles and responsibilities of the Kent Pension Fund and its scheme employers, set and measure the targets that both the Fund and its scheme employers should be working to, ensure all statutory

requirements are being met, promote good working relationships between the Fund and its scheme employers, and ultimately ensure the Kent Pension Fund is delivering a high-quality service to its stakeholders whilst maintaining the accuracy, security and integrity of the data held.

2.4 The Kent Pension Fund continually strives to improve:

- The Kent Pension Fund website
- The procedure guidance for employers
- All publicity material, forms and letters
- Training for all employers
- Communications with employers and scheme members
- The collection of data in respect of starters, the amendment of a member's personal data and the posting of scheme member contributions by electronic means

### **3. Role of Scheme Employers**

- 3.1 Scheme employers have distinct decision making and administrative duties under the LGPS Regulations and other relevant legislation. Employer performance has a significant impact on the overall level and quality of service provided to scheme members.
- 3.2 It is the employer's responsibility to ensure that contact details held by the Kent Pension Fund are correct, and to notify the Fund of changes immediately.
- 3.3 The employer must ensure it is aware of its scheme employer duties and keeps up to date with guidance issued by the Fund.
- 3.4 The employer must ensure it retains a good level of LGPS knowledge and has a succession plan in place.
- 3.5 During the year the employer should provide the required correct data and notifications to the Fund as per the targets set out below. Persistent failure by an employer to meet the required performance standards could result in any additional costs to the Fund being recovered from the employer.
- 3.6 The employer must comply with its obligations under Data Protection Law including the secure transfer of members' personal data.

### **4. General Responsibilities**

This section sets out the key legislative and regulatory responsibilities of an employer. The Kent Pension Fund recommends that employers also refer to the LGPS Regulations directly when undertaking their role and assessing their LGPS responsibilities. Providing accurate data in a timely way is vital to ensure compliance with the law and statutory guidance. All employer forms can be found on the [Kent Pension Fund website](#).

General responsibility	Action to take
Confirm a nominated representative to receive information from the Pension Fund and to take responsibility for circulating it within the organisation. Ensure the Pension Fund is kept up to date with any change to the nominated representative	Completion and submission of the <a href="#">‘Employer changes form’</a> 7 days prior to change
Inform the Pension Fund of the personnel and payroll providers for the organisation and ensure that this information is kept up to date	Completion and submission of the <a href="#">‘Employer changes form’</a> 7 days prior to change
Create, publish and update (as necessary) an employer discretions policy in relation to all areas where the employer may exercise a discretion within the LGPS regulations. A copy of the employer discretion policy must be provided to the Pension Fund	Within thirty working days of the policy being agreed by the employer. Failure to provide the Pension Fund with a copy of your policies could impact on the release/payment of a Scheme member’s benefits
Appoint a person (the adjudicator) to consider disputes under Stage 1 of the pension Internal Dispute Resolution Procedure (IDRP)	
Provide each new employee with a <a href="#">‘joiner pack’</a> and a <a href="#">‘Brief guide to LGPS’</a>	A hard copy or links to the documents on the website, should be provided with their contract or within 2 weeks of starting work
To ensure that all employees, subject to automatic enrolment to the Local Government Pension Scheme (LGPS), are brought into the Scheme from the date of appointment. Each contract to be allocated a unique pension reference	Provide the Pension Fund with details of all new entrants to the LGPS by completing the ‘New starters spreadsheet’ ( <a href="#">single</a> or <a href="#">multiple</a> ). Information to be supplied by the 10th of the month following entry via the online upload form on the website
To ensure that all employees not subject to automatic admission to the LGPS, but who are eligible to opt into the LGPS, are made aware and provided with information regarding how to opt into the Scheme	On appointment
Determine each Scheme member’s pensionable pay and arrange for the correct deduction of employee contributions in accordance with the LGPS contribution bandings	Immediately upon commencing Scheme membership, in line with employer’s policy and as a minimum in each April thereafter
Assist the Pension Fund in ensuring that all new starters complete a ‘Personal details declaration form’ (contained in the <a href="#">Joiner pack</a> ) to ensure timely administration of transfer values	
Where there is more than one contract of employment with the same employer each membership shall be maintained separately and allocated a unique pension reference	

Notify the Pension Fund when a member is due to retire including an accurate assessment of final pay details and notification of the reason for retirement	Notify the Pension Fund when a member is due to retire as soon as final earnings are known, typically 20 days prior to date of retirement and no later than 2 weeks after the date of leaving by the submission of a <a href="#">retirement package</a> via the online upload form
To determine based on medical opinion and advice of an approved Independent Registered Medical Practitioner (IRMP), whether an ill health award is to be made and determine the tier to be awarded	In addition to the retirement package supply a copy of IRMP's certificate together with the ' <a href="#">Retirement notification form</a> ' stating tier of ill health pension to be awarded. To be submitted via the online upload form either 20 days prior to date of retirement and no later than 2 weeks after the date of leaving
To keep a record of all tier three ill health retirements, particularly in relation to the 18-month review regarding gainful employment and any subsequent review by an IRMP	To inform the Pension Fund immediately if the pension should cease
To review all tier 3 ill health retirement cases prior to stopping at 3 years and notify the Scheme member if applicable	Notify the Pension Fund where pensions should cease
Refund employee contributions through your payroll for members who elect to leave the LGPS within 3 months of joining	You must tell the Pension Fund about opt outs. You must complete a ' <a href="#">Pension Leaver Details (PLD) leavers (including opt out)</a> ' and send a copy of the member's completed ' <a href="#">Opt out form</a> '. They must be submitted via the online upload form by the end of the calendar month following the last contribution deducted
Inform Pension Fund about changes during membership. They include: <ul style="list-style-type: none"> <li>• name</li> <li>• address</li> <li>• National Insurance number</li> <li>• hours (where applicable)</li> <li>• pension reference</li> <li>• change of academy within a multi academy trust</li> </ul>	Provide the Pension Fund with details of changes of: <ul style="list-style-type: none"> <li>• name, address, National Insurance number, hours (where applicable) using the '<a href="#">Changes spreadsheet</a>'</li> <li>• pension reference using '<a href="#">Change of pension reference spreadsheet</a>'</li> <li>• academy within multi academy trust using '<a href="#">Change of pension reference (Academy trust)</a>' form.</li> </ul> <p>All information must be submitted using the online upload form by the 10th of the month following the change</p>
Notify the Pension Fund when a member leaves employment including an accurate assessment of final pay details	' <a href="#">Pension leavers details</a> ' (PLDs) to be completed and submitted via the online upload form no later than 1 calendar month after the date of leaving
Obtain an estimate of pension benefits and find out from the member whether they wish to receive immediately	Inform the Pension Fund either by completing the:



payable reduced pension benefits or deferred benefits	<ul style="list-style-type: none"> <li>• relevant '<a href="#">Leaver PLD</a>' if the member is not taking immediate payment of benefits, or</li> <li>• '<a href="#">Retirement notification form</a>' along with the rest of the retirement package if the member is taking immediate payment of benefits.</li> </ul> <p>Submit via the online upload form no later than 1 calendar month after the date of leaving</p>
Obtain an estimate of pension benefits for those members considering retiring in the next 6 months	Between 3-6 months before proposed date of retirement upload an ' <a href="#">Estimate request form</a> ' via the online upload form
Notify the Pension Fund immediately of the death of a scheme member. Liaise with your <a href="#">Communication and Support Officer (CSO)</a> about what actions are needed to be taken by the employer	<p>Provide regular updates regarding progress of liaising with next of kin and possible beneficiaries to the fund. Submit '<a href="#">Pension Leaver Details (PLD) Death in service</a>' via the online upload form.</p> <p>All documents should be submitted via the online upload form no later than 1 calendar month after the date of death</p>
On application from the former employee to have their deferred benefits paid early on ill health grounds, seek a medical opinion from an approved Independent Registered Medical Practitioner (IRMP) and make a determination regarding payment. Determine whether benefits should be released early on compassionate grounds and whether any early retirement reductions should be waived	Notify the Pension Fund of the decision regarding the early payment of deferred benefits and where necessary request an estimate of the pension benefits payable. Notify the Scheme member of the outcome of their application and if this is rejected, explain the outcome and provide details of the right of appeal process
Change employer contribution rates as instructed by the Pension Fund	At the date specified on the actuarial advice received by the Pension Fund
Arrange for the correct deduction of employee contributions from a Scheme member's actual pensionable pay (including overtime) and apply the correct employee contribution rate according to the section of the Scheme the member is in – either Main or 50/50. Reassess employee contribution rate in line with employer's policy on adjusting employee contribution rates and notify the member of the change in rate	Immediately on joining the Scheme, opting in or change in circumstances
After receipt of instructions start deduction of Additional Pension Contributions (APC) or amend such deductions, as appropriate	The month following election to pay contributions or notification received from the Pension Fund
To pay the Fund all contributions deducted from payroll (not including	Pay over contributions to the Fund by the 19th of the month following the deduction.

AVCs) of its employees, and employers' contributions	Complete and submit the Employer Monthly Return (EMR) and upload it to the EMR upload form
Arrange for the deduction of Additional Voluntary Contributions (AVCs) via your payroll and the payment over of contributions to the approved AVC provider(s). Start deduction of AVCs in the month following the month of election. Pay over contributions to the AVC provider(s) by the 19th of the month following the month of election	Start deduction of AVCs in the month following the month of election. Pay over contributions to the AVC provider(s) by the 19th of the month following the month of election
After receipt of instructions, stop deductions of Additional Regular Contributions (ARCs) or Additional Pension Contributions (APCs) or AVCs	Immediately following receipt of instructions
Refund via your own payroll provider any employee contributions that have been deducted in error	Contributions to be refunded in the month following the incorrect deduction
To pay all fees including rechargeable costs to the Pension Fund	The Pension Fund will inform employers of any fees as they become due. Invoices must be paid within 30 working days of the invoice date, or in accordance with the payment terms on the invoice
Provide year end information required by the Pension Fund	Information to be supplied in the format as detailed in the instructions published on the website in February/March each year. Information to be submitted via the Year end upload form by the date included in the instructions
To provide any additional information that may be requested by the Pension Fund	To be provided in the format required by the Pension Fund e.g., completion of form, email etc. within 1 calendar month of receipt unless a statutory requirement requires the information to be supplied before this date which will be detailed in the request
If you are considering a TUPE transfer of staff, you should contact the Pension Fund at least 6 months before the transfer is due to take place	At the very beginning of the tender process so that important pension information can be provided for inclusion in the tender documentation
Work with the Pension Fund to arrange for an admission agreement to be put in place when contracting out a service and assist in ensuring it is complied with	Agreement to be in place by the time the service is contracted out
Provide the Pension Fund with information regarding members transferring to an admitted body or schools converting to academies	Liaise with the Pension Fund regarding the format in which this information needs to be supplied. Information to be supplied 1 calendar month from date of change. Any queries relating to this information to be responded to within 10 working days

## iConnect

If you are an employer using i-Connect, your responsibilities may differ.

i-Connect is an internet application. It facilitates the transfer of data from your payroll to the pensions system.

You action this by:

- uploading files extracted from the payroll, or
- completing an online form.

You submit data on a monthly basis and include:

- Pensionable pay and pension contribution information. This will end the need for a year end return.
- New starts, opt outs, and leavers. This will either reduce or end the need for separate paperwork.
- Personal information, for example name and address.

Eventually all employers will use i-connect. This is a large project that will take some time to complete. We will contact you when we are in a position to onboard. In the meantime, if you would like to know more, contact [iconnect@kent.gov.uk](mailto:iconnect@kent.gov.uk)

## 5. Role of the Kent Pension Fund

This section outlines the key responsibilities of the Fund, what the Fund will do and by when. It is focussed on the key activities which scheme employers and scheme members are involved in and should not be viewed as an exhaustive list.

### Commitment to new scheme members

The table details what we commit to new scheme members and when.

What	When
Statement of pensionable service	We will issue a statement of pensionable service to members within 20 working days of receiving the required data from an employer.
Transfers in	<p>We will calculate the estimated benefits that a <u>transfer value</u> will buy in the Local Government Pension Scheme. We will issue a quotation within 20 working days of receiving details from the previous pension provider and any additional information required from the Department for Work and Pensions.</p> <p>We will request payment of the transfer value within 10 working days of receiving confirmation from members that the transfer is to be made.</p> <p>We will confirm the actual benefits purchased by the transfer value</p>

What	When
	to members within 20 working days of receiving payment from the previous pension provider.

### Commitment to existing scheme members

The table details what we commit to existing scheme members and when.

What	When
Annual Benefit illustrations	Each year members will be sent an <u>Annual Benefit Illustration (ABI)</u> to their home address which will provide a personalised illustration of their benefits in the Local Government Pension Scheme (LGPS).
Benefit estimates	Provided there are no outstanding queries to be resolved, we will provide members with their estimate within 20 working days of receiving the estimate request from their employer. Where there are outstanding queries, we will provide the estimate within 20 working days of the date the queries are resolved.
Paying Additional Pension Contributions (APCs)	We will provide information within 20 working days of receiving a request from members if they wish to pay <u>APCs</u> to buy additional LGPS pension.
Retirements	<p>Provided that there are no outstanding queries to be resolved, we will send details of the benefits payable and pay members tax free cash lump sum within 20 working days of receiving all the information required from their employer and/or them, or the date the benefits become due if later.</p> <p>Where there are outstanding queries, we will send details of the benefits payable and pay members tax free cash lump sum within 20 working days of the date the queries are resolved.</p>
Deaths	We will send details of the benefits payable within 15 working days of receiving all information required from the late scheme members employer. We will pay the lump sum

	death grant as soon as possible after determining all relevant beneficiaries.
Deferred benefits	We will send details of the deferred benefits within 40 working days of receiving all information required from a member's employer.
Refunds	We will pay a refund within 20 working days of receiving a member's formal request for payment.
Transfers out	<p>We will issue a quotation, guaranteed for 3 months, within 20 working days of receiving all information required.</p> <p>We will pay a <u>transfer value</u> within 20 working days of receiving confirmation from members that the transfer is to be made, and if we have received all of the information required to make payment.</p>

### Commitment to deferred scheme members

The table details what we commit to deferred scheme members and when.

What	When
Deferred benefit statements	We will provide a <u>deferred benefit statement</u> providing details of the current value of members deferred benefits (as increased in line with the Consumer Prices Index (CPI)).
Deferred benefits into payment	We will send details of the benefits payable and pay the tax free cash lump sum within 20 working days of receiving all information required from a member, or the date the benefits become due if later.
Death of a deferred scheme member	<p>We will acknowledge a notification of the death of a deferred scheme member and start action to put into payment any dependants' benefits within 5 working days of receiving the notification.</p> <p>We will send details of any benefits payable within 15 working days of receiving all required information from the dependants and will pay any lump sum death grant due as soon as possible after determining all relevant beneficiaries.</p>

### Commitment to pensioner scheme members

The table details what we commit to pensioner scheme members and when.

What	When
Newsletter	We will send the <u>Open Lines newsletter</u> to pensioners at least twice a year.
Death of a pensioner	<p>We will acknowledge a notification of the death of a pensioner and start action to put into payment any dependants' benefits within 5 working days of receiving the notification.</p> <p>We will send details of any benefits payable within 15 working days of receiving all required information from the dependants and will pay any lump sum death grant due as soon as possible after determining all relevant beneficiaries.</p>

### Commitment to employers who participate in the Local Government Pension Scheme (LGPS)

The table details what we commit to employers that participate in the LGPS and when.

What	When
Procedures, letters and forms	<u>Guidance (including letters and forms)</u> will be made available to employers to help you carry out their responsibilities.
Changes in regulations	We will make employers aware of any changes to the LGPS regulations, and any other relevant legislation, within 15 working days of receiving details of the changes.
Other pension information	We will make employers aware of any relevant pension information within 15 working days of receiving details.
Benefit estimates	Provided there are no outstanding queries to be resolved, we

	will provide the estimate within 20 working days of receiving the estimate request from an employer. Where there are outstanding queries, we will provide the estimate within twenty working days of the date the queries are resolved.
Confidentiality	We will respect the confidentiality of information exchanged under this agreement and use it only in accordance with the current Data Protection legislation.
Training	We will provide <u>training</u> free of charge for employers' personnel and payroll staff either when there are relevant changes to the LGPS or at their request.

## 6. Non-Compliance

6.1 KPF will apply the following charges in circumstances where scheme employers do not adhere to their responsibilities under the LGPS. Where KPF has incurred additional costs due to an employer's poor performance, it will recover these costs by charging employers.

Activity	Charges
Monthly data return submitted late	A fixed penalty of £500.00 if received after the first working day of the following month, plus a further fixed penalty of £50.00 for every further day late after that deadline. Note that both the file and the remittance advice must be received for no penalty to apply
Late payment of contributions and other payments due	A fixed penalty of £500.00 if received after the nineteenth of the following month or after seven days of the payment due date in the case of an invoice, plus interest on the total payment due charged at one per cent above base rate calculated from the due date
Resubmission of incorrect data	A fixed penalty of £500.00 plus charges to account for the officer resource used to rectify any issues charged at a minimum hourly rate of £100.00
Failure to respond within the timeframe	A charge of £25.00 per case for each case chased after the original deadline has passed
Failure to provide a copy of discretions policy or latest version	A fixed penalty of £500.00 for failing to supply a copy plus a further £100.00 charged on each occasion that a policy is requested or is chased by an officer and is not supplied
Failure to notify KPF of key changes or events, including a change of payroll provider	A fixed penalty of £1,000.00 where the change has a significant impact on administration or £500.00 plus a further £100.00 charged on each occasion that further information is requested or chased

6.2 If an employer's poor performance leads to a third-party agency issuing KPF with financial penalties, then KPF will recover these costs from the employer concerned. This includes:

- Those imposed by agencies such as the Pensions Regulator for a breach of statutory duties, where the breach occurred due to the poor performance of an employer. An example would be where KPF has not issued annual benefit illustrations because the employer has failed to provide member data.
- Those imposed by HMRC, such as scheme sanction charges that arise as a result of the decision of an employer. An example would be if the employer allowed a member to claim benefits that would cause KPF to make an unauthorised payment.
- Those imposed by the Office of the Information Commissioner following a data breach where the breach was caused by the actions of an employer.

6.3 KPF will pay the penalty but will recover it from the employer concerned. The list is not exhaustive and KPF reserves the right to use the same principles and policy for other penalties imposed on it by outside agencies not detailed here.

6.4 In general, KPF will apply a financial penalty where an employer fails to:

- meet the requirements of this Pensions Administration Strategy
- meet the requirements of the LGPS Regulations
- meet the requirements of other legislation.

Where this results in:

- additional work or costs for KPF or its agents
- failure of KPF to meet its obligations under the LGPS regulations, other legislation or guidance
- complaints by organisations or members
- appeals by members or their representatives.

6.5 In all cases, KPF would look to consider any mitigating circumstances, such as system failure, business continuity events and so on, and take a pragmatic approach when making decisions.

6.6 As an alternative, in some circumstances, the Fund may offer employers/payroll providers the opportunity to attend specific training courses to avoid the issues arising in the future, and thus improving the overall provision of service to all scheme members.



From: Chairman – Pension Fund Committee  
Interim Corporate Director of Finance

To: Pension Fund Committee – 28 September 2022

Subject: Training update

Classification: Unrestricted

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### Summary:

To report to the Committee on progress on the Fund training programme and training undertaken by Committee and Board members during 2021-22. The report also advises members of the 2022 LGPS National Knowledge Assessment and training events in 2022-23.

### Recommendation:

The Committee is recommended to note the report.

### FOR INFORMATION

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### Introduction

1. The Kent Pension Fund Training Strategy agreed by the Pension Fund Committee in March 2022 requires that compliance with the strategy is reported on a yearly basis to both the Pension Fund Committee and Pension Board.
2. This report provides an update on the Fund training plan and an overview of training undertaken by members.

### Training events attended in 2021-22

3. The main training events attended by committee and board members during the year were as follows:

Date	Topic	Provider	Attendees
June 2021	LGPS Local Pension Board Members update	CIPFA / Barnett Waddingham	1 Board member
July 2021	Overview of the LGPS	Barnett Waddingham / KCC	10 Committee and 1 Board members
September 2021	Investment risk and overview of the Pension Fund	Mercer / KCC officers	12 Committee and 4 Board members
October 2021	Overview of the LGPS	Barnett Waddingham	5 Committee and

			1 Board member
November 2021	LGPS administration	KCC officers	10 Committee and 3 Board members
February 2022	Responsible Investment	Mercer / KCC	13 Committee and 2 Board members

4. Committee members have also had an opportunity to gain an understanding of new asset classes and existing investment mandates from investment managers at the following Committee meetings:

<b>Committee</b>	<b>Topic</b>	<b>Provider</b>
June 2021	Global Equities	M&G
September 2021	Global Equities	Baillie Gifford
December 2021	UK Equities	Schroder
February 2022	Global Equities	Sarasin
March 2022	Global Equities	Baillie Gifford

5. In addition, 2 Committee members and 1 Board member completed the tPR toolkit during the year.
6. Individual committee members have also attended training events organised by the Fund's investment managers and other external organisations.

### **LGPS National Knowledge Assessment 2022**

7. In 2020 13 members of the Kent Pension Fund Committee and Pensions Board completed the LGPS National Knowledge Assessment run by Hymans Robertson and the results formed the basis for the Fund's training plan published in April 2021 and the organisation of the various events listed above.
8. Hymans are running another assessment in mid to late September 2022 and Committee and Board Members will again be invited to complete the assessment. The intention is to prepare a training plan based on the results of the assessment to address any gaps in knowledge and to set up future training events to meet Members' needs.
9. This will again be an online assessment and further details will be circulated when it is open for members to complete. It is expected that it will take 15 – 20 minutes to complete. Members will be provided with their own individual results summary and the Fund will receive a report suggesting next steps.

### **Member records**

10. Members are reminded that they should keep a log of all training undertaken so that their records can be agreed with officers at least annually, and the Fund will demonstrate compliance with its training strategy on a yearly basis through an annual report to both the Pension Fund Committee and Local Pension Board.

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**September 2022**

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From: Chairman Pension Fund Committee  
Interim Corporate Director of Finance

To: Pension Fund Committee – 28 September 2022

Subject: Pension Fund Report & Accounts and External Audit

Classification: Unrestricted

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**Summary:**

This report presents the Report and Accounts of the Kent Pension Fund for 2021-22, the External Audit Findings Report and updated Fund policies.

**Recommendation:**

Members are recommended to agree to

- a) Note the content of the 2021-22 Pension Fund Draft Accounts and the Annual Report
- b) Note the external auditor's Draft Audit Findings Report
- c) Note the position with regards to Governance and Audit Committee
- d) Delegate authority to the Chair of the Pension Fund Committee and the Corporate Director of Finance to finalise the Annual Report on receipt of the audit certificate
- e) Confirm that once the report is authorised the Report and Accounts may be published to the Kent Pension Fund website
- f) Note the position on the Fund policies

**FOR DECISION**

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**1. Annual Report and Accounts**

- 1.1 Guidance issued by CIPFA in 2019 for Local Government Pension Scheme Funds on preparing the annual report requires the Fund Annual Report to be formally reviewed by the Committee and authorised by the Chair of the Pension Fund Committee and the Corporate Director of Finance.
- 1.2 A copy of the draft 2021-22 Pension Fund Report and Accounts is attached at appendix 1. Whilst the audit of the Statement of Accounts is substantially complete, the auditors are still to complete the review of the Annual Report.

1.3 The key findings and other matters arising from the statutory audit of the Fund are included in the external auditor's Draft Audit Findings Report at appendix 2

## **2. Audit update**

2.1 The Governance and Audit Committee will approve the Pension Fund accounts after the KCC audit is complete.

2.2 This year, the audit of the Kent County Council accounts has been delayed and this will affect the timing of issue of the audit certificate for the Pension Fund Accounts and Annual Report

2.3 It is therefore proposed that the Annual Report be authorised by the Chairman and Corporate Director of Finance on receipt of the audit certificate.

## **3. Fund policies**

3.1 Regulations require the Fund to prepare, review and update the following statements on a regular basis:

- Governance Compliance Statement
- Investment Strategy Statement (ISS) [investment-strategy-statement](#)
- Funding Strategy Statement (FSS) [funding-strategy-statement](#)
- Communications Policy Statement [communications-policy](#)

3.2 On 26 May 2022, the Kent County Council agreed a change a name of the Kent Superannuation Fund to Kent Pension Fund. All the above policies have been changed to reflect the change.

3.3 No further changes have been identified to the Funding Strategy Statement, the Investment Strategy Statement, the Governance Compliance Statement or Communications Policy Statement.

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Sangeeta Surana, Investments, Accounting and Pooling Manager

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**September 2022**

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# Kent County Council Pension Fund Report and Accounts

For the year ended 31 March 2022



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#### If you have any comments on the annual report,

- please call 03000 416 431
- email [investments.team@kent.gov.uk](mailto:investments.team@kent.gov.uk), or
- write to: Kent Pension Fund, Treasury and Investments,  
Kent County Council, Room 3.08, Sessions House, County  
Hall, Maidstone, Kent ME14 1XQ



## Chairman's foreword

I am pleased to present the Annual Report and Accounts for the Kent Pension Fund for the year ended 31 March 2022, a year of significant progress for the Fund, and one of profound change globally.

The successful deployment of vaccines has permitted the resumption of day-to-day life for many, and I have been heartened by the return of face-to-face interactions with members and officers here at Kent. Whilst the effects of the Covid-19 pandemic will no doubt continue to shape our lives for some time to come, thankfully the worst of the virus appears to be behind us. Yet any relief we draw from the end of lockdowns is overridden by knowledge of the appalling situation now unfolding in Ukraine. Our thoughts are with the innocent people impacted by the conflict.

The war is one key factor in inflation surging across much of the world right now, as constricted energy imports compound pre-existing supply chain problems resulting from the pandemic. The macroeconomic environment has evolved markedly, with central banks reversing monetary stimulus and raising interest rates to deal with price rises unseen in a generation. Such events serve as stark reminder of the ease with which the investment landscape can change. This is why, in pursuit of the Fund's funding objectives, we seek to diversify our investments across different asset classes, styles and ideas. Such pragmatism is at the bedrock of our risk management approach.

I am therefore encouraged by the continued resilience of the Fund's investment strategy, which generated an overall positive return of 2.6% in 2021-22, amidst heightened volatility. Although this was somewhat lower than the Fund's benchmark (11.2%), it should be noted that it followed an extraordinary return of 31.5% in 2020-21 (where the benchmark only returned 18.9%). The nature of the Fund's investment strategy means that returns can vary considerably from one year to the next, yet such an approach should deliver enhanced rewards of the longer term. Indeed, the Fund has now returned 6.9% per annum over five years, and 9.1% over the last ten.

As a result, the value of the Fund's assets have grown to £7.7bn at 31 March 2022, a gain of £0.2bn from the previous year. Assets valued at £3.4bn, amounting to 45% of the Fund, are now pooled via the ACCESS investment pool. The Fund remains committed to pooling investment assets and I am pleased by the pool's progress over the past twelve months, which you can read more about under the ACCESS Annual Report overleaf. The Kent Fund has continued to be an active participant in the ACCESS project and during the year I represented the Fund on the ACCESS Joint Committee. Kent officers also continue to play a key role in the pool's development and the establishment of new structures for both listed and non-listed assets.

Wherever the Fund's assets are invested, the Pension Fund Committee continues to apply a disciplined approach to asset allocation and rebalancing. During the year, and following a sustained period of outperformance, investment assets were moved from the equity allocation to multi asset credit and to fund the equity protection programme. The equity protection programme itself has added significant downside protection in 2022 as financial markets have endured losses. The Committee has also rebalanced funds between its existing absolute return mandates.

Responsible investment has been at the heart of our investment decision making process throughout the year. The Fund sees itself as an active steward of the investment assets it owns and believes this

approach will enhance real and sustainable returns over the long term. The Committee reviewed its responsible investment beliefs during the year, a critically important exercise given the evolving nature of this area. The Committee has also actively monitored the engagement and voting efforts of its appointed investment managers throughout the year and has increased its collaborative capacity by joining the Local Authority Pension Fund Forum. The responsible investment working group has continued to meet and to advance the Fund's work in this area, particularly around climate change risk.

The Fund's membership has increased, and it now supports some 149,112 scheme members. I commend officers for all their efforts over the last year in ensuring that these members, together with the Fund's 310 active employers, continue to receive an excellent level of service. I am also pleased to report that we have continued to clear the backlog of member queries with support from external parties and rolled out further access to the i-connect web portal enabling employers to upload their data directly to the pensions database. Currently some 70 employers are using the system with more being added each month, thereby achieving significant efficiencies.

Work on a landmark review of the Fund's governance has proceeded at pace during the year. The review has provided an opportunity to ensure our decision-making arrangements and resources remain fit for purpose. This exercise has added considerable value and it leaves the Fund well placed for the future. Indeed, these changes come at a pivotal time for the Fund. The next twelve months, in particular, will be busy as we undertake the Fund's 2022 triennial valuation exercise (which will be used to set future employer contribution rates for 2023-2026) and review the investment strategy. We will also look to strengthen our governance with a brand-new business plan and an administration strategy, in addition to concluding the remaining recommendations of the Fund's governance review.

The administration team have been very busy planning their short-term objectives of reviewing current resourcing levels, assessing whether processes are as efficient as possible, and determining whether they are making the best use of technology. In addition, they have been continuing with ongoing projects such as the GMP Rectification and the roll out of Member Self Service as well as a significant amount of horizon planning currently taking place to ensure that the team are prepared for the upcoming major projects such as McCloud (Regulations due October 2023) and Pensions Dashboard (onboarding date anticipated to be September 2024).

We will need to coordinate this work whilst continuing to provide a first-rate service to scheme members and employers. It is a challenge I relish, and one which I know the rest of the Committee, the Pension Board and officers are excited to meet.

Finally, I want to note my thanks to Members of the Pension Fund Committee and the Pensions Board for their support to me as Chairman of the Committee and for their hard work and commitment during the year. Particular thanks are due to retiring Members for their years of service and I extend a warm welcome to some new faces, including Cllr Robert Thomas as Chair of the Pension Board, as well as the Fund's new senior management team led by Nick Buckland (Head of Pensions and Treasury). With their support I am confident we can meet the challenges of the future successfully.

**Charlie Simkins**  
Chairman



# ACCESS Annual Report 2021-2022

## Foreword

### As Chairman of the ACCESS Joint Committee, I am pleased to introduce the latest Annual Report for our pool.

The COVID-19 pandemic not only shaped the way we all work but also led to significant market volatility. This volatility has continued following the Russian invasion of Ukraine and that cruel and unwarranted event has exacerbated energy and other supply chain issues that have contributed to rampant inflationary pressures.

All in all, a difficult time for investors everywhere.

The development of the ACCESS Pool continues at pace with an additional four sub-funds opened during the year to assist the authorities in achieving diversification within their investment strategies attracting an additional £3.2 billion investment into the Pool.

In January 2022 MJ Hudson were appointed as implementation adviser for the establishment of pool vehicles for illiquid assets, after a competitive call off utilising the National LGPS Frameworks.

As implementation advisor, MJ Hudson will provide support to the Pool in selecting individual investment opportunities and investment managers to build portfolios in a range of illiquid assets including private equity, private debt, infrastructure and initially, real estate.

Another key achievement during the year was the development of updated Responsible Investment guidelines for which the pool was partnered by Minerva Analytics. Once consultation has been completed the guidelines will be formally published.

In addition to its Annual Report, ACCESS also produced a Progress Update report in conjunction with its communication advisers MHP Mischief, to provide an insight to the Pool, key activities and future plans.

In the year ahead we welcome representatives of the Local Pension Boards to observe the future Joint Committee meetings. Two members from each Board will be able to attend a meeting at least once a year.

In closing I would like to thank my fellow ten Joint Committee members, each representing their respective Authorities, along with the officers who support them, and the ACCESS Support Unit.

### **Cllr Mark Kemp-Gee,**

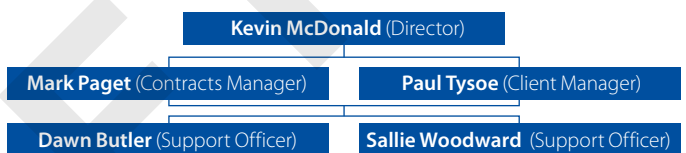
Chairman, ACCESS Joint Committee

Chairman of the Hampshire Pension Fund Committee and Board

## Introduction

### It is my pleasure to introduce an overview of the work by the ACCESS Support Unit.

In 2018, the ACCESS Joint Committee agreed that a unit be established to provide day to day support for the work required to run the Pool, and that Essex County Council act as Host Authority. The ACCESS Support Unit (ASU) facilitates the Joint Committee (JC) and officer groups and has responsibility for programme management, client relationships, contract management/supplier relationships, administration and technical support services. The ASU's structure is set out below:



A business plan is developed and submitted for consideration by the JC ahead of the start of each year, prior to being recommended to each of the ACCESS Authorities. The business plan includes milestones across listed assets (both active and passive), non-listed assets and governance. The JC also determines an annual budget to support the activities within the business plan.

The ASU has responsibility to manage this development and implementation of the business plan, within budget, whilst assessing and managing the risks for the pool.

A central feature of ACCESS is the engagement of each of the eleven Authorities, and therefore the support and facilitation of stakeholder groups is key to the work of the ASU. The governance structure of the Pool ensures that dialogue with, and input from, Local Government Pension Scheme (LGPS) subject matter experts from each Authority, is gathered through the Officer Working Group (OWG) and various sub-groups. In turn, this enables the s151 Officer Group to form the recommendations that are ultimately considered by the JC.

It has long been recognised that considerable expertise exists within the LGPS officer community. The full time ASU staff are therefore supplemented by part-time Technical Leads whose work for ACCESS is part of the Pool's costs. In the last year this saw invaluable contributions from Sharon Tan, Suffolk (reporting); Samantha Andrews, Essex (budgeting) and Rachel Wood and Vickie Hampshire, West Sussex (Governance Manual).

The year ahead will see further sub-fund launches to meet the investment strategies of the Authorities, including emerging market equities, the start of the alternative asset investment platform with advice and guidance from MJ Hudson and the publication of the updated Responsible Investment guidelines.

I would like to thank my ASU colleagues, the technical leads and the officers of the Authorities for their enthusiasm, support and hard work towards the commendable progress of the Pool.

### **Kevin McDonald,**

Director of ACCESS Support Unit

### ACCESS Background

ACCESS has its origins in 2016 when 11 Local Government Pension Scheme (LGPS) Authorities agreed to begin working collectively to address the requirements of the Government's agenda for pooling LGPS investments.

The following strategic objectives are in place:

- 1 Enable the Councils to execute their fiduciary responsibilities to LGPS stakeholders, including scheme members and employers, as economically as possible.
- 2 Provide a range of asset types necessary to enable those participating Authorities to execute their locally-determined investment strategies as far as possible.
- 3 Enable the Councils to achieve the benefits of pooling investments, preserve the best aspects of what is currently done locally, and create the desired level of local decision making and control.

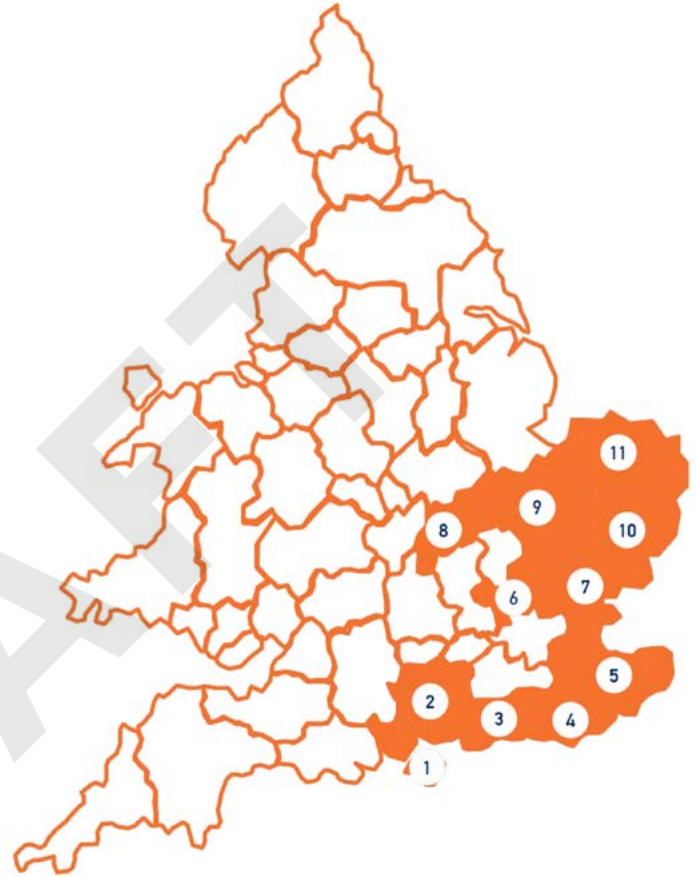
In order to achieve these objectives, the Councils have established a set of governing principles.

**The governing principles are summarised below.**

- Collaboration
- Objective evidence based decisions
- Professionalism
- No unnecessary complexity
- Value for money
- Risk management
- Equitable voice in governance
- Equitable cost sharing
- Evolution and innovation

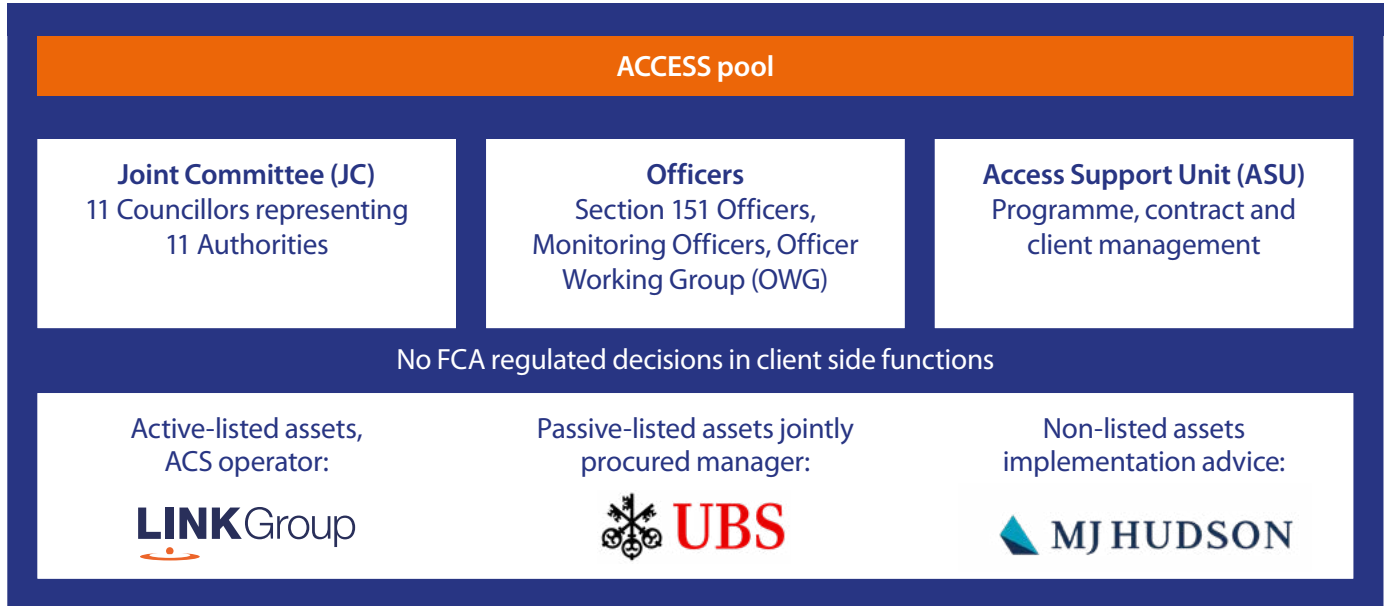
Implicit within the above principles is the democratic accountability and fiduciary duty of the Councils as Administering Authorities.

### ACCESS LGPS Authorities



<p>1</p> 	<p>7</p> 
<p>2</p> 	<p>8</p> 
<p>3</p> 	<p>9</p> 
<p>4</p> 	<p>10</p> 
<p>5</p> 	<p>11</p> 
<p>6</p> 	

An overview of the Pool's governance structure is outlined below.



## Key Performance

### Pooled Assets

As at March 2022

ACS (26 sub-funds)

**£23.9bn**

UBS (1 jointly procured provider)

**£11.2bn**

Pooling Progress

**59%**

### Costs & Savings

As at March 2022

Gross Savings

**£70.3m**

Costs

**£16.9m**

Net Savings

**£53.4m**

## Savings

A budget for ongoing operational costs is set by the Joint Committee and is financed equally by each of the eleven Authorities.

2021/22 saw an underspend primarily due to lower than anticipated costs of external advice combined with an underspend in the technical lead recharge costs.

The table below summarises the financial position for 2021/22 along with the cumulative position since the commencement of ACCESS activity in early 2016.

	2021-22		2021-22	
	Actual In Year £'000	Budget In Year £'000	Actual Cumulative to date £'000	Budget Cumulative to date £'000
Set Up Costs	–	–	1,824	1,400
Transition Costs	2,664	4,408	3,338	6,907
Ongoing Operational Costs	1,046	1,247	4,117	4,795
Operator and Depository Costs	4,845	4,787	12,149	11,364
<b>Total Costs</b>	<b>8,555</b>	<b>10,442</b>	<b>21,428</b>	<b>24,466</b>
<b>Pool Fee Savings</b>	<b>28,038</b>	<b>15,700</b>	<b>70,300</b>	<b>47,750</b>
<b>Net Savings Realised</b>	<b>19,483</b>	<b>5,258</b>	<b>48,872</b>	<b>23,284</b>

A budget for ongoing operational costs is set by the Joint Committee and is financed equally by each of the eleven Authorities. 2021/22 saw an underspend primarily due to lower than anticipated costs of external advice combined with an underspend in the technical lead recharge costs.

Operator and depository fees are payable by each Authority in relation to assets invested within the Authorised Contractual Scheme established by Link Fund Solutions as pool operator.

The 2021/22 fee savings have been calculated using the CIPFA price variance methodology and based on the average asset values over the year. This approach highlights the combined level of investment fee savings, across all ACCESS Authorities stemming from reduced charges.

In summary, since inception ACCESS has demonstrated excellent value for money, maintaining expenditure broadly in line with the MHCLG submission whilst delivering an enhanced level of savings ahead of the timeline contained in the original proposal.

## 2021-2022 Business Plan Milestones

The Business Plan for 2021-22 was proposed by the ACCESS Joint Committee in January 2020 to the 11 LGPS Authorities.

### Actively managed listed assets:

Further progress was made in pooling active listed assets within the Authorised Contractual Scheme (ACS) managed by the Pool's appointed Operator, Link Fund Solutions. Between July 2021 and February 2022, a further four sub-funds were launched.

Link's appointment of BlackRock expands the UK Equity capacity within the Pool, the appointment of Macquarie broadens the Global Equity coverage whilst the addition of ACS mandates for Fidelity and M&G extends the Fixed Income offering.

Six Authorities participated as original investors within these sub-funds which totalled £3.2bn.

### Alternative/non-listed assets:

In January 2022, following a procurement via National LGPS frameworks, ACCESS announced the appointment of MJ Hudson as implementation adviser for the pooling of illiquid assets including private equity, private debt, infrastructure and real estate.

As implementation advisor, MJ Hudson will provide support to the Pool in selecting individual investment opportunities and investment managers to build portfolios in a range of illiquid assets.

### Passive assets:

Ongoing monitoring and engagement continued with jointly procured passive manager, UBS.

### Responsible Investment Guidelines:

Last year, following a procurement via National LGPS frameworks, ACCESS appointed Minerva Analytics as Environmental, Social & Governance (ESG) adviser.

Having reviewed the ESG policies of and engaged extensively with officers from each of the 11 ACCESS Authorities, Minerva Analytics drafted revised and updated Responsible Investment (RI) guidelines for the Pool.



## 2021-2022 Business Plan

The Business Plan for 2022-23 was proposed by the ACCESS Joint Committee on 6th December 2021 to the 11 LGPS Authorities. This plan included:

### Actively managed listed assets:

Further pooling active listed assets within the Authorised Contractual Scheme (ACS) managed by the Pool's appointed Operator, Link Fund Solutions which will include emerging market equity and further fixed income sub-funds.

### Alternative/non-listed assets:

Launch of the Pool's first illiquid asset investment vehicles. MJ Hudson will be undertaking procurement exercises to appoint a UK Core Manager and a Global Real Estate allocator.

Initial work will commence on the planning for other illiquid asset investment platforms.

### Passive assets:

Ongoing monitoring and engagement with jointly procured passive manager, UBS.

### Responsible Investment Guidelines:

Following consultation with the ACCESS Authorities the updated Responsible Investment Guidelines will be published.

Work will commence on establishing criteria to develop a matrix to report on key performance indicators to demonstrate how the responsible investment guidelines have been implemented.

## Environmental, Social & Governance

The ACCESS Authorities believe in making long term sustainable investments whilst integrating environmental and social risk considerations, promoting good governance and stewardship.

Whilst the participating authorities have an overriding fiduciary and public law duty to act in the best long-term interests of their LGPS stakeholders to achieve the best possible financial returns, with an appropriate level of risk they also recognise the importance of committing to responsible investment alongside financial factors in the investment decision making process.

### Responsible Investment:

ACCESS appointed Minerva Analytics as its Environmental, Social & Governance (ESG) adviser. Following a review of the ESG policies, and engagement with officers from each of the authorities Minerva Analytics drafted consolidated Responsible Investment (RI) guidelines for the Pool.

Following a period of consultation, it is expected that finalised Guidelines will be adopted by the Pool during 2022.

### Voting:

The ACCESS pool has a set of voting guidelines which seeks to protect and enhance the value of its shareholdings by promoting good practice in the corporate governance and management of those companies.

The guidelines set out the principles of good corporate governance and the means by which ACCESS will seek its influence on companies. The voting activity is reported to the Joint Committee on a quarterly basis.

During the year ACCESS voted at 2,391 meeting on 32,834 resolutions.

### Engagement:

Link Fund Solutions arranges regular sessions with the Investment Managers to present to the authorities Pension Fund Officers to demonstrate how they implement environmental, social and governance into their investment strategy and decision-making process.

These also give the investment manager the opportunity to discuss the engagement activities they have undertaken, what constructive dialogue was had and how they have used their influence to encourage the adoption of best practice.

## Governance arrangements

### The Pension Fund Committee

The Pension Fund Committee exercises all of the powers and duties of the Kent County Council (KCC) in relation to its functions as Administering Authority for the Fund. The Committee is responsible for setting investment strategy, appointing professional fund managers and carrying out regular reviews and monitoring of investments. It also monitors the administration of the Pension Scheme and determines Pension Fund policy in regard to employer admission arrangements.

After the Council elections in May 2021, a new committee was constituted who elected a chair in their first meeting. There were 6 other full Committee meetings during the year, all were held in person with the option to join virtually.

The membership of the Committee during 2021-22 is detailed below.

### Committee members

#### Employer representatives

All elected members (employer representatives) have full voting rights at the committee.



**Charlie Simkins**  
Chairman  
Kent County Council



**Nick Chard**  
Vice Chairman  
Kent County Council



**Dan Daley**  
Kent County Council



**Penny Cole**  
Kent County Council



**Perry Cole**  
Kent County Council



**James McInroy**  
Kent County Council



**John Burden**  
Gravesham Borough Council



**Nick Eden-Green**  
Canterbury City Council



**Paul Clokie**  
Ashford Borough Council



**Paul Bartlett**  
Kent County Council



**Paul Cooper**  
Kent County Council



**John Wright**  
Kent County Council



**Richard Thorne**  
Medway Council



**Mel Dawkins**  
Kent County Council



**Paul Stepto**  
Kent County Council

## Member Representatives

Member representatives do not have a vote but otherwise are treated equally in terms of access to papers, training and opportunity to contribute to the decision making process.

### Kent Active Retirement Fellowship Representatives

Vacancy

Vacancy

### Union Representative

Joe Parsons

### Kent County Council Staff Representative

Vacancy

## Local Pensions Board

The Local Pensions Board for Kent was established in April 2015 in accordance with the relevant Government Legislation. After the Council elections in May 2021, a new board was formed who elected a chair in their first meeting. The membership of the Board during 2021-22 is detailed below; there were two full Board meetings during the year.

## Kent County Council Officers and Others

The day to day operations and management of the Fund and implementing the decisions of the Pension Fund Committee are delegated to the KCC Section 151 officer and their staff. This includes the power to seek professional advice and devolve day to day handling of the Fund's investments to professional fund managers and advisers within the scope of the regulations. KCC undertakes the monitoring and accounting for the investments of and income due to the Fund.

## Board members

Employer Representatives	Representing
<b>Robert Thomas,</b> Chairperson	Kent County Council
<b>Dylan Jeffrey,</b> Vice Chairperson	Kent County Council
<b>Alison Kilpatrick</b>	Kent and Medway Fire
<b>Vacancy</b>	District/Medway Council
Member Representatives	
<b>Joe Parsons,</b> Vice Chairperson	Districts/Medway staff
<b>Vacancy</b>	Kent County Council staff
<b>David Coupland</b> (left Nov. 2021)	Kent Active Retirement Fellowship
<b>Vacancy</b>	Trade Union

## Governance 2021-22

During the year the Pension Fund Committee met six times and the Pensions Board met twice. All 6 Committee meetings were held in person with the option to join virtually and all Board meetings were held virtually. Attendance at the Committee and Board meetings was as below:

### Pension Fund Committee

Member	Meetings attended
Charlie Simkins	6/6
Nick Chard	6/6
Paul Bartlett	5/6
John Burden	5/6
Paul Clokie	4/6
Penny Cole	5/6
Perry Cole	4/6
Paul Cooper	3/6
Dan Daley	1/6
Mel Dawkins	5/6
Nick Eden-Green	4/6
James McInroy	6/6
Joe Parsons	6/6
Paul Stepto	5/6
Richard Thorne/substitute	3/6
John Wright	5/6

### Pensions Board

Member	Quorate meetings attended
Robert Thomas	2/2
Dylan Jeffrey	2/2
Joe Parsons	2/2
Alison Kilpatrick	2/2
David Coupland	0/2
Unison Rep – VACANCY	
KCC Staff – VACANCY	

## Committee activity

Items considered by the Committee at its meetings in 2021/22 were as follows:

- Election of Chair and Vice Chair
- Updates on the implementation of the Fund's investment strategy
- Quarterly updates on the Fund's asset allocation and performance
- ACCESS pooling updates
- Updates on Employer matters and governance matters
- Pension administration updates
- The 2020/21 Report and Accounts and External Audit Report
- Updates on the Fund's Risk Register
- Update of the Fund's Training Plan
- The Pension Fund Committee's work programme
- Quarterly updates on the Pension Fund's business plan
- Updates on Responsible Investment
- Updates on Pension Fund cash flow
- Updates on implementation of Internal Audit Review recommendations



- Updates on the implementation of actions following the governance review
- Updates on Fund Managers
- Report from the Pension Board

### Board activity

Items considered by the Board at its meetings in 2021/22 were as follows:

- Pension Fund Business Plan
- Fund Employer and Governance Matters
- Pension Fund Report and Accounts and External Audit
- Internal Audit Review update
- Board Member Training
- ACCESS update
- Pension Fund Committee update
- Pension Fund Risk Register

### Training update for the report

As an administering authority of the Local Government Pension Scheme, Kent County Council recognises the importance of ensuring that all officers and members charged with financial management and decision making for the pension scheme are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.

The Kent Fund Training Strategy agreed in 2019 reflects the current requirements of frameworks, codes and guidance issued by a range of bodies including CIPFA, the Pensions Regulator and the Scheme Advisory Board and will be updated as these are revised. The Fund has delegated responsibility for the implementation of the Strategy to the Corporate Director of Finance.

Members agreed the Fund Training Plan in February 2021 and it provides an ongoing training programme for Board and Committee members taking account of the results of the 2020 Hymans Robertson (HR) National Knowledge Assessment, and future training needs. It also builds on training provided and suggested to date, including in the 2019 Internal Audit Report of their review of Fund governance. The training plan includes in-house training sessions, external training events, use of online learning tools and background reading as appropriate.

The main training events attended by committee and board members during 2021-22 were as follows:

Date	Topic	Provider
June 2021	LGPS Committee & Local Pension Board Members update	CIPFA/Barnett Waddingham
July 2021	Overview of the LGPS	Barnett Waddingham/KCC
September 2021	Investment Risk & overview of the Pension Fund	Mercer/KCC Officers
October 2021	Overview of the LGPS	Barnett Waddingham/KCC
November 2021	LGPS Administration	KCC Officers
February 2022	Responsible Investment	Mercer/KCC

Committee members have also had an opportunity to gain an understanding of new asset classes and existing investment mandates from investment managers at the following Committee meetings:

Date	Topic	Provider
June 2021	Global equities	M&G
September 2021	Global equities	Baillie Gifford
December 2021	UK equities	Schroder
February 2021	Global equities	Sarasin
March 2021	Global equities	Baillie Gifford

In addition 2 committee members & 1 board member completed the tPR toolkit during the year.

Individual members and officers have also attended training events organised by the Fund's investment managers and other external organisations.

## Fund managers

Schroders



DTZ INVESTORS



HARBOURVEST



Further details of the fund manager mandates can be found in the Investment Strategy Statement (ISS).

### Other organisations providing services to the Kent Fund

Service	Organisation
Custodian	Northern Trust Company
Bankers	National Westminster Bank
Fund Actuary	Barnett Waddingham
Additional Voluntary Contributions (AVC) Providers	Utmost Life, (earlier Equitable Life Assurance) Prudential Assurance Company Standard Life Assurance
Investment Consultants	Mercers
Auditors	Grant Thornton
Legal Advisors	Invicta Law
Performance Measurers	Northern Trust Company CEM Benchmarking PIRC Limited
Scheme Administrators	Kent County Council
Administration software provider	Aquila Heywood

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

- Funding Strategy Statement.
- Investment Strategy Statement.
- Governance Compliance Statement.
- Communications Policy Statement.
- Responsible Investment Policy.

These documents can be found on the Pension Fund's website <https://www.kentpensionfund.co.uk/local-government/about-us/investment-management-of-the-fund/policies>

## Risk Management

Kent County Council as the Administering Authority for the Kent Pension Fund has delegated responsibility for the management of risk to the Pension Fund Committee.

### Risk register

The Committee maintains active oversight of the Fund's key risks and maintains a risk register, which is reviewed at regular intervals throughout the year. The key risks currently identified include:

- Investments achieve returns below rate assumed by the actuary.
- Risk to service delivery due to remote working arrangements.
- Increased risk of cyber attacks.
- Implementation of changes necessitated by the McCloud judgement.

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

### Financial, demographic, regulatory, and employer risks

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

### Operational risks

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

Third party risk such as that relating to employers in the Fund is managed through monitoring the timeliness of receipts of contributions as well as the annual review of guarantees/bonds provided by Admitted bodies.

### Investment risk management

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

Assurance over external service providers operations is provided by investment managers and custodian[s] who are required to provide annual AAF 01/06 reports and ISAE 3402 reports.

## Financial Performance

### Fund Trends

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

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
<b>Net Assets at 31 March (£'000)</b>	5,828,846	6,218,169	5,716,878	7,513,632	<b>7,702,425</b>
<b>No. of Contributors</b>	52,775	51,345	51,685	52,725	<b>52,829</b>
<b>Contributions (£'000)</b>	232,037	238,331	250,263	267,955	<b>280,431</b>
<b>Number of Pensioners</b>	39,813	41,739	43,441	44,838	<b>46,706</b>
<b>Benefits Paid (£'000)</b>	220,876	235,953	243,832	247,448	<b>257,277</b>

### Financial Summary

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

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
<b>Value of Fund at start of year</b>	5,565,175	5,828,846	6,218,169	5,716,878	<b>7,513,632</b>
Revenue account for year					
– Contributions and transfers in	243,299	247,758	259,591	272,972	<b>291,067</b>
– Investment and other income net of expenditure	93,503	84,971	109,358	83,969	<b>98,603</b>
– Benefits and transfers out	(232,373)	(248,538)	(256,540)	(257,505)	<b>(285,391)</b>
<b>Net Revenue</b>	104,429	84,191	112,409	99,436	<b>104,279</b>
Increase (Decrease) in market value of investments in year	159,242	305,132	(613,700)	1,697,318	<b>84,514</b>
<b>Increase (Decrease) in Fund during year</b>	263,671	389,323	(501,291)	1,796,754	<b>188,793</b>
<b>Value of Fund at end of year</b>	5,828,846	6,218,169	5,716,878	7,513,632	<b>7,702,425</b>

Despite an increase in valuation, it has been a difficult year for the Fund as asset values have been subject to significant volatility.

This volatility has been driven by a number of factors, including rising inflation, increasing interest rates and the question of whether a recession lies ahead.

Despite only a slight increase in the number of contributors to the Fund this year, the amount of contributions has increased by almost 7%, mainly due to a continued increase in salary levels of employees.

Number of pensioners has continued to grow and were 17% higher at 31 March 2022 compared to 31 March 2018. Pension payments have also increased by 23% during the same period.

### Pension Fund Administration and Governance Costs

The following table compares actual Administration, Governance and Oversight costs against the budget for 2021-22.

	2021-22 Actual £'000	2021-22 Budget £'000
Pensions Administration	3,316.77	3,610.00
Pensions Payroll Services	221.54	226.00
Payment Services	16.40	17.40
Financial Services	64.70	69.00
Legal Fees	36.67	50.00
Miscellaneous	( 11.17)	-
<b>Administration Expenses</b>	<b>3,644.92</b>	<b>3,972.40</b>
Actuarial Fee including cost of valuation	261.88	250.00
Direct recovery of actuary, legal fees and admin costs	(232.40)	(225.00)
Subscriptions	48.96	46.00
ACCESS pooling costs	91.41	115.00
Investment Accounting and Oversight costs	447.34	600.00
Performance Measurement and other advice fees	28.01	30.00
Investment Consultancy	282.78	210.00
Other professional advice	6.00	20.00
<b>Governance and Oversight Expenses</b>	<b>933.98</b>	<b>1,046.00</b>
Audit fee	41.00	50.00
<b>Total</b>	<b>4,619.90</b>	<b>5,068.40</b>

The costs of administration of the scheme were lower than budget due to vacancies in the section and lower than expected legal fees due to lower employer related activity.

Whilst there were savings in oversight costs due to vacancies, there were increased costs of investment consultancy for the implementation of the equity protection programme.

## Employers

At 31 March 2022 there were 460 Employers in the Fund. During the year 5 organisations joined the Fund as either scheduled or admitted bodies following the transfer of staff from existing fund employers and as schools converted to academy trusts. Academy trusts also consolidated and other employers exited the Fund as their last active members left or retired. During the year 12 employers either ceased to be members of the Fund or merged with other employers.

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

### Number of employers

	Active	Ceased	Total
Scheduled Body	235	75	310
Admitted Body	69	81	150
<b>Total</b>	<b>304</b>	<b>156</b>	<b>460</b>

### Amounts due from Employers

In 21-22 KCC monitored the receipt of contributions by two different measures: by value and by number of employers.

During 21-22 we collected 99%, (99% in 2020-21) of the total contribution income by value from the employers by the due date of the 19th of the following month and 96%, (95% in 2020-21) of employers paid on time. The lower percentage reflects the difficulties some small employers had with new payment processes as a result of the pandemic and some back dated admissions to the Fund. The option to levy interest on overdue contributions was not exercised. At 31st March 2022, contributions in respect of the March salaries totalling £23.4m (31 March 2021: £21.4m) due by 19 April had not been received.

### Member Age Profile

The following table shows that at 31 March 2022 the age profile of the contributing membership was:

Age	Members
Under 20	477
20 – 25	3,843
26 – 30	3,968
31 – 35	4,805
36 – 40	5,747
41 – 45	6,521
46 – 50	7,276
51 – 55	8,142
56 – 60	6,994
61 – 65	4,168
66 – 70	808
Over 70	164

### Five-year analysis of pension overpayments, recoveries and write-offs

#### Overpayments

The overpayments identified over the last 5 years as a result of the Fund's participation in the National Fraud Initiative are:

Year	No.	Value (£)	Action
2017	1	4,946	No next of kin so written-off
	1	537	No response – written-off
2019	2	641	Written-off
	1	207	To be written off as no next of kin
	1	2,135	Being investigated
<b>2021</b>	<b>1</b>	<b>11,500</b>	(est) Assistance sought from KCC's counter fraud team regarding recovery
	<b>2</b>	<b>417</b>	Seeking recovery from next of kin
	<b>1</b>	<b>244</b>	To be written off as no next of kin
<b>Total</b>	<b>10</b>	<b>20,627</b>	

Note: the number of cases has decreased as a mortality screening service is now used on a monthly basis to identify registered deaths.

#### Pension overpayments write-offs

Details of the write-offs made in the last 5 years:

Year	No. of cases	Value (£)
2017-18	39	53,946 *
2018-19	18	27,717 *
2019-20	3	1,318
2020-21	12	3,133
<b>2021-22</b>	<b>13</b>	<b>3,286</b>

\*£71,502 of these amounts refer to historic overpayments that occurred and all possibilities of recovery have been exhausted.

## Investments

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

At its regular meetings during 2021-22 the Committee reviewed the Fund's investment strategy and made recommendations regarding the Fund's asset allocation, agreeing that no changes be made as all actual allocations have fallen within the agreed benchmark.

The Fund's strategic asset allocation as at 1 April 2021 was as follows:

Asset Class	Allocation %	Index
UK Equities	23.5	FTSE All Share
Overseas Equities	32	MSCI World Index NDR
Fixed Income	15	BAML GBP Broad Market
Property	13	IPD All Properties Index
Private Equity & Infrastructure	7.5	GBP 7 Day LIBID
Absolute Return	8	RPI +5%
Cash	1	GBP 7 Day LIBID
<b>Total</b>	<b>100</b>	

### Asset Pooling

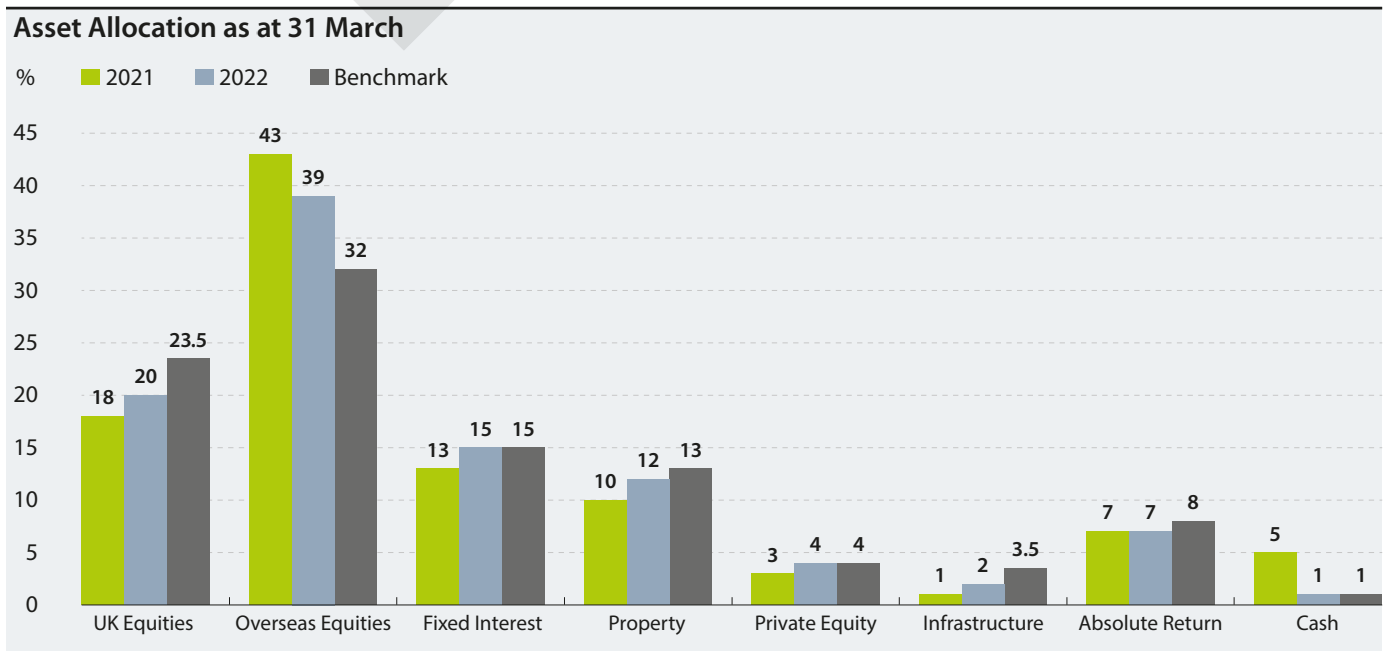
The Kent Pension Fund has made a commitment to pool its assets other than its direct property holdings into the ACCESS Pool. (Please see section on ACCESS for further information about the Pool).

As at 31 March 2022 it had investments of £3.4 billion in four ACCESS sub-funds.

The Kent Fund has achieved £11.6m of savings in pooling initiatives of which £4.4m are in relation to assets awaiting pooling

### Portfolio Distribution

The graph shows the Fund's actual portfolio distribution between the main asset-classes as at 31 March 2021 and 31 March 2022 vs the benchmark.

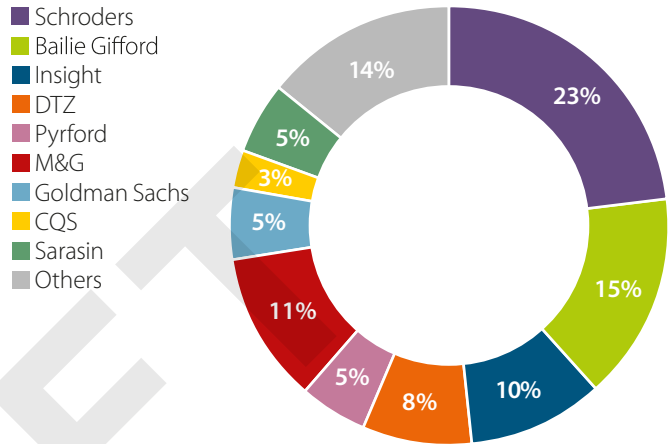


## Value of funds under management by Fund Manager

The following graph shows the Assets Under Management (AUM) and the proportion of the Fund under management by fund manager as at 31 March 2022:

Fund Managers	AUM (£m)
Schroders	1,787
Baillie Gifford	1,190
Insight	791
DTZ	633
Pyrford	376
M&G	826
Goldman Sachs	401
CQS	238
Sarasin	381
Others	1,073
<b>Total</b>	<b>7,697</b>

**AUM by Fund Manager as a proportion of the Fund**



### Investment performance 2021-22

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

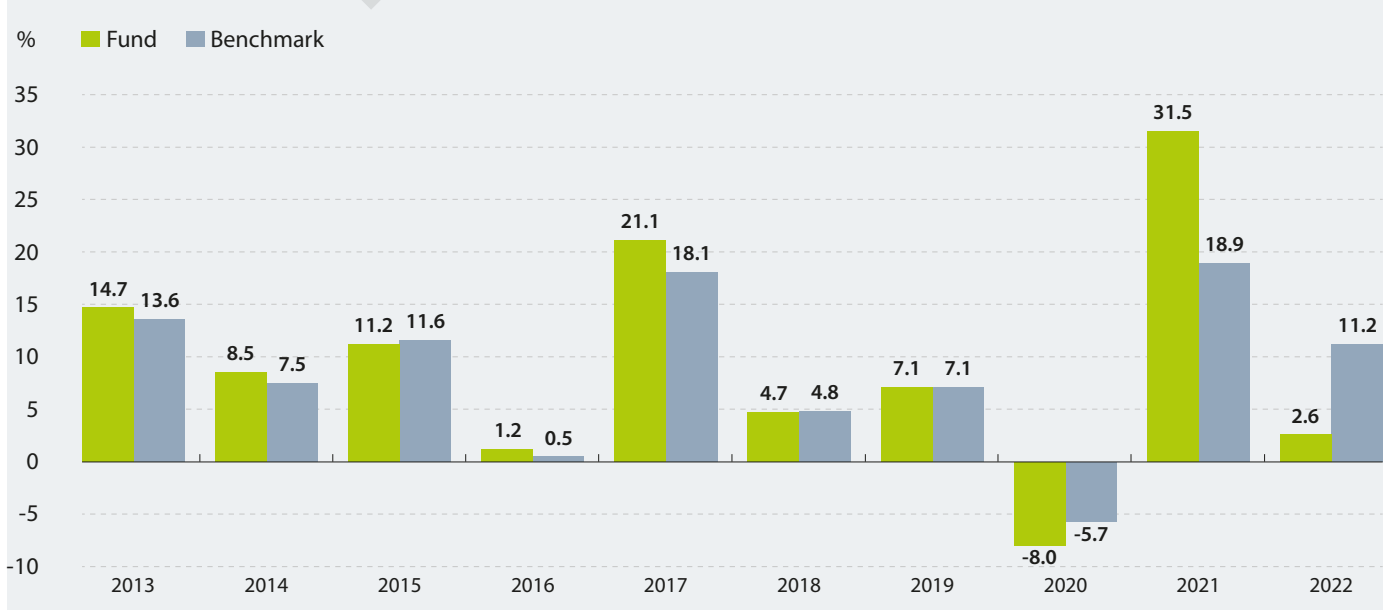
Managers are required to provide valuation information to Northern Trust which assesses the rate of return achieved and provides performance reports for consideration by the Committee.

### Total Fund Performance

The graph below shows the relative performance of the investments over the last 10 years. The overall return on the investments for 2021-22 was 2.58% compared to the customised strategic benchmark of 11.19%.

For comparison the PIRC Local Authority Universe average fund return for 2021-22 was 8.6%.

### Annual Investment Returns





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

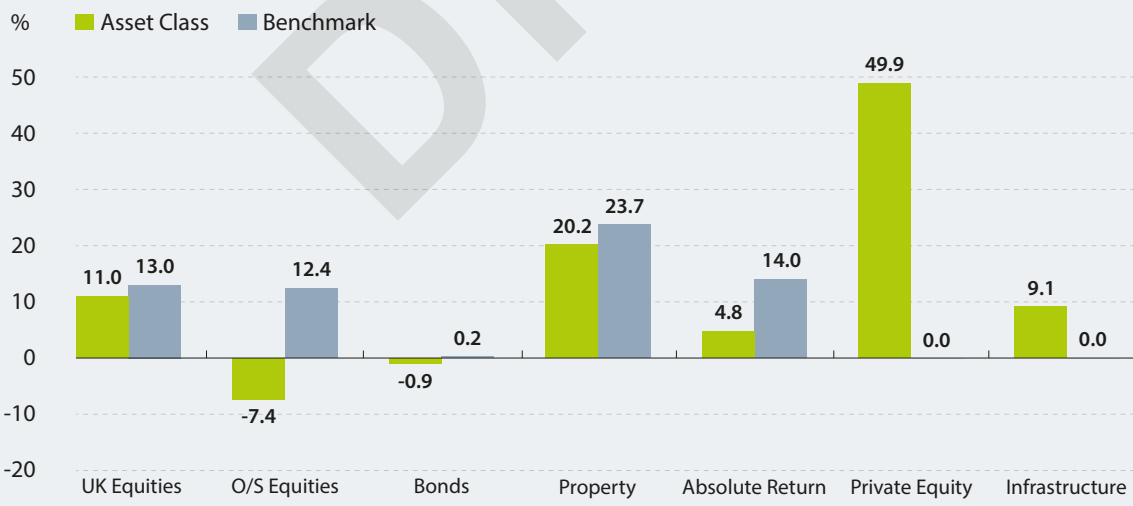
**Long Term Performance Summary**



**Returns by Asset Class**

The analysis set out below shows the returns by asset class for 2021-22:

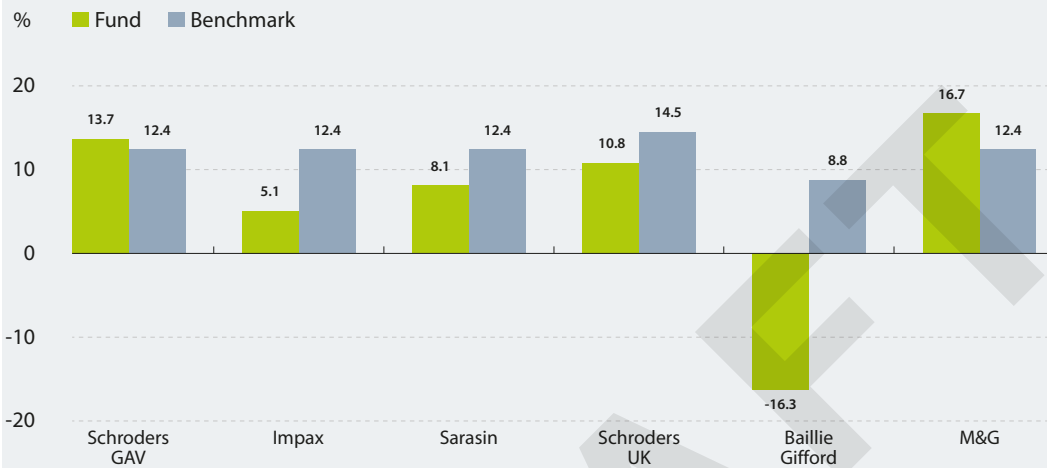
**2021-22 Returns by Asset Class**



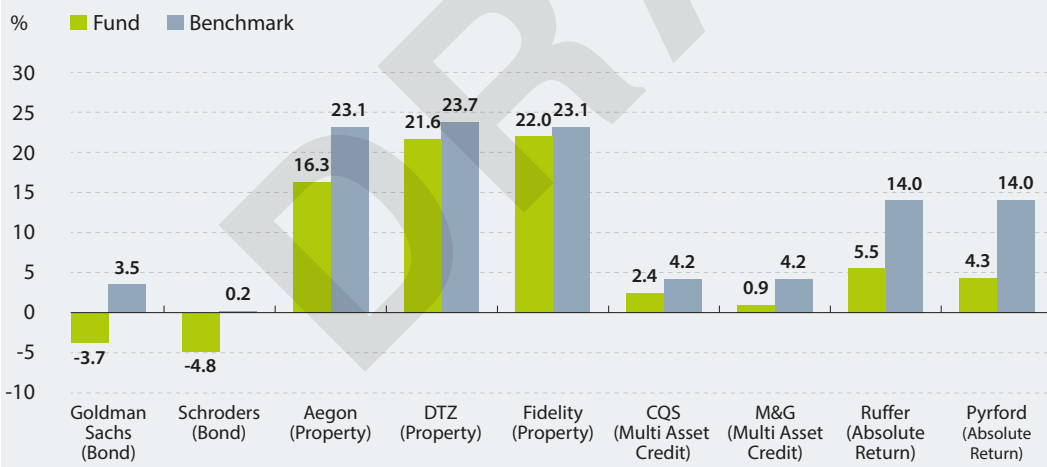
**Performance by Fund Manager**

The following graphs show the performance of the Equity and other Mandates compared to their benchmarks for the year ended 31 March 2022.

**Performance Returns by Fund Manager – Equities**



**Performance Returns by Fund Manager – Other Mandates**



## Responsible Investment (RI) Policy

The Fund's RI policy can be viewed [here](#)

### The Kent Pension Fund:

- Has a **Responsible investment policy, which is part of its investment strategy** which explains how Environmental, Social and Governance (ESG) factors will be considered when making investment decisions and how the Pension Fund expects its investment managers to engage with companies about ESG issues and take part in shareholder voting.
- Has set up an **RI working group to focus on Responsible Investment**. The group is made up of members of the Pension Fund Committee and makes recommendations to the Committee.
- Is a **signatory to the Principles of Responsible Investment (PRI)** which sets out six principles for responsible investors to follow and a member of the Local Authority Pension Fund Forum (LAPFF), a collaborative initiative that promotes the highest standards of corporate governance to protect the long-term value of local authority pension funds.
- Expects its investment managers to be signatories to the **UK Stewardship Code 2020** which is about how investors should act when making and owning investments.
- Provides training for the Pension Fund Committee.

### Addressing climate change concerns

#### The Kent Pension Fund:

- recognises it is consistent with its fiduciary duty to manage Environmental issues including climate change that may be financially material and expects those responsible for managing its investments to comply with the Fund's policy.
- does not believe it should divest from companies involved in fossil fuels as that action of itself will not reduce the impact on the climate. The Fund believes that its policy of engagement with companies to encourage responsible investment behaviour will be more effective in terms of achieving change.
- is actively monitoring and supporting the development of companies' management of environmental issues including those companies traditionally associated with fossil fuels. It is seeking out sustainable investment opportunities and for example holds units in a fund that invests in companies developing alternative sources of energy and cleaner uses of water and waste.
- is a member of the **The Institutional Investors Group on Climate Change (IIGCC)**. The Fund monitors developments on climate change and uses the research undertaken to monitor and challenge our investment managers.

### Developing the Fund's approach to ESG issues

#### The RI working group:

- Considers and progresses the further development of the Fund's RI policy and its implementation taking account of recent ESG initiatives; and
- Works with investment managers to enhance their reporting on ESG issues including regular updates on their engagement with companies on governance matters, and their voting activity.

#### The Kent Pension Fund:

- is committed to improving its approach to and the processes associated with the implementation of its responsible investment policy and to ensure that these changes are consistent with the Fund's fiduciary duty to its members and local taxpayers.
- will seek to align itself with the recommendations of the Task Force on Climate-Related Financial Disclosures.

#### Voting by Managers 2021/22

	Number of Resolutions		
	For	Against	Abstain
Baillie Gifford	2,298	56	90
Schroders UK Equity	940	25	1
Schroders GAV	6,532	722	104
M&G Global Dividend	374	33	4
Ruffer	577	104	6
Sarasin	451	184	26
Impax	837	42	1
Pryford	658	42	20

## Administration

Responsibility for the administration of the Kent Pension Fund is undertaken by the Pensions Section, Kent County Council. The Pensions Section uses Altair, an Aquila Heywood system, to provide all aspects of pensions administration, including pensioner payroll.

There are 56.7 full time equivalent members of staff involved in the administration of the scheme, split into two main teams, supported by technical, systems and management staff.

- member services teams responsible for administering all casework and handling all member queries;
- an Employer and Communications team responsible for all employer work, including training and employer support, maintaining the Pension Fund website and for all bulk communications sent to current and former members of the scheme.

The Pension Section administration performance is measured against key performance indicators each month, and is used to improve processes. The key service standards for 4 of the key processes are shown below:

### Key Service Standards for Scheme Members

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

Type of Case	Target Time	Number Processed	Processed Within Target
Calculation and payment of retirement award	20 days from receipt of paperwork	2,805	70.8%
Calculation and payment of dependants' benefit	15 days from receipt of paperwork	514	38.1%
Provision of estimates	20 days from receipt of paperwork	4,751	85.6%
Correspondence	Full reply within 15 working days	7,325	98.5%

Other projects that were undertaken by the Pensions Section during the year included:

- further roll out of i-Connect, a process for receiving data from employers on a monthly basis
- preparation for roll out of member self service to scheme members
- work involved in dealing with the exit cap legislation which was then rescinded
- preparation for dealing with the impact of the McCloud judgement

The profile of the new retirees during the year was as below: (we don't easily have access to the split of normal/late retirements so have shown the total):

Type of retirement	From Active membership	From Deferred membership	Total Retirements
Redundancy	103	–	103
Ill Health	56	5	61
Early	475	1,079	1,554
Normal	327	412	739
Late			
Flexible	46		46
<b>Total</b>	<b>1,007</b>	<b>1,496</b>	<b>2,503</b>

## CIPFA Benchmark Survey

The Kent administration section seeks to demonstrate value for money through its participation annually in the CIPFA Benchmark survey which compares the cost of administration with 88 other local authority administering bodies across the UK. The table below is in respect of the year ending 31 March 2021 which is the most recent survey to be conducted.

	Kent £	All Scheme Average £
Total cost of administration per scheme member	18.41	31.95
LGPS members per FTE staff	3,233	3,198
Membership engagement	1.17	2.44

It is pleasing to note that survey results place Kent 17th of 89 authorities (1st being the lowest) in terms of the cost of administration per member of the scheme.

## Communications

The Pension Section communicates with members and employers in a variety of ways: newsletters are sent to pensioners, pension forums are used to communicate with employers, virtual meetings being held this year, and current and former Scheme members have access to the KCC Pensions Section to make written, e-mail or telephone enquiries. Scheme members receive an annual benefit illustration and each pensioner and deferred pensioner is advised annually of the indexation increase to their pension.

The Kent Active Retirement Fellowship (KARF) has been established as a facility of which pensioners can become members and participate in a wide variety of activities. KARF has established groups throughout the County and welcomes new members.

## Internal Dispute Procedure

The Kent Pension Fund has a formal Internal Dispute Procedure to consider a member dispute over a decision made either by a scheme employer or Kent County Council acting as the Administering Authority. An independent person is appointed by each employer to consider an appeal made by a scheme member.

**2021/22 Disputes considered: 7**

**2021/22 Appeals upheld: 1**

# Actuary's Statement as at 31 March 2022

## Introduction

The last full triennial valuation of the Kent County Council Pension Fund (the Fund) was carried out as at 31 March 2019 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated 31 March 2020.

## Asset value and funding level

The results for the Fund at 31 March 2019 were as follows:

- The value of the Fund's assets as at 31 March 2019 for valuation purposes was £6,193m.
- The Fund had a funding level of 98% i.e. the assets were 98% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a deficit of £129m.

## Contribution rates

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

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

The primary rate of contribution on a whole Fund level was 18.4% of payroll p.a. The primary rate as defined by Regulation 62(5) is the employer's share of the cost of benefits accruing in each of the three years beginning 1 April 2020.

In addition, further "secondary" contributions were required in order to pay off the Fund's deficit by no more than 14 years with effect from the 2019 valuation. This secondary rate is based on their particular circumstances and so individual adjustments are made for each employer. The total secondary contributions payable by all employers, present in the Fund as at 31 March 2019, over the three years to 31 March 2023 was estimated to be as follows

Secondary Contributions	2020/21	2021/22	2022/23
Total as a % of payroll	2.8%	3.1%	3.5%
Equivalent to total monetary amounts of	£24.93m	£28.68m	£33.57m

In each employer was assessed individually in setting the minimum contributions due from them over the inter-valuation period. Details of each employer's contribution rate are contained in the Rates and Adjustments Certificate in the triennial valuation report.

## Assumptions

The assumptions used to value the liabilities at 31 March 2019 are summarised below:

### Financial assumptions

Market date	31 March 2019
CPI inflation	2.6% p.a.
Long-term salary increases	3.6% p.a.
Discount rate	4.7% p.a.

### Demographic assumptions

Post-retirement mortality	Male/Female
Member base tables	S3PA
Member mortality multiplier (Male/Female)	110%/115%
Dependant base tables (Male/Female)	S3DA
Dependant mortality multiplier (Male/Female)	95%
Projection model	CMI 2018
Long-term rate of improvement	1.25% p.a.
Smoothing parameter	7.5
Initial addition to improvements	0.5% p.a.

The mortality assumptions translate to life expectancies as follows:

**Assumed life expectancies at age 65:**

Average life expectancy for current pensioners – men currently age 65	21.7 years
Average life expectancy for current pensioners – women currently age 65	23.7 years
Average life expectancy for future pensioners – men currently age 45	23.1 years
Average life expectancy for future pensioners – women currently age 45	25.1 years

Full details of the demographic and other assumptions adopted as well as details of the derivation of the financial assumptions used can be found in the 2019 valuation report.

## Updated position since the 2019 valuation

### Assets

Returns over the year to 31 March 2022 have been lower than expected which has offset some of the strong returns achieved in the previous year. As at 31 March 2022, in market value terms, the Fund assets are still slightly more than where they were projected to be based on the previous valuation.

### Liabilities

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – the higher the real discount rate the lower the value of liabilities. As at 31 March 2022, the real discount rate is estimated to be lower than at the 2019 valuation due to lower future expected returns on assets in excess of CPI inflation.

Please note that we have updated the derivation of the CPI inflation assumption to be 0.8% p.a. below the 20 year point on the Bank of England (BoE) implied inflation curve. The assumption adopted at the 2019 valuation was that CPI would be 1.0% p.a. below the 20 year point on the BoE implied inflation curve. This update was made following the Government's response (on 25 November 2020) to the consultation on the reform of RPI, and the expectation that the UK Statistics Authority will implement the proposed changes to bring RPI in line with CPIH from 2030. This updated approach leads to a small increase in the value of liabilities.

The value of liabilities will also have increased due to the accrual of new benefits net of benefits paid.

It is currently unclear what the impact of the COVID-19 pandemic is on the Fund's funding position. It is expected that COVID-related deaths will not have a material impact on the Fund's current funding level, however, the impact on future mortality rates may be more significant and we will be reviewing the Fund's mortality assumption as part of the 2022 valuation.

There is also uncertainty around future benefits due to the McCloud/Sargeant cases.

### Overall position

On balance, we estimate that the funding position has remained broadly the same when compared on a consistent basis to 31 March 2019 (but allowing for the update to the CPI inflation assumption).

The change in the real discount rate since 31 March 2019 is likely to place a higher value on the cost of future accrual which results in a higher primary contribution rate. The impact on secondary contributions will vary by employer.

The next formal valuation will be carried out as at 31 March 2022 with new contribution rates set from 1 April 2023.

**Graeme D Muir, FFA**  
Partner, Barnett Waddingham

# Statement of Responsibilities for the Statement of Accounts

## Kent County Council's Responsibilities

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Corporate Director of Finance;
- to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets; and
- to approve the Statement of Accounts.

I confirm that these Accounts were approved by the Governance and Audit Committee at its meeting on **XX Month 2022** on behalf of Kent County Council.

**Councillor Rosalind Binks**  
**Chairman of the Governance and Audit Committee**  
**XX Month 2022**

## The Corporate Director of Finance's Responsibilities

The Corporate Director of Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Council Accounting in the United Kingdom (the Code), and is required to give a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended **31 March 2022**.

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

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

The Corporate Director of Finance has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I confirm that these accounts give a true and fair view of the financial position of the Council at the reporting date and its income and expenditure for the year ended **31 March 2022**.

## Certificate of the Corporate Director of Finance

**Zena Cooke**  
**Corporate Director of Finance**  
**XX Month 2022**



## Pension Fund Accounts

The following financial statements are included in the Kent County Council Pension Fund's Annual Report and Accounts 2022 available from the Fund's website at [www.kentpensionfund.co.uk](http://www.kentpensionfund.co.uk).

### Fund Account for the year ended 31 March

	Notes	2021-22 £'000	2020-21 £'000
<b>Dealings with members, employers and others directly involved in the Fund</b>			
Contributions	7	280,431	267,955
Transfers in from other pension funds	8	10,636	5,017
		<b>291,067</b>	272,972
Benefits	9	(257,277)	(247,448)
Payments to and on account of leavers	10	(28,114)	(10,057)
		<b>(285,391)</b>	(257,505)
<b>Net additions from dealings with Members</b>		<b>5,676</b>	15,467
Management expenses	11	(34,840)	(27,277)
<b>Net additions/withdrawals including fund management expenses</b>		<b>(-29,164)</b>	(11,810)
<b>Returns on Investments</b>			
Investment Income	13	133,600	111,339
Taxes on Income		(157)	(93)
Profits and losses on disposal of investments and changes in the market value of investments	15a	84,514	1,697,318
<b>Net Return on Investments</b>		<b>217,957</b>	1,808,564
<b>Net increase/(decrease) in the Net Assets available for benefits during the year</b>		<b>188,793</b>	1,796,754

### Net Assets Statement as at 31 March

	Notes	2021-22 £'000	2020-21 £'000
Investment Assets		7,711,217	7,512,982
Investment Liabilities		(14,178)	(8,806)
<b>Net Investment Assets</b>	15	<b>7,697,039</b>	7,504,176
Current Assets	21	32,036	34,422
Current Liabilities	22	(26,650)	(24,966)
<b>Net Assets available to fund benefits at the period end</b>		<b>7,702,425</b>	7,513,632

# Notes to the Pension Fund Accounts

## 1. Description of the Fund

### General

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

The Scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

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

The Fund is overseen by the Kent County Council Pension Fund Committee (the Scheme Manager). The Local Pension Board assists the Scheme Manager to ensure the effective and efficient governance and administration of the Scheme.

### Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join or remain in the Scheme or to make personal arrangements outside the Scheme. Employers in the Fund include Scheduled Bodies which are local authorities and similar entities whose staff are automatically entitled to be members of the Scheme; and Admission Bodies which participate in the Fund by virtue of an admission agreement made between the Authority and the relevant body. Admission bodies include voluntary, charitable and similar entities or private contractors undertaking a local authority function following a specific business transfer to the private sector.

There are 304 employers actively participating in the Fund and the profile of members is as detailed below:

	Kent County Council	Kent County Council	Other Employers	Other Employers	Total	Total
	31 Mar 2022	31 Mar 2021	31 Mar 2022	31 Mar 2021	31 Mar 2022	31 Mar 2021
Contributors	21,041	21,510	31,788	31,215	52,829	52,725
Pensioners	24,090	22,959	22,616	21,879	46,706	44,838
Deferred Pensioners	25,024	24,077	24,553	23,320	49,577	47,397
<b>Total</b>	<b>70,155</b>	<b>68,546</b>	<b>78,957</b>	<b>76,414</b>	<b>149,112</b>	<b>144,960</b>

### Funding

Benefits are funded by contributions and investment earnings. The 2019 triennial valuation certified a common contribution rate of 18.4% of pensionable pay to be paid by each employer participating in the Kent Pension Fund for 2021-22. In addition to this, each employer has to pay an individual adjustment to reflect its own particular circumstances and funding position within the Fund. Details of each employer's contribution rate are contained in the Statement to the Rates and Adjustment Certificate in the triennial valuation report.

### Benefits

Pension benefits under the LGPS are based on the following:

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

There is a range of other benefits provided under the Scheme including early retirement, ill health pensions and death benefits. For more details, please refer to the Kent Pension Fund website: [www.kentpensionfund.co.uk](http://www.kentpensionfund.co.uk)

## 2. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2021-22 financial year and its position at 31 March 2022.

The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021-22 which is based upon International Financial Reporting Standards, as amended for the UK public sector. The accounts are prepared on a going concern basis.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS)19 basis is disclosed at note 20 of these accounts.

## 3. Summary of Significant Accounting Policies

### Fund Account – revenue recognition

#### a) Contribution income

Normal contributions, both from the members and from the employers, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate. Employers Deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset.

#### b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in 'transfers in'. Bulk transfers are accounted for in accordance with the terms of the transfer agreement.

#### c) Investment income

Dividends, distributions, interest, and stock lending income on securities have been accounted for on an accruals basis and where appropriate from the date quoted as ex-dividend (XD). Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year. Where the Fund's investments are held in income accumulating funds that do not distribute income the accumulated income on such investments is reflected in the unit market price at the end of the year and is included in the realised and unrealised gains and losses during the year. Direct property related income mainly comprises of rental income which is recognised when it becomes due. Rental income is adjusted for provision for rent invoiced but collection of which is assessed as doubtful.

### Fund Account – expense items

#### d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the year end. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities providing the payment has been approved.

#### e) Taxation

The Fund has been accepted by the HM Revenue and Customs as a registered pension scheme in accordance with paragraph 1(1) of Schedule 36 to the Finance Act 2004 and, as such, qualifies for exemption from UK income tax on interest received and from capital gains tax on proceeds of investments sold. Tax is therefore only applicable to dividend income from equity investments. Income arising from overseas investments is subject to deduction of withholding tax unless exemption is permitted by and obtained from the country of origin. Investment income is shown net of tax, and any recoverable tax at the end of the year is included in accrued investment income.

By virtue of Kent County Council being the administering authority, VAT input tax is recoverable on all Fund activities including investment and property expenses.

## Notes to the Pension Fund Accounts continued

### f) Management expenses

All expenses are accounted for on an accruals basis. Costs relating to Kent County Council staff involved in the administration, governance and oversight of the Fund, and overheads incurred by the County Council and recharged to the Fund at the end of the year. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. Fees incurred include fees directly paid to fund managers as well as fees deducted from the funds by pooled fund managers which is grossed up to increase the income from these investments.

### Net Assets Statement

#### g) Financial assets

Financial assets other than cash and debtors are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. Any purchase or sale of securities is recognised upon trade and any unsettled transactions at the year-end are recorded as amounts receivable for sales and amounts payable for purchases. From the trade date any gains or losses arising from changes in the fair value of the asset are recognised by the Fund. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 and IFRS 9. For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

The values of investments as shown in the Net Assets Statement have been determined as follows:

- Quoted investments are stated at market value based on the closing bid price quoted on the relevant stock exchange on the final day of the accounting period.
- Fixed interest securities are recorded at net market value based on their current yields.
- Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.
- Investments in private equity funds and unquoted listed partnerships are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers. The valuation standards followed by the managers are in accordance with the industry guidelines and the constituent management agreements. Such investments may not always be valued based on year end valuation as information may not be available, and therefore will be valued based on the latest valuation provided by the managers adjusted for cash movements to the year end.
- Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, the change in market value also includes income which is reinvested in the fund.
- Debtors/receivables being short duration receivables with no stated interest rate are measured at original invoice amount. Debtors are adjusted for provision made for doubtful debts relating to rent income.

#### h) Freehold and Leasehold Properties

The Freehold and Leasehold properties were valued at open market prices in accordance with the valuation standards laid down by the Royal Institution of Chartered Surveyors. The last valuation was undertaken by Colliers International, as at 31 December 2021. The valuer's opinion of market value and existing use value was primarily derived using comparable recent market transactions on arm's length terms. The results of the valuation have then been indexed in line with the MSCI Monthly Index movement to 31 March 2022. The indexation is carried out by DTZ, who are managers of the Fund's direct property portfolio.

#### i) Derivatives

The Fund uses derivative instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes. At the reporting date the Fund only held forward currency contracts. The future value of the forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract. Under the European Market Infrastructure Regulations the Fund's forward currency contracts are required to be covered by margin cash. These amounts are included in cash or cash equivalents held by the Fund and reflected in a corresponding margin cash liability under investment liabilities.

**j) Foreign currency transactions**

Assets and liabilities in foreign currency are translated into sterling at spot market exchange rates ruling at the year-end. All foreign currency transactions including income are translated into sterling at spot market exchange rates ruling at the transaction date. All realised currency exchange gains or losses are included in change in market value of assets.

**k) Cash and cash equivalents**

Cash comprises cash at bank and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value. Cash and cash equivalents managed by fund managers and cash equivalents managed by Kent County Council are included in investments. All other cash is included in Current Assets.

**l) Financial Liabilities**

The Fund recognises financial liabilities relating to investments at fair value as at the reporting date. A financial liability is recognised in the Net Assets Statement on the date the fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund. Other financial liabilities classed as amortised cost are carried at amortised cost ie the amount carried in the net asset statement is the outstanding principal repayable plus accrued interest. Any interest charged is accounted for on an accruals basis and included in administration costs.

**m) Actuarial present value of promised retirement benefits**

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary and the methodology used is in line with accepted guidelines and in accordance with IAS 19. As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 20).

**n) Contingent Assets and Liabilities**

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

**o) Pooling Expenses**

The Fund is member of the ACCESS pool, a group of 11 LGPS Administering Authorities who, as part of a Government initiative, have agreed to pool their investments to achieve cost and scale benefits. Pooling costs included in the Fund's accounts reflect the Fund's proportion of the cost of the governance arrangements of the Pool.

**p) Additional Voluntary Contributions**

The Fund provides an additional voluntary contribution (AVC) scheme for its members, assets of which are invested separately from those of the Fund. AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of funds) Regulations 2016 but are disclosed for information in note 23.

**4. Critical judgements in applying accounting policy**

The fund's investment portfolio includes a number of directly owned properties which are leased commercially to various tenants with rental periods. The fund has determined that these contracts all constitute operating lease arrangements under the classifications permitted by the Code, therefore the properties are retained on the net asset statement at fair value.

## Notes to the Pension Fund Accounts continued

### 5. Assumptions made about future and other major sources of estimation uncertainty

Item	Uncertainties	Effect if actual results differ from assumption
Actuarial present value of promised retirement benefits (Note 20)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £235m. A 0.1% increase in assumed earning inflation would increase the value of liabilities by approx. £21m, and a one year increase to the life expectancy assumptions would increase the liability by approx. £501m.
Private Equity and Infrastructure and other level 3 investments (Note 17)	Valuation of unquoted private equity including infrastructure investments is highly subjective and inherently based on forward looking estimates and judgements involving many factors. They are valued by the investment managers using guidelines set out in the British Venture Capital Association.	The total private equity including infrastructure and other level 3 investments on the financial statements are £473m. Potential change in valuation due to change in these factors is estimated in Note 17.
Freehold and Leasehold Property and Pooled Property Funds (Note 17)	Valuation techniques are used to determine the fair values of directly held property and pooled property funds. Where possible these valuation techniques are based on observable data, but where this is not possible management uses the best available data. Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property.	The affect of 10% variations in the factors supporting the valuation would be an increase or decrease in the value of directly held property and property pooled funds of £90m on a fair value of £902m. Details of potential factors affecting the valuation are in Note 17.

### 6. Events after the Balance Sheet date

There have been no events since 31 March 2022, up to the date when these accounts were authorised, that require or do not require any adjustment to these accounts.

### 7. Contributions Receivable

	2021-22 £'000	2020-21 £'000
<b>By Category</b>		
Employees' contributions	63,125	59,348
Employers' contributions		
– normal contributions	182,404	172,479
– deficit recovery contributions	30,445	32,533
– augmentation contributions	4,457	3,595
Total Employers' contributions	217,306	208,607
<b>Total contributions receivable</b>	<b>280,431</b>	<b>267,955</b>
<b>By type of employer</b>		
Kent County Council	104,902	98,024
Scheduled Bodies	161,935	151,255
Admitted Bodies	13,594	18,676
<b>Total</b>	<b>280,431</b>	<b>267,955</b>

## 8. Transfers in from other pension funds

	2021-22 £'000	2020-21 £'000
Individual	10,636	5,017
Group	0	0
<b>Total</b>	<b>10,636</b>	<b>5,017</b>

## 9. Benefits Payable

	2021-22 £'000	2020-21 £'000
<b>By Category</b>		
Pensions	216,199	210,886
Retirement Commutation and lump sum benefits	34,572	30,202
Death benefits	6,506	6,360
<b>Total</b>	<b>257,277</b>	<b>247,448</b>
<b>By type of employer</b>		
Kent County Council	115,210	112,653
Scheduled Bodies	126,398	119,813
Admitted Bodies	15,669	14,982
<b>Total</b>	<b>257,277</b>	<b>247,448</b>

## 10. Payments to and on account of leavers

	2021-22 £'000	2020-21 £'000
Group transfers	11,320	0
Individual transfers	15,364	8,736
Payments/refunds for members joining state scheme	0	0
Refunds of contributions	1,430	1,321
<b>Total</b>	<b>28,114</b>	<b>10,057</b>

## 11. Management Expenses

	Notes	2021-22 £'000	2020-21 £'000
Administration costs		3,645	3,361
Governance and oversight costs		843	820
Investment management expenses	12	30,220	22,973
Audit fees		41	41
Pooling expenses		91	82
<b>Total</b>		<b>34,840</b>	<b>27,277</b>

## Notes to the Pension Fund Accounts continued

## 12. Investment Management Expenses

	Notes	2021-22 £'000	2020-21 £'000
Investment Managers' fees	12a	29,525	22,207
Transaction costs		652	710
Custody fees		43	56
<b>Total</b>		<b>30,220</b>	<b>22,973</b>

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

In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. These indirect costs are not separately provided to the Pension Fund.

## 12a. Investment Management Fees

	2021-22 £'000	2020-21 £'000
Fixed Income	4,004	3,457
Equities	14,755	12,577
Private Equity/Infrastructure	7,243	2,807
Property	3,523	3,366
<b>Total</b>	<b>29,525</b>	<b>22,207</b>

## 13. Summary of Income from Investments

	Notes	2021-22		2020-2021	
		£'000	%	£'000	%
Bonds		14,423	10.8	15,279	13.8
Equities		4,682	3.5	4,277	3.9
Pooled Investments		84,048	62.9	68,023	61.1
Private Equity / Infrastructure		9,190	6.9	9,879	8.9
Property	14	14,533	10.9	8,228	7.4
Pooled Property Investments		6,449	4.8	5,465	4.9
Cash and cash equivalents		217	0.2	155	0.0
Stock Lending		58	0.0	33	0.0
<b>Total</b>		<b>133,600</b>	<b>100.0</b>	<b>111,339</b>	<b>100.0</b>

Income levels have recovered this year after falling last year due to the effects of the pandemic on rent collection and dividend income.



## 14. Property Income and Expenditure

	2021-22 £'000	2020-21 £'000
Rental Income from Investment Properties	20,799	12,427
Direct Operating Expenses	(6,266)	(4,199)
<b>Net operating income from Property</b>	<b>14,533</b>	<b>8,228</b>

Rental income for 2021-22 is net of provision for doubtful debts of £4.5m, (2020-21 £6.3m).

## 15. Investments

	Market Value as at 31 March 2022 £'000	Market Value as at 31 March 2021 £'000
<b>Investment Assets</b>		
Bonds	379,028	401,001
Equities	371,946	348,033
Pooled Investments		
– Fixed Income	721,635	575,551
– Equities	4,125,358	4,227,065
– Absolute Return	567,162	541,108
Private Equity/Infrastructure	464,955	274,023
Property	577,934	493,314
Pooled Property Investments	324,285	281,718
Derivatives – Forward Currency contracts	472	2,920
Investment Cash and cash equivalents	155,306	201,228
Cash held with fund managers pending issue of units	0	150,000
Investment Income due	13,800	15,996
Amounts receivable for sales	788	0
Margin cash	8,548	1,025
<b>Total Investment Assets</b>	<b>7,711,217</b>	<b>7,512,982</b>
<b>Investment Liabilities</b>		
Amounts payable for purchases	(800)	(561)
Margin cash liability	0	0
Provision for Doubtful Debts	(4,544)	(6,287)
Derivatives – Forward Currency contracts	(8,834)	(1,958)
<b>Total Investment Liabilities</b>	<b>(14,178)</b>	<b>(8,806)</b>
<b>Net Investment Assets</b>	<b>7,697,039</b>	<b>7,504,176</b>

Investment income due (debtors) includes a sum of £7.3m for rents and service charges payable by tenants of properties owned by the Pension Fund. Due to continued effects of the pandemic on rent collection, there is a high likelihood that a significant portion will not be fully recovered. A provision of £4.5m has therefore been made for doubtful rent debts.

## Notes to the Pension Fund Accounts continued

## 15a. Reconciliation of movements in investments and derivatives

	Market Value as at 31 March 2021 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Change in Market Value £'000	Market Value as at 31 March 2022 £'000
Bonds	401,001	98,117	(99,920)	(20,171)	<b>379,027</b>
Equities	348,033	100,464	(100,596)	24,045	<b>371,946</b>
Pooled Investments	5,343,724	565,122	(347,421)	(147,270)	<b>5,414,155</b>
Private Equity/Infrastructure	274,023	141,701	(57,219)	106,450	<b>464,955</b>
Property	493,314			84,620	<b>577,934</b>
Pooled Property Investments	281,718	2,031	(6,264)	46,802	<b>324,287</b>
	7,141,813	907,435	(611,420)	94,476	<b>7,532,304</b>
Derivative contracts					
– Forward Currency contracts	962	3,098,406	(3,097,674)	(10,056)	<b>(8,362)</b>
	<b>7,142,775</b>	<b>4,005,841</b>	<b>(3,709,094)</b>	<b>84,420</b>	<b>7,523,942</b>
Other Investment balances					
– Investment Cash and cash equivalents	201,228	0	0	96	<b>155,305</b>
– Cash pending issue of units	150,000	0	0	0	<b>0</b>
– Amounts receivable for sales	0	0	0	0	<b>788</b>
– Amounts payable for purchases	(561)	0	0	0	<b>(800)</b>
– Margin cash liability	1,025	0	0	0	<b>8,548</b>
– Investment Income due	15,996	0	0	0	<b>13,800</b>
– Provision for doubtful debt	(6,287)	0	0	0	<b>(4,544)</b>
<b>Net Investment Assets</b>	<b>7,504,176</b>	<b>0</b>	<b>0</b>	<b>84,516</b>	<b>7,697,039</b>

	Market Value as at 31 March 20 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Change in Market Value £'000	Market Value as at 31 March 2021 £'000
Bonds	339,054	134,314	(73,777)	1,410	<b>401,001</b>
Equities	236,536	155,000	(146,114)	102,611	<b>348,033</b>
Pooled Investments	4,028,528	1,147,986	(1,344,347)	1,511,557	<b>5,343,724</b>
Private Equity/Infrastructure	189,864	72,544	(29,734)	41,349	<b>274,023</b>
Property	478,105	0	0	15,209	<b>493,314</b>
Pooled Property Investments	287,008	2,007	(1,503)	(5,794)	<b>281,718</b>
	5,559,095	1,511,851	(1,595,475)	1,666,342	<b>7,141,813</b>
Derivative contracts					
– Forward Currency contracts	(17,082)	3,512,898	(3,526,105)	31,251	<b>962</b>
	<b>5,542,013</b>	<b>5,024,749</b>	<b>(5,121,580)</b>	<b>1,697,593</b>	<b>7,142,775</b>
Other Investment balances					
– Investment Cash and cash equivalents	131,959	0	0	(275)	<b>201,228</b>
– Cash pending issue of units	0	0	0	0	<b>150,000</b>
– Amounts receivable for sales	724	0	0	0	<b>0</b>
– Amounts payable for purchases	(324)	0	0	0	<b>(561)</b>
– Margin cash liability	16,803	0	0	0	<b>1,025</b>
– Investment Income due	11,975	0	0	0	<b>15,996</b>
– Provision for doubtful debt	0	0	0	0	<b>(6,287)</b>
<b>Net Investment Assets</b>	<b>5,703,150</b>	<b>0</b>	<b>0</b>	<b>1,697,318</b>	<b>7,504,176</b>

## 15b. Analysis of Derivative Contracts

## Objectives and policy for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and the investment manager.

### Open forward currency contracts

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant portion of the Fund's fixed income portfolio managed by Goldman Sachs Asset Management is invested in overseas securities. To reduce the volatility associated with fluctuating currency rates, the investment manager hedges the overseas exposure of the portfolio.

Settlement	Currency bought	Local value 000's	Currency sold	Local value 000's	Asset value £'000	Liability value £'000
Up to one month	GBP	88	USD	(116)	0	0
Up to one month	GBP	825	EUR	(975)	1	0
Up to one month	GBP	55	EUR	(65)	0	0
Up to one month	GBP	38	USD	(50)	0	0
Up to one month	GBP	932	USD	(1225)	2	0
Up to one month	USD	116	GBP	(88)	0	0
Up to one month	GBP	442	USD	(579)	3	0
Up to one month	USD	64	GBP	(49)	0	0
Up to one month	USD	1155	GBP	(875)	2	0
Up to one month	GBP	652	USD	(859)	0	(1)
Up to one month	USD	3856	GBP	(2918)	10	0
Up to one month	GBP	1802	USD	(2370)	2	0
Up to one month	USD	2163	GBP	(1645)	0	(2)
Up to one month	GBP	2,092	USD	(2,759)	0	(4)
Up to one month	GBP	658	USD	(859)	5	0
Up to one month	USD	1,761	GBP	(1,343)	0	(6)
Up to one month	USD	1,188	GBP	(912)	0	(9)
Up to one month	USD	2,448	GBP	(1,879)	0	(20)
Up to one month	USD	1,500	GBP	(1,146)	0	(7)
Up to one month	USD	3,949	GBP	(3,014)	0	(15)
Up to one month	USD	2,132	GBP	(1,626)	0	(7)
Up to one month	GBP	2,504	USD	(3,336)	0	(30)
Up to one month	USD	1,440	GBP	(1,074)	20	0
Up to one month	USD	3,067	GBP	(2,291)	39	0
Up to one month	USD	481	GBP	(359)	6	0
Up to one month	USD	5,549	GBP	(4,141)	73	0
Up to one month	USD	3,303	GBP	(2,428)	81	0
Up to one month	USD	1,733	GBP	(1,278)	38	0
Up to one month	GBP	2,882	USD	(3,907)	0	(85)
Up to one month	USD	2,232	GBP	(1,646)	50	0
Up to one month	USD	1,393	GBP	(1,040)	18	0
Up to one month	USD	371	GBP	(277)	5	0
Up to one month	USD	388	GBP	(290)	5	0
Up to one month	GBP	510	USD	(689)	0	(14)
Up to one month	USD	1,236	GBP	(918)	21	0
Up to one month	USD	3,116	GBP	(2,313)	53	0
Up to one month	GBP	122,231	USD	(166,629)	0	(4,325)
Up to one month	GBP	122,273	USD	(166,629)	0	(4,283)
Up to two months	EUR	975	GBP	(826)	0	(1)
Up to two months	EUR	29	GBP	(25)	0	0
Up to two months	EUR	38	GBP	(32)	0	0
Up to two months	EUR	2,568	GBP	(2,135)	38	0
Up to two months	GBP	1,605	EUR	(1,922)	0	(21)
Up to two months	GBP	81,363	EUR	(96,179)	0	(4)
					472	(8,834)
<b>Net forward currency contracts at 31 March 2022</b>						<b>(8,362)</b>
Prior year comparative						
Open forward currency contracts at 31 March 2021					2,921	(1,957)
<b>Net forward currency contracts at 31 March 2021</b>						<b>964</b>

## Notes to the Pension Fund Accounts continued

## 15c. Property Holdings

	Year ending 31 March 2022 £'000	Year ending 31 March 2021 £'000
<b>Opening Balance</b>	<b>493,314</b>	478,105
Additions	0	0
Disposals	0	0
Net increase/decrease in market value	<b>84,620</b>	15,209
<b>Closing Balance</b>	<b>577,934</b>	493,314

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

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

	Year ending 31 March 2022 £'000	Year ending 31 March 2021 £'000
Within one year	<b>16,584</b>	16,161
Between one and five years	<b>42,579</b>	36,708
Later than five years	<b>33,268</b>	33,610
<b>Total</b>	<b>92,431</b>	<b>86,479</b>

The above disclosures have been reduced by a credit loss allowance of 0.35% per annum reflecting the Fund's expected loss from late or non-recovery of rents from tenants. This has been based on the Fund's own historic experience but also information on similar properties received from the Fund's property letting agents. The income has also been reduced to take into account the possibility of tenants taking advantage of break clauses in their non cancellable operating lease contracts to terminate tenancies.

## 15d. Investments analysed by Fund Manager

	Market Value as at 31 March 2022		Market Value as at 31 March 2021	
	£'000	%	£'000	%
<b>Investments managed by Link for the ACCESS Pool</b>				
Baillie Gifford	1,190,077	15.5	1,709,000	22.8
M&G	517,812	6.7	443,546	5.9
Ruffer	191,066	2.5	134,026	1.8
Schroders	1,543,993	20.1	1,384,541	18.5
	<b>3,442,948</b>	<b>44.7</b>	<b>3,671,113</b>	<b>49.0</b>
<b>Investments managed outside the ACCESS Pool</b>				
CQS	238,310	3.1	157,732	2.1
DTZ	633,444	8.2	538,729	7.2
Fidelity	163,219	2.1	133,795	1.8
Goldman Sachs	400,917	5.2	416,621	5.6
HarbourVest	233,070	3.0	149,608	2.0
Impax	74,516	1.0	70,886	0.9
Insight	791,269	10.3	610,989	8.1
<b>Aegon</b>	<b>43,723</b>	<b>0.6</b>	<b>43,566</b>	<b>0.6</b>
Kent County Council Investment Team	126,483	1.6	336,574	4.5
M&G	308,336	4.0	227,169	3.0
Partners Group	174,936	2.3	77,133	1.0
Pyrford	376,095	4.9	407,083	5.4
Sarasin	381,253	5.0	352,812	4.7
Schroders	243,353	3.2	254,982	3.4
YFM	56,948	0.7	47,282	0.6
Link Fund Solutions (previously Woodford)	8,219	0.1	8,102	0.1
	<b>4,254,091</b>	<b>55.3</b>	<b>3,833,063</b>	<b>51.0</b>
<b>Total</b>	<b>7,697,039</b>	<b>100</b>	<b>7,504,176</b>	<b>100</b>

All the external fund managers above are registered in the United Kingdom. Movements during the year include: £75m each invested into CQS and M&G Alpha Opportunities Fund.

### 15e. Single investments exceeding 5% of net assets available for benefits

	31 March 2022	
	£'000	% of net assets
<b>Investments</b>		
LF ACCESS Global Equity Core Fund	1,189,548	15.5
LF ACCESS UK Equity Fund	1,142,840	14.9
LDI Solutions Plus ICAV Active (Insight)	791,269	10.3
LF ACCESS Global Dividend Fund	517,812	6.7

	31 March 2021	
	£'000	% of net assets
<b>Investments</b>		
LF ACCESS Global Equity Core Fund	1,709,000	22.8
LF ACCESS UK Equity Fund	1,031,581	13.8
LDI Solutions Plus ICAV Active (Insight)	610,989	8.2
LF ACCESS Global Dividend Fund	443,546	5.9
Pyrford Global Total Return Fund	407,083	5.4

### 15f. Stock Lending

The Custodians undertake a programme of stock lending to approved UK counterparties against non-cash collateral mainly comprising of Sovereigns and Treasury Bonds. The programme lends directly held global equities and bonds to approved borrowers against a collateral of Government and Supranational fixed interest securities of developed countries, which is marked to market on a daily basis. Securities on loan are included at market value in net assets on the basis that they will be returned to the Fund at the end of the loan term. Net income from securities lending received from the custodian is shown as income from investments in the Fund Account.

The amount of securities on loan at year end, analysed by asset class and a description of the collateral is set out in the table below.

Loan Type	31 March 2022		31 March 2021		Collateral Type
	Market Value £'000	Collateral Value £'000	Market Value £'000	Collateral Value £'000	
Equities	2,762	2,881	8,099	8,458	Treasury Notes and other Government debt
Bonds	33,144	34,560	11,004	11,492	Treasury Notes and other Government debt
<b>Total</b>	<b>35,906</b>	<b>37,441</b>	<b>19,103</b>	<b>19,950</b>	

## Notes to the Pension Fund Accounts continued

## 16. Financial Instruments

## 16a. Classification of Financial Instruments

The following table analyses the carrying amounts of financial assets and liabilities by category and Net Assets Statement heading..

	31 March 2022			31 March 2021		
	at fair value through profit and loss £'000	Assets at amortised cost £'000	Financial liabilities at amortised cost £'000	Fair value through profit and loss £'000	Assets at amortised cost £'000	Financial liabilities at amortised cost £'000
<b>Financial Assets</b>						
Bonds	379,027			401,001		
Equities	371,946			348,033		
Pooled Investments	5,414,154			5,343,724		
Property Pooled Investments	324,285			281,718		
Private Equity/Infrastructure	464,955			274,023		
Derivative contracts	472			2,921		
Cash & Cash equivalents	144,833	13,151		191,737	164,087	
Other Investment Balances		23,137			17,021	
Debtors/ Receivables		7,942			12,579	
	<b>7,099,672</b>	<b>44,230</b>	<b>0</b>	<b>6,843,157</b>	<b>193,687</b>	<b>0</b>
<b>Financial Liabilities</b>						
Derivative contracts	(8,834)			(1,957)		
Other Investment balances			(5,344)			(6,848)
Creditors			(26,650)			(24,966)
	<b>(8,834)</b>	<b>0</b>	<b>(31,994)</b>	<b>(1,957)</b>	<b>0</b>	<b>(31,814)</b>
<b>Total</b>	<b>7,090,838</b>	<b>44,230</b>	<b>(31,994)</b>	<b>6,841,200</b>	<b>193,687</b>	<b>(31,814)</b>

## 16b. Net Gains and Losses on Financial Instruments

	31 March 2022 £'000	31 March 2021 £'000
Fair value through profit and loss	(203)	1,682,384
Assets at amortised cost	96	(275)
<b>Total</b>	<b>(107)</b>	<b>1,682,109</b>

## 17. Valuation of assets and liabilities carried at Fair Value

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets are carried at and have been valued using fair value techniques.

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuation provided
Quoted Equities	1	Bid Market price on last day of accounting period	Not required	Not required
Quoted Bonds	1	Market value on last day of accounting period	Not required	Not required
Quoted Pooled Investments	1	Net Asset Value/Bid prices on last day of accounting period	Net Asset Values	Not required
Cash and Cash Equivalents	1	Carrying value is deemed to be fair value due to short term nature of these instruments	Not required	Not required
Unquoted Pooled Investments including pooled property	2	Net Asset Value/Bid prices on last day of accounting period	Net Asset Values	Not required
Private Equity and Infrastructure Funds	3	Fair values as per International Private equity and venture capital guidelines (2012)	Valuation of underlying investment/assets/companies/EBITDA multiples	Estimation techniques used in valuations, changes in market conditions, industry specific conditions
Property	2	Independent valuation by Colliers using RICS valuation standards	Market values of similar properties, existing lease terms estimated rental growth, estimated vacancies	Not required
Quoted Funds in administration	3	Net Asset Value/Bid prices on last day of accounting period	Net Asset Values/or if the fund holds illiquid assets, valuation of underlying investment/assets/companies/EBITDA multiples	If the fund holds illiquid assets, estimation techniques used in valuations, changes in market conditions, industry specific conditions
Forward exchange contracts	2	Market forward exchange rates on the last day of accounting period	Wide range of deals executed in the currency markets, exchange rate risk	Not required
Bespoke fund for equity protection programme assets	2	Net Asset value of Fund based on valuation of underlying assets with quoted prices for bond holdings and market prices for derivatives	Wide range of deals executed in the bond holdings but limited comparable transactions for specialist equity derivatives	Valuation of derivatives is affected by the equity and foreign exchange market conditions

Note: Quoted Fund in administration refers to the UK equities Fund managed by Link (earlier Woodford). Bespoke Fund for Equity Protection programme assets is managed by Insight.

## Notes to the Pension Fund Accounts continued

### Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation methods described above, are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2022.

	Assessed valuation range (+/-)	Value as at 31 March 2022 £'000	Value on increase £'000	Value on decrease £'000
Private Equity	23.3%	290,018	357,592	222,444
Infrastructure	11.9%	174,936	195,754	154,119
Other Level 3 investments	23.3%	8,219	10,135	6,304
<b>Total</b>		<b>473,173</b>	<b>563,481</b>	<b>382,867</b>

	Assessed valuation range (+/-)	Value as at 31 March 2021 £'000	Value on increase £'000	Value on decrease £'000
Private Equity	23.3%	196,890	242,765	151,015
Infrastructure	11.9%	77,133	86,312	67,954
Other Level 3 investments	23.3%	8,101	9,989	6,213
<b>Total</b>		<b>282,124</b>	<b>339,066</b>	<b>225,182</b>

### 17a. Fair Value Hierarchy

#### Level 1

Assets and Liabilities at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Investments include quoted equities, quoted fixed interest securities, quoted index linked securities and quoted unit trusts.

#### Level 2

Assets and Liabilities at Level 2 are those where quoted market prices are not available or where valuation techniques are used to determine fair value. These techniques use inputs that are based significantly on observable market data. Investments include Derivatives, Direct Property Investments, Property Unit Trusts and investments in Link pooled funds for ACCESS.

#### Level 3

Assets and Liabilities at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data and are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. They include private equity and infrastructure investments the values of which are based on valuations provided by the General Partners to the funds in which the Pension Fund has invested. Assurances over the valuation are gained from the independent audit of the accounts. These assets also include investments in quoted funds that were in administration as at 31 March 2022 and are invested in illiquid underlying assets.

These valuations are prepared by the fund managers in accordance with generally accepted accounting principles and the requirements of the law where these companies are incorporated. Valuations are usually undertaken periodically by the fund managers, who provide a detailed breakdown of the valuations of underlying assets as well as a reconciliation of movements in fair values. Cash flow adjustments are used to roll forward the valuations where the latest valuation information is not available at the time of reporting.



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

	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'000
<b>Values at 31 March 2022</b>				
<b>Financial assets at fair value through profit and loss</b>				
Bonds	379,027			379,027
Equities	371,946			371,946
Pooled investments	693,947	4,711,989	8,219	5,414,155
Pooled property investments		324,285		324,285
Private equity and infrastructure			464,955	464,955
Derivatives		472		472
Cash Deposits	157,984			157,984
Other Investment balances	23,137			23,137
<b>Non-Financial assets at fair value through profit and loss</b>				
Property		577,934		577,934
<b>Financial liabilities at fair value through profit and loss</b>				
Derivatives	0	(8,834)		(8,834)
Other investment liabilities	(5,344)			(5,344)
<b>Net Investment Assets</b>	<b>1,620,697</b>	<b>5,605,846</b>	<b>473,174</b>	<b>7,699,717</b>
<b>Values at 31 March 2021</b>				
<b>Financial assets at fair value through profit and loss</b>				
Bonds	401,002			401,002
Equities	348,033			348,033
Pooled investments	732,934	4,602,688	8,101	5,343,723
Pooled property investments		281,717		281,717
Private equity and infrastructure			274,023	274,023
Derivatives		2,921		2,921
Cash Deposits	355,824			355,824
Other Investment balances	17,021			17,021
<b>Non-Financial assets at fair value through profit and loss</b>				
Property		493,314		493,314
<b>Financial liabilities at fair value through profit and loss</b>				
Derivatives		(1,957)		(1,957)
Other investment liabilities	(6,848)			(6,848)
<b>Net Investment Assets</b>	<b>1,847,966</b>	<b>5,378,683</b>	<b>282,124</b>	<b>7,508,773</b>

## Notes to the Pension Fund Accounts continued

### 17b. Reconciliation of Fair Value Measurements within Level 3

	Pvt Equity	Infrastructure	Other	Total £'000
Market Value 1 April 2021	196,890	77,133	8,102	282,125
Transfers into level 3				
Transfers out of level 3				
Purchases during the year	52,198	89,503		141,701
Sales during the year	(54,148)	(3,071)		(57,219)
Unrealised gains/ losses	59,592	10,974	118	70,684
Realised gains/losses	35,486	397		35,883
<b>Market Value 31 March 2022</b>	<b>290,018</b>	<b>174,936</b>	<b>8,220</b>	<b>473,174</b>

## 18. Nature and extent of Risks Arising From Financial Instruments

### Risk and risk management

The Fund's primary long-term risk is that the value of its assets will fall short that of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Council manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Committee. Risk management policies are established to identify and analyse the risks faced by the Council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

### 18a. Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk. In general, excessive volatility in market risk is managed through diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risks, the Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

### Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market. The Fund is exposed to security and derivative price risks. This arises from investments held by the Fund for which the future price is uncertain. All security investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The possible loss from shares sold short is unlimited. The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments and their activity is monitored by the Council to ensure it is within limits specified in the Fund Investment Strategy.

**Other price risk – sensitivity analysis**

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisors, the Council has determined that the following movements in market price risk are reasonably possible for the 2021-22 reporting period.

Asset Type	Potential Market Movements (+/-)
UK Equities	16.7
Overseas Equities	16.2
Global Pooled Equities inc UK	16.0
Bonds	7.2
Property	9.2
Infrastructure	11.9
Private Equity	23.3

The potential price changes disclosed above are based on predicted volatilities calculated by our fund managers. The analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same. Had the market price of the Fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits would have been as follows (the prior year comparator is shown below):

Asset Type	Value as at 31 March 2022 £'000	Percentage change %	Value on increase £'000	Value on decrease £'000
<b>Cash and cash equivalents</b>	<b>157,984</b>	<b>0.00</b>	<b>157,984</b>	<b>157,984</b>
<b>Investment portfolio assets:</b>				
UK Equities	40,908	16.7	47,739	34,076
Overseas Equities	331,038	16.2	384,666	277,410
Global Pooled Equities inc UK	4,692,519	16.0	5,443,322	3,941,716
Bonds incl Bond Funds	1,100,662	7.2	1,179,910	1,021,415
Property Pooled Funds	324,285	9.2	354,120	294,451
Private Equity	290,018	11.9	324,531	255,506
Infrastructure Funds	174,936	23.3	215,697	134,176
<b>Total</b>	<b>7,112,350</b>		<b>8,107,969</b>	<b>6,116,734</b>

The Fund has an equities downside protection programme which will protect the fund from falls up to 20% in global equity markets and will cap the returns to the actuary's expected return objective of 6.5% for equities over the full valuation cycle. The current programme will run until March 2023. .

Asset Type	Value as at 31 March 2021 £'000	Percentage change %	Value on increase £'000	Value on decrease £'000
<b>Cash and cash equivalents</b>	<b>351,228</b>	<b>0.00</b>	<b>351,228</b>	<b>351,228</b>
<b>Investment portfolio assets:</b>				
UK Equities	29,621	16.7	34,568	24,674
Overseas Equities	318,412	16.2	369,995	266,829
Global Pooled Equities inc UK	4,768,171	16.0	5,531,078	4,005,264
Bonds incl Bond Funds	976,553	7.2	1,046,865	906,241
Property Pooled Funds	281,718	9.2	307,636	255,800
Private Equity	196,890	11.9	230,320	173,460
Infrastructure Funds	77,133	23.3	95,105	59,161
<b>Total</b>	<b>6,999,726</b>		<b>7,966,795</b>	<b>6,042,657</b>

## Notes to the Pension Fund Accounts continued

## 18a. Market risk continued

## Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest rate risk is routinely monitored by the Council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks. The Fund's direct exposures to interest rate movements as at 31 March 2022 and 31 March 2021 are set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset Type	31 March 2022 £'000	31 March 2021 £'000
Cash and cash equivalents	155,309	351,228
Cash Balances	2,679	4,596
Bonds		
– Directly held securities	379,027	401,001
– Pooled Funds	721,635	575,551
<b>Total</b>	<b>1,258,650</b>	<b>1,332,376</b>

## Interest rate risk – sensitivity analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A one percent movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy. The Fund's investment advisor has advised that long-term average rates are expected to move less than one percent from one year to the next and experience suggests that such movements are likely. The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- one percent change in interest rates:

Asset Type	Carrying amount as at 31 March 2022 £'000	Change in year in the net assets available to pay benefits	
		+1% £'000	(1%) £'000
Cash and cash equivalents	155,309	0	0
Cash Balances	2,679	0	0
Bonds			
– Directly held securities	379,027	(3,790)	3,790
– Pooled Funds	721,635	(7,216)	7,216
<b>Total change in assets available</b>	<b>1,258,650</b>	<b>(11,007)</b>	<b>11,007</b>

Asset Type	Carrying amount as at 31 March 2021 £'000	Change in year in the net assets available to pay benefits	
		+1% £'000	(1%) £'000
Cash and cash equivalents	351,228	0	0
Cash Balances	4,596	0	0
Bonds			
– Directly held securities	401,001	(4,010)	4,010
– Pooled Funds	575,551	(5,756)	5,756
<b>Total change in assets available</b>	<b>1,332,376</b>	<b>(9,766)</b>	<b>9,766</b>

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

### Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Through their investment managers, the Fund holds both monetary and non-monetary assets denominated in currencies other than GBP, the functional currency of the Fund. Most of these assets are not hedged for currency risk and the Fund is exposed to currency risk on these financial instruments. However, a significant proportion of the investments managed by Goldman Sachs Asset Management and all investments in the CQS Fund are hedged for currency risk through forward currency contracts. The Fund's currency rate risk is routinely monitored by the Council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the range of exposure to current fluctuations. The following table summarises the Fund's currency exposure excluding the hedged investments as at 31 March 2022 and 2021:

Currency exposure – asset type	Asset value 31 March 2022 £'000	Asset value 31 March 2021 £'000
Overseas Equities	331,038	318,412
Overseas Pooled Funds	3,781,449	3,891,344
Overseas Bonds	0	0
Overseas Private Equity, Infrastructure and Property funds	408,007	226,885
Non GBP Cash	2,640	9,981
<b>Total overseas assets</b>	<b>4,523,134</b>	<b>4,446,622</b>

### Currency risk – sensitivity analysis

Following analysis of historical data and expected currency movement during the financial year, in consultation with the fund's investment advisors, the Council has determined that the following movements in the values of financial assets denominated in foreign currency are reasonably possible for the 2021-22 reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant. A relevant strengthening/weakening of the pound against various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency exposure – asset type	Asset value as at 31 March 2022	Change to net assets available to pay benefits	
	£'000	+6.6% £'000	(6.6%) £'000
Overseas Equities	331,038	352,887	309,190
Overseas Pooled Funds	3,781,449	4,031,025	3,531,874
Overseas Bonds	0	0	0
Overseas Private Equity, Infrastructure and Property funds	408,007	434,935	381,078
Non GBP Cash	2,640	2,814	2,466
<b>Total change in assets available</b>	<b>4,523,134</b>	<b>4,821,661</b>	<b>4,224,608</b>

Currency exposure – asset type	Asset value as at 31 March 2021	Change to net assets available to pay benefits	
	£'000	+6.6% £'000	(6.6%) £'000
Overseas Equities	318,412	339,427	297,397
Overseas Pooled Funds	3,891,344	4,148,173	3,634,515
Overseas Bonds	0	0	0
Overseas Private Equity, Infrastructure and Property funds	226,885	241,859	211,911
Non GBP Cash	9,981	10,640	9,322
<b>Total change in assets available</b>	<b>4,446,622</b>	<b>4,740,099</b>	<b>4,153,145</b>

## Notes to the Pension Fund Accounts continued

### 18b. Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment of a receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties. Derivative contracts are also covered by margins which provide collateral against risk of default by the counterparties.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Council has also set limits as to the maximum amount that may be placed with any one financial institution. The Fund's cash was held with the following institutions:

	Rating	Balance as at 31 March 2022 £'000	Balance as at 31 March 2021 £'000
<b>Money Market Funds</b>			
Northern Trust Sterling Fund	AAAm	8,615	8,004
SSGA Liquidity Fund	AAAm		0
Blackrock ICS	AAAm	2,072	7
Blackrock USD Government Liquidity Fund	AAAm	0	3,417
Aberdeen Sterling Liquidity Fund	AAAm	33,097	74,998
Goldman Sachs Liquid Reserve Government Fund	AAAm	11,246	2,358
Aviva Investors Sterling Liquidity Fund	AAAm	56,926	49,994
Federated (PR) Short-term GBP Prime Fund	AAAm	0	9,998
Deutsche Managed Sterling Fund	AAAm	7	1,184
HSBC Global Liquidity Fund	AAAm	23	2
LGIM Liquidity Fund	AAAm	32,847	41,775
Insight Sterling Liquidity Fund	AAAm	0	0
		<b>144,833</b>	<b>191,737</b>
<b>Bank Deposit Accounts</b>			
NatWest SIBA	A-	1,513	4,627
		<b>1,513</b>	<b>4,627</b>
<b>Bank Current Accounts</b>			
NatWest Current Account	A-	50	50
NatWest Current Account – Euro	A-	192	814
NatWest Current Account – USD	A-	10	468
Northern Trust – Current Accounts	AA-	8,825	6,694
Barclays – DTZ client monies account	A*+	2,561	1,433
		<b>11,638</b>	<b>9,459</b>
			0
<b>Cash with fund managers</b>	n/a	<b>0</b>	<b>150,000</b>
<b>Total cash and cash equivalents</b>		<b>157,984</b>	<b>355,823</b>

Previous year cash held with fund managers comprised of application money transferred to M&G and CQS for subscription of units in their credit funds. The units were subsequently acquired on 1 April 2021.

### 18c. Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Fund has adequate cash resources to meet its commitments. The Council has immediate access to the Fund's money market fund and current account holdings.

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund investment strategy. All financial liabilities at 31 March 2022 are due within one year.

### Refinancing risk

The key risk is that the Council will be bound to replenish a significant proportion of its Pension Fund financial instruments at a time of unfavourable interest rates. The Council does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

## 19. Funding Arrangements

In line with Local Government Pension Scheme (Administration) Regulations 2013 (as amended), the Fund is required to obtain an actuary's funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019.

The key elements of the funding policy are:

- To ensure the long-term solvency of the Fund and ensure that sufficient funds are available to meet all the benefits as they fall due for payment.
- To ensure employer contribution rates are as stable as possible.
- To minimise the long term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return.
- To reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so.

At the 2019 valuation a maximum deficit recovery period of 14 years (2016-17 years) is used for all employers. Shorter recovery periods have been used where affordable. This will provide a buffer for future adverse experience and reduce the interest cost paid by employers. For Transferee Admission Bodies the deficit recovery period is set equal to the future working life of current employees or the remaining contract period, whichever is the shorter.

In the 2019 triennial valuation, the smoothed value of the Fund's assets at the valuation date was £6,193m and the liabilities were £6,322m. The assets therefore, represented 98% (2016 - 89%) of the Fund's accrued liabilities, allowing for future pay increases.

The contribution rate for the average employer, including payments to target full funding has increased from 20.9% to 21.1% of pensionable salaries in 2020-21 and to 21.2% in 2021-22 and 21.3% in 2022-23. The funding level as a percentage has increased (due to good investment returns and employer contributions) although this has been partly offset by the changes in the financial assumptions used to calculate the liabilities.

The actuarial valuation has been undertaken on the projected unit method. At individual employer level the projected unit funding method has been used where there is an expectation that new employees will be admitted to the Fund. The attained age method has been used for employers who do not allow new entrants. These methods assess the costs of benefits accruing to existing members during the remaining working lifetime, allowing for future salary increases. The resulting contribution rate is adjusted to allow for any differences in the value of accrued liabilities and the market value of assets.

### The 2019 actuarial assumptions were as follows:

Valuation of Assets:	assets have been valued at a 6 month smoothed market rate	
Rate of return on investments (discount rate)	4.7% p.a.	
Rate of general pay increases:	Long term	3.6% p.a.
	Short term	N/A
Assumed pension increases	2.6% p.a.	

## Notes to the Pension Fund Accounts continued

### 20. Actuarial Present Value of Promised Retirement Benefits

In addition to the triennial funding valuation, every year the fund's actuary undertakes a valuation of the Fund's liabilities on an IAS 19 basis, using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year.

	31 March 2022 £m	31 March 2021 £m
<b>Actuarial present value of promised retirement benefits</b>		
Present value of promised retirement benefits	<b>(11,778.8)</b>	(11,789.8)
Fair value of scheme assets at bid value	<b>7,702.4</b>	7,513.6
Net liability	<b>(4,076.4)</b>	(4,276.2)

The Fund accounts do not take account of liabilities to pay pensions and other benefits in the future. Based on the latest valuation, the fair value of net assets of the Fund represents 65% of the actuarial valuation of the promised retirement benefits. Future liabilities will be funded from future contributions from employers.

The liability above being calculated on an IAS 19 basis and differs from the results of the 2019 triennial funding valuation because IAS 19 stipulates a discount rate rather than a rate which reflects a market rate.

<b>Assumptions used:</b>	% p.a.
Salary increase rate	3.85%
Inflation/Pensions increase rate	2.85%
Discount rate	2.00%

In December 2018 the Court of Appeal passed the McCloud judgement, which relates to age discrimination in relation to judges and firefighters pensions. Although the case only relates directly to these two schemes it is anticipated that the principles of the outcome could be accepted as applying to all public service schemes. Whilst there is uncertainty of how this judgement may affect LGPS members' past or future service benefits CIPFA has suggested that local authorities should consider the materiality of the impact. Our actuaries have used GAD's analysis to calculate the likely additional costs and have based it on all members who were active at 31 March 2012 until their retirement. This exercise has estimated the additional costs to be 0.7% of the Fund's liabilities and these have been included in the total liabilities of the Fund.

### 21. Current Assets

	31 March 2022 £'000	31 March 2021 £'000
<b>Debtors</b>		
– Contributions due – Employees	5,039	4,067
– Contributions due – Employers	16,376	13,180
	21,415	17,247
Sundry Debtors	7,942	12,579
<b>Total Debtors</b>	<b>29,357</b>	29,826
<b>Cash</b>	<b>2,679</b>	4,596
<b>Total Current Assets</b>	<b>32,036</b>	34,422

### 22. Current Liabilities

	31 March 2022 £'000	31 March 2021 £'000
<b>Creditors</b>		
– Benefits Payable	15,631	14,178
– Sundry Creditors	11,019	10,788
<b>Total Current Liabilities</b>	<b>26,650</b>	24,966



### 23. Additional Voluntary Contributions

Scheme members have the option to make additional voluntary contributions to enhance their pension benefits. In accordance with regulation 4(2)(b) of the LGPS (Management and Investment of Funds) Regulations 2009, these AVC contributions are not included within the Pension Fund Accounts. These contributions are paid to the AVC provider directly by the employer and are invested separately from the Pension Fund, with either Utmost Life, Prudential Assurance Company or Standard Life Assurance Company. These amounts are included within the disclosure note figures below.

	<b>Prudential</b>	Prudential	<b>Standard Life</b>	Standard Life	<b>Utmost Life</b>	Utmost Life
	<b>2021–2022</b>	2020–2021	<b>2021–2022</b>	2020–2021	<b>2021–2022</b>	2020–2021
	<b>£'000</b>	£'000	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Value at 1 April	<b>8,416</b>	8,416	<b>2,032</b>	1,736	<b>404</b>	423
Value at 31 March	<b>9,711</b>	9,711	<b>2,043</b>	2,032	<b>330</b>	404
Contributions paid	<b>1,345</b>	1,345	<b>120</b>	108	<b>1</b>	1

Prudential were unable to provide us with updated figures for 2021-22 because figures are not yet available, therefore 2020-21 figures have been used.

### 24. Related Party Transactions

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

	<b>2021–2022</b>	2020–2021
	<b>£'000</b>	£'000
Kent County Council is the largest single employer of members of the Pension Fund and during the year contributed:	<b>79,585</b>	75,522
A list of all contributing employers and amount of contributions received is included in the Fund's annual report available on the pension fund website		
Charges from Kent County Council to the Kent Pension Fund in respect of pension administration, governance arrangements, investment monitoring, legal and other services.	<b>3,910</b>	3,797
Year end balance due to Kent County Council arising out of transactions between Kent County Council and the Pension Fund	<b>(6,181)</b>	(6,089)

The year end credit balance due to KCC mainly comprises of recharges and of VAT payable to KCC.

### Key management personnel

The employees of Kent County Council who held key positions in the financial management of the Kent Pension Fund during 2021-22 was the Director of Finance. Total remuneration payable to key management personnel is set out below:

	<b>31 March 2022</b>	31 March 2021
	<b>£'000</b>	£'000
Salary	<b>164</b>	147
Allowances	<b>9</b>	7
Other	<b>0</b>	1
Employer's pension contributions	<b>37</b>	33
<b>Total</b>	<b>210</b>	188

### 25. Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) as at 31 March 2022 totalled £495.41m (31 March 2021: £514.92m)

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over the life of each fund.

### 26. Contingent Assets

46 admitted body employers in the Kent Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Fund and payment will only be triggered in the event of employer default.

## Post Pool Reporting

The Pension Fund transitioned one mandate into the ACCESS pool during the year. The Fund's assets pooled and non-pooled are as under:

<b>Pooled (ACCESS)</b>		
<b>Fund Manager</b>	<b>Asset Class</b>	<b>£'000</b>
Baillie Gifford	Global Equities	1,190,076
Schroders	UK Equities	1,142,841
Schroders	Global Equity	401,152
M&G	Global Equities	517,812
Ruffer	Absolute Return	191,066
<b>Total Pooled</b>		<b>3,442,947</b>
<b>Non-Pooled</b>		
<b>Fund Manager</b>	<b>Asset Class</b>	<b>£'000</b>
Schroders	Fixed Income	243,353
DTZ	Property	633,444
Goldman Sachs	Fixed Interest	400,917
Woodford	UK Equities	8,219
BMO (Pyrford)	Absolute Return	376,095
CQS	<b>Fixed Income</b>	<b>238,310</b>
Sarasin	Global Equities	381,253
Fidelity	Pooled Property	163,219
<b>Aegon</b>	Pooled Property	43,723
Impax	Global Equities	74,516
Insight	Equity Protection	791,269
Partners Group	Infrastructure	174,936
Harbourvest	Private Equity	233,070
M&G	Pooled Property	68,025
M&G Alpha Opportunities	Fixed Income	240,310
YFM	Private Equity	56,948
Kent County Council Investment Team	Cash	126,483
<b>Total Non-Pooled</b>		<b>4,254,092</b>
<b>Grand Total</b>		<b>7,697,039</b>

For 2021-22 the ongoing costs of the investments broken down between pooled and non-pooled assets are detailed below:

<b>Pool Set up Costs</b>	<b>2021-2022 £'000</b>	<b>Cumulative £'000</b>	<b>ACCESS</b>
Strategic & Technical Advice	0	56	614
Legal	0	37	409
Project Management	0	53	588
ACCESS Support Unit	0	0	3
Other	0	19	210
<b>Total</b>	<b>0</b>	<b>166</b>	<b>1,824</b>
<b>Transition costs</b>		<b>363</b>	

The Pooled ACS was operational in 2017-18 and all set up costs were incurred prior to that, so no costs attributable to set up for 2021-22.

The fund's costs and net fee savings since inception of the pooling project are as follows:

	2015–2016 £'000	2016–2017 £'000	2017–2018 £'000	2018–2019 £'000	2019–2020 £'000	2020–2021 £'000	2021–2022 £'000	Cumulative £'000
Set up costs	6	80	80	–	–	–	–	166
Pooling ongoing costs				137	87	82	91	397
Transition costs	–	–		363	–	245	–	608
Fee savings	26	242	776	1,436	1,596	3,968	4,774	12,766
Net savings	32	162	696	936	1,509	3,641	4,683	11,596*

\*Of the above total savings of £11.60m, £4.39m relates to investments awaiting pooling.

The investment managers are paid ad valorem fees on the assets under their management. As a result, the fees in absolute terms goes up as the investments appreciate in value.

For 2021-22 the ongoing costs of the investments broken down between pooled and non-pooled assets are detailed below. These costs have been compiled from information provided by the fund managers who have signed up to the LGA cost transparency code.

	Asset Pool			Non Asset Pool		
	Direct £'000	Indirect £'000	Total £'000	Direct £'000	Indirect £'000	Total £'000
FM Fees	–	10,453.74	10,453.74	4,707.06	14,867.68	30,028.48
Pool shared (ASU)	91.41	–	91.41	–	–	91.41
Transaction costs	–	2,847.56	2,847.56	651.99	50.72	3,550.27
Custody	–	–	–	43.47	–	43.47
Other – pooled fund costs		517.87	517.87	–	4,822.37	5,340.24
<b>Total</b>	<b>91.41</b>	<b>13,819.17</b>	<b>13,910.58</b>	<b>5,402.52</b>	<b>19,740.77</b>	<b>39,053.87</b>

The fund's performance broken down into pooled and non-pooled assets is as below:

Asset Category	Opening Value		Closing Value		1 Yr Performance %	Benchmark %
	£'000	% of total fund	£'000	% of total fund		
<b>ACCESS Pooled Investments</b>						
UK Equity	1,032	13.8	1,143	14.8	10.79	14.51
Global Equity	2,506	33.4	2,109	27.4	(5.35)	12.42
Absolute Return	134	1.8	191	2.5	5.45	14.01
<b>Total Pooled Assets</b>	<b>3,672</b>	<b>48.9</b>	<b>3,442</b>	<b>44.7</b>	<b>N/A</b>	<b>N/A</b>
<b>Under Pooled Governance</b>						
UK Passive Equity	–	0.0	–	0.0	0.0	0.0
Global Passive Equity	–	0.0	–	0.0	0.0	0.0
<b>Total Under Pooled Governance</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>		
<b>Assets Outside of the ACCESS Pool</b>						
UK Equity	8	0.1	8	0.1	1.45	13.03
Global Equity	424	5.7	456	5.9	7.56	12.42
Equity Protection	611	8.1	791	10.3	(23.53)	12.42
Property	780	10.4	908	11.8	20.21	23.72
Infrastructure	77	1.0	175	2.3	9.06	0.04
Private Equity	197	2.6	290	3.8	49.65	0.04
Cash	336	4.5	127	1.6	0.07	0.04
Absolute Return	407	5.4	376	4.9	4.31	14.01
Fixed Income	992	13.2	1,123	14.6	(1.74)	3.05
<b>Total Non-Pooled Assets</b>	<b>3,833</b>	<b>51.1</b>	<b>4,255</b>	<b>55.3</b>	<b>N/A</b>	<b>N/A</b>
<b>Grand Total</b>	<b>7,504</b>	<b>100.0</b>	<b>7,697</b>	<b>100.0</b>	<b>2.58</b>	<b>11.19</b>

# Independent Auditor's report

## Independent auditor's report to the members of Kent County Council on the consistency of the pension fund financial statements of the Kent Superannuation Fund included in the Pension Fund Annual Report

### Opinion

The pension fund financial statements of the Kent Superannuation Fund (the 'pension fund') administered by Kent County Council (the 'Authority') for the year ended 31 March 2021 which comprise the Fund Account, the Net Assets Statement and the notes to the pension fund financial statements, including a summary of significant accounting policies are derived from the audited pension fund financial statements for the year ended 31 March 2021 included in the Authority's Statement of Accounts (the 'Statement of Accounts').

In our opinion, the accompanying pension fund financial statements are consistent, in all material respects, with the audited financial statements, in accordance with proper practices as defined in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 and applicable law.

### Pension Fund Annual Report – Pension fund financial statements

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

### The audited financial statements and our Report thereon

We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated 13 December 2021.

### Corporate Director of Finance's responsibilities for the pension fund financial statements in the Pension Fund Annual Report

Under the Local Government Pension Scheme Regulations 2013 the Corporate Director of Finance of the Authority is responsible for the preparation of the pension fund financial statements, which must include the Fund Account, the Net Asset Statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension fund financial statements in both the Statement of Accounts and the Pension Fund Annual Report are set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

### Auditor's responsibility

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

### Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Paul Dossett

Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor  
13 December 2021



DRAFT

**Kent County Council  
Superannuation Fund  
Report and Accounts**

For the year ended 31 March 2021

# The Audit Findings for Kent Pension Fund

**Year ended 31 March 2022**

Kent Pension Fund  
September 2022  
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This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

This draft has been created from the template dated DD MMM YYYY



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of the Kent Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2022 for those charged with governance.

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## Financial Statements

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Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Pension Fund's financial statements give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and subjected in accordance with the Local Audit and Accountability Act 2014.
- Further to this, we cannot give our opinion on the accounts until we have completed the audit of Kent County Council later this year.

Our audit work was completed on site and remotely during July – August 2022. Our findings are summarised on pages 4 to 17. To date we have not identified any adjustments to the Pension Fund's reported financial position. We have identified some minor presentational issues which are documented in Appendix A.

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Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion [Refer to Appendix C] or material changes to the financial statements], subject to the following outstanding matters;

- receipt of management representation letter – see appendix D; and
- receipt and review of the Annual report
- review of the final set of financial statements.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unmodified.

## 2. Financial Statements

### Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ("the Code"). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

### Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

No changes have been made to the approach set out in the Audit Plan issued on 06 April 2022.

Further to this, we cannot give our opinion on the accounts until we have completed the audit of Kent County Council later this year.

### Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified opinion after we have completed the audit of Kent County Council later this year, as detailed in Appendix C. These outstanding items include:

- receipt of management representation letter; and
- review of the final set of financial statements.

### Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

## 2. Financial Statements



### Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan in April 2022.

We detail in the table below our determination of materiality for Kent Pension Fund.

	Pension Fund Amount (£)	Qualitative factors considered
Materiality for the financial statements	75,000,000	Our Headline Materiality is based on the Net Assets of the Fund.
Performance materiality	52,500,000	Performance Materiality is based on a percentage of the overall materiality.
Trivial matters	3,750,000	Triviality is based on a percentage of the overall materiality.



## 2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

### Risks identified in our Audit Plan

### Commentary

#### Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.

We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.

During the audit, we have undertaken the following work:

- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determine the criteria for selecting high risk unusual journals
- tested unusual journals made during the year and after the draft accounts stage for appropriateness and corroboration
- gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

No issues have been identified from the testing performed in this area.

## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

### Commentary

The revenue cycle includes fraudulent transactions (rebutted)

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Fund, we determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition;
- opportunities to manipulate revenue recognition are very limited; and
- the culture and ethical frameworks of local authorities, including the Pension Fund, mean that all forms of fraud are seen as unacceptable.

We therefore did not consider this to be a significant risk for the Pension Fund when producing our audit plan.

We have reconsidered our original assessment as part of our audit work on the Pension Fund's financial statements and are satisfied that this rebuttal remains appropriate.

The expenditure cycle includes fraudulent transactions (rebutted)

Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered, especially if an entity is required to meet financial targets.

Having considered the risk factors relevant to the Pension Fund, we have determined that no separate significant risk relating to expenditure recognition is necessary, as the same rebuttal factors listed above relating to revenue recognition apply. We consider that the risk relating to expenditure recognition would relate primarily to period-end journals and accruals which are considered as part of the standard audit tests mentioned and our testing in relation to the significant risk of Management Over-ride of Controls as mentioned on page 6.

## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

#### Valuation of Directly Held Property (Level 2 Investment) (Annual Revaluation)

The Fund revalues its directly held property on an annual basis, and indexed on a monthly basis with the relevant property sector index, to ensure that the carrying value is not materially different from the fair value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.

Management have engaged the services of a valuer to estimate the current value as at December 2021.

We therefore identified valuation of directly held property, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.

### Commentary

During the audit, we have undertaken the following work:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- written to the valuer to confirm the basis on which the valuations were carried out
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding.
- tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Fund's asset register/financial records

No issues have been identified from the testing performed in this area.

## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

#### Valuation of Level 3 Investments (Quarterly Revaluation)

The Fund revalues its investments on a quarterly basis to ensure that the carrying value is not materially different from the fair value at the financial statements date.

By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.

Management utilise the services of investment managers and/or custodians as valuation experts to estimate the fair value as at 31 March 2022.

We therefore identified valuation of directly held property, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.

### Commentary

During the audit, we have undertaken the following work:


- evaluated the design of the associated controls by gaining an understanding of the Fund's process for valuing level 3 investments
- reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met
- independently request year-end confirmations from investment managers and the custodian and consider the role played by the custodian in the asset valuations
- for a sample of investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the Custodian Report (Northern Trust) and Fund Managers report at that date. We reconciled those values to the values at 31 March 2022 with reference to known movements in the intervening period; and
- in the absence of available audited accounts, we evaluated the competence, capabilities and objectivity of the valuation expert
- tested revaluations made during the year to see if they had been input correctly into the Pension Fund's Asset Register
- reviewed investment manager service auditor reports on design effectiveness of internal controls; and
- as part of our assessment of key controls over hard to value investments, we will identify the key valuation controls at the fund managers (and where appropriate the custodians) and consider the design effectiveness of the controls through enhanced documentation of our consideration of the relevant control reports.

As part of our confirmation procedure for Partners Group and Harbourvest Purchases cost (drawdown) , we identified an overstatement of £5.6m however there is no net impact on the Investment balance as this adjustment is passed between the Sales (Distribution) and Purchase (Drawdown) balance. This error is communicated to you as an 'adjusted misstatement' see Appendix A.

No further material have been identified from the testing performed in this area.



## 2. Financial Statements - key judgements and estimates


Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<b>Level 2 Investments -Direct Property - £578m</b>	<p>The Pension Fund has investments in Direct Property that in total are valued on the Net Asset Statement as at 31 March 2022 at <b>£578 million</b>.</p> <p>These properties are valued by a RICS Qualified Valuer as at December 2021. The Valuer is employed by the Fund Manager on behalf of the Fund to provide valuations in line with the CIPFA Code of Practice guidance in this area.</p>	<p>Based on the work performed, we have been able to obtain sufficient assurance over the Direct Property valuations included within the Statement of Accounts.</p> <p>We have reviewed the valuations included within the Statements of Accounts against the relevant market indices such as Grant Thornton Real Estate Market update for August 2022, Gerald Eve Market Valuations and Knight Frank yields guide as benchmark tools and have confirmed no issues have been identified from the work performed.</p>	 <b>Light Purple</b>

### Assessment





- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious



## 2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<b>Level 2 Investments (excluding Direct Property) - £5,028 million</b>	<p>The Pension Fund have investments in Bonds and Pooled Investment Vehicles that in total are valued on the Net Asset Statement as at 31 March 2022 at £5,028 million.</p> <p>Whilst these investments themselves are not actively traded on an open market, the underlying investments are and the valuations of these investments will be based on the value of these underlying investments at 31 March 2022, or the closest trade date to year end.</p>	<ul style="list-style-type: none"> <li>Based on the work performed, we have been able to obtain sufficient assurance over the Level 2 valuations included within the Accounts.</li> <li>We have undertaken full triangulation of the closing valuations provided by the relevant Fund Managers to the values provided by the Fund's Custodian, and considered any significant variances identified from this work. No issues have been identified from the work performed in this area.</li> </ul>	 <b>Light Purple</b>

### Assessment

-  **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
-  **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
-  **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
-  **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

## 2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p><b>Level 3 Investments</b></p>	<p>The Pension Fund has investments in Private Equity and Infrastructure Funds that in total are valued on the Net Asset Statement as at 31 March 2022 at £473 million.</p> <p>These investments are not traded on an open exchange/market and the valuation of these investments is highly subjective due to a lack of observable inputs. In order to determine the values, management rely on the valuation provided by the Fund Manager, which are usually based on an audited value of the fund as at 31 December 2021, with the valuation then rolled forward to March 2022, considering any cash movements which have taken place in the intervening period.</p>	<p>We have :</p> <ul style="list-style-type: none"> <li>assessed the appropriateness of the underlying information used to determine the estimate, including fund manger and custodian reports</li> <li>reviewed the reasonableness of the estimate and</li> <li>assessed the adequacy of disclosure of estimate in the financial statements</li> </ul> <p>Based on the work performed, we have been able to obtain sufficient assurance over the Level 3 valuations included within the Accounts.</p>	<p>● Light Purple</p>

### Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

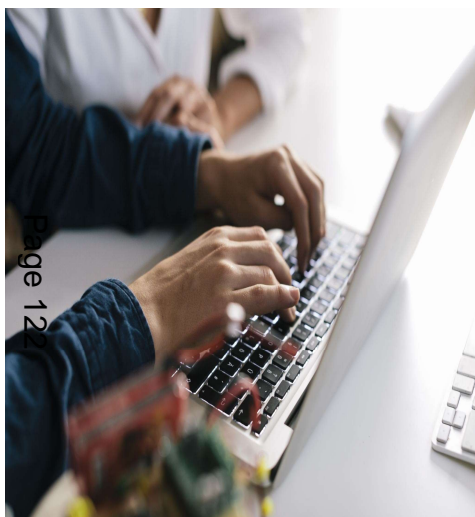
## 2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

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Issue	Commentary
<b>Matters in relation to fraud</b>	We have previously discussed the risk of fraud with the Governance and Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
<b>Matters in relation to related parties</b>	We are not aware of any related parties or related party transactions which have not been disclosed.
<b>Matters in relation to laws and regulations</b>	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
<b>Written representations</b>	A letter of representation has been requested from the Pension Fund, which is appended to this Report.

## 2. Financial Statements - other communication requirements



Issue	Commentary
<b>Confirmation requests from third parties</b>	<p>We requested from management permission to send confirmation requests to all of the Pension Fund's counter parties. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.</p> <p>We requested management to send letters to those solicitors who worked with the Pension Fund during the year. All responses have been received and no issues have been identified.</p>
<b>Accounting practices</b>	<p>We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.</p>
<b>Audit evidence and explanations/significant difficulties</b>	<p>The Fund produced a good set of Accounts and working papers in line with the agreed timeframes, and responded promptly to the queries raised during the course of the audit despite the challenges of remote working. The small number of amendments identified in this Report reflect the quality of the draft Accounts prepared by management.</p>
<b>Disclosures</b>	<p>A handful of minor inconsistencies have been identified but have been adequately rectified by the management. We plan to issue an unmodified opinion in this respect – refer to Appendix C.</p>

# 2. Financial Statements - other communication requirements



## Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

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Issue	Commentary
<b>Going concern</b>	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> <li>• the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities</li> <li>• for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting.</li> </ul> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> <li>• the nature of the Pension Fund and the environment in which it operates</li> <li>• the Pension Fund's financial reporting framework</li> <li>• the Pension Fund's system of internal control for identifying events or conditions relevant to going concern</li> <li>• management's going concern assessment.</li> </ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>• a material uncertainty related to going concern has not been identified</li> <li>• management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>

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# 3. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix B

## Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

# 3. Independence and ethics

## Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. The following non-audit service was, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Provision of IAS 19 Assurances to Scheme Employer auditors	£12,720 (was £11,000 in 2020-21)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,720 in comparison to the total fee for the audit of £41,000 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

These services are consistent with the Pension Fund's policy on the allotment of non-audit work to your auditors. All services have been approved by the Governance and Audit Committee. One of the services provided are subject to contingent fees.

# Appendices



# A. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted misstatements

The adjusted misstatement is set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
<b>Level 3 Investments</b>			
Level 3 investments for Partners Group and Harbourvest Purchases cost (drawdown) was overstated however there is no net impact on the Investment balance as this adjustment is passed between the Sales (Distribution) and Purchase (Drawdown) balance.		5,625	
		(5,625)	
Investment (Sales -Distribution)			
Investment (Purchase - Drawdown)			
<b>Overall impact</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>



# A. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

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## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
Formatting errors and omitted updating of disclosures in the financial statements	We have identified a number formatting errors in the financial statements which were communicated to the management.	✓
Note 23 – Additional Voluntary Contributions	The Fund has been unable to obtain updated AVC Values from one of their providers, Prudential. The Fund has agreed to roll forward the 20-21 figures from Prudential until the 21-22 figures are provided.	✓

## Impact of unadjusted misstatements

We do not have any unadjusted misstatements to report.

# B. Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

The fees reconcile to the financial statements – refer to Note 11 of the Pension Fund Accounts for confirmation of this.

<b>Audit fees</b>	<b>Proposed fee</b>	<b>Final fee</b>
Pension Fund Audit	£41,000	TBC
<b>Total audit fees (excluding VAT)</b>	<b>£41,000</b>	<b>TBC</b>

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<b>Non-audit fees for other services</b>	<b>Proposed fee</b>	<b>Final fee</b>
<b>Audit Related Services</b>		
Provision of IAS19 Assurances to Admitted and Scheduled Bodies	£12,720	TBC
<b>Total non-audit fees (excluding VAT)</b>	<b>£12,720</b>	<b>TBC</b>

# C. Audit opinion

Our audit opinion is included below.

We anticipate we will provide the Pension Fund with an unmodified audit report

## Independent auditor's report to the members of Kent County Council on the pension fund financial statements of Kent Pension Fund

### Opinion

We have audited the financial statements of Kent Pension Fund (the 'Pension Fund') administered by Kent County Council (the 'Authority') for the year ended 31 March 2022 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2022 and of the amount and disposition at that date of the fund's assets and liabilities,
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Corporate Director of Finance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Corporate Director of Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Corporate Director of Finance's use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

The responsibilities of the Corporate Director of Finance with respect to going concern are described in the 'Responsibilities of the Authority, the Section 151 Officer and Those Charged with Governance for the financial statements' section of this report.

# C. Audit opinion

## Other information

The Corporate Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements, our auditor's report thereon, and our auditor's report on the Authority's financial statements. Our opinion on the Pension Fund's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Pension Fund's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund's financial statements or our knowledge of the Pension Fund obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Pension Fund financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinion on other matter required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)**

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements and our knowledge of the Pension Fund, the other information published together with the Pension Fund's financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

## Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters in relation to the Pension Fund.

## Responsibilities of the Authority, the Section 151 Officer and Those Charged with Governance for the financial statements

As explained more fully in the 'Statement of Responsibilities for the Statement of Accounts' the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Section 151 Officer. The Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Section 151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Section 151 Officer is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Pension Fund will no longer be provided.

# C. Audit opinion

The Governance and Audit Committee is Those Charged with Governance for the Pension Fund. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Public Service Pensions Act 2013, The Local government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

- We enquired of senior officers and the Governance and Audit Committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

- We enquired of senior officers, internal audit and the Governance and Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

- We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:

- the journals posted by relevant officers during the course of the year, taking into account a range of different criteria to focus our testing on the most risky journals.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Section 151 Officer has in place to prevent and detect fraud; -
  - journal entry testing, with a focus on those journals that have been deemed risky via our assessment based on a range of criteria;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of in respect of level 3 investments; and
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the



# C. Audit opinion

financial statements, the less likely we would become aware of it.

- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition.
- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government pensions sector
  - understanding of the legal and regulatory requirements specific to the Pension Fund including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA, LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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## Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

Paul Dossett, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

XX 2022

# D. Management Letter of Representation

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP  
30 Finsbury Square  
London  
EC2A 1AG

XX 2022

Dear Sirs

Kent Pension Fund  
Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Kent Pension Fund for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

## Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Fund's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Fund has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of Level 3 Investments. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.



# D. Management Letter of Representation

- vi. Except as disclosed in the financial statements:
  - a. there are no unrecorded liabilities, actual or contingent
  - b. none of the assets of the Fund has been assigned, pledged or mortgaged
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- vii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- viii. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- ix. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- x. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xi. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xii. We have updated our going concern assessment. We continue to believe that the Fund's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that that :
  - a. the nature of the Fund means that, notwithstanding any intention to liquidate the Fund or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue

to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements.

- b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
- c. the Fund's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Fund's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xiii. We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. access to persons within the Fund via remote arrangements from whom you determined it necessary to obtain audit evidence.
- xiv. We have communicated to you all deficiencies in internal control of which management is aware.
- xv. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvi. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xvii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Fund, and involves:
  - a. management;
  - b. employees who have significant roles in internal control; or

# D. Management Letter of Representation

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- c. others where the fraud could have a material effect on the financial statements.
- xviii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xix. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xx. There have been no communications with The Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.
- xxi. We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.
- xxii. We have disclosed to you the identity of the Fund's related parties and all the related party relationships and transactions of which we are aware.
- xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

## Approval

The approval of this letter of representation was minuted by the Kent County Council's Governance and Audit Committee at its meeting on XX 2022.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Fund



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From: Chairman Pension Fund Committee  
Interim Corporate Director of Finance

To: Pension Fund Committee – 28 September 2022

Subject: ACCESS update

Classification: Unrestricted

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**Summary:**

This update provides a summary of the activities of the ACCESS pool

**Recommendation:**

The Pension Fund Committee is recommended to note this report

**FOR INFORMATION**

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**1. Introduction**

1.1 This report is to update the Committee on the work being undertaken by the ACCESS pool.

**2. Joint Committee**

2.1 The Joint Committee (JC) has not met since the last update. The JC was due to meet on 12 September but this meeting has now been postponed and rescheduled for 6 October owing to the death of HM the Queen.

2.2 Copies of the original agenda and unrestricted papers for the upcoming meeting are available [here](#). The agenda includes substantive items on the strategy for building out investible products amongst non-listed (alternative) asset classes; commissioning a third party governance review; and sub-fund implementation.

**3. Recent Activity**

3.1 Since the last report to the Committee the Officer Working Group (OWG) as well as other working groups with Kent being represented on each group, have continued to meet on a periodic basis. Progress continues to be made on the set up of new sub-funds as well as on the establishment of suitable platforms for pooling non listed assets.

3.2 Work has been progressing on the creation of the sub-funds for alternative assets. The first asset class to be progressed is Real Estate and the specifications of three separate strategies; UK Core, UK Alternatives and Global Real Estate have been agreed. As the Kent Fund has most of our Real Estate assets invested directly, which will not be pooled at this stage, we are

participating in the discussions, but more as an “interested observer” at this stage.

- 3.3 The ASU and fund officers have been working with advisors from MJ Hudson and Squire Patton Boggs, and the Strategic Procurement Authority (Hampshire) to produce the OJEU procurement documents for investment managers for the UK core and global real estate mandates. Both sets of procurement documentation were issued to the market on 18 August 2022. The procurements will follow a two-stage selection process and it is anticipated that the preferred suppliers will be recommended to the ACCESS Joint Committee by early March 2023
- 3.4 Whilst work on the OJEU procurements for UK core and global real estate has proceeded, the progress on the UK alternatives building blocks has been paused. Now that the OJEU procurements have been published the UK alternatives search will restart. The ASU and fund officers will discuss with MJ Hudson in September 2022 what the parameters for the different building blocks will be and the search requirements for potential investment managers.
- 3.5 Concerning other non-listed asset classes, MJ Hudson have consulted each of the eleven administering authorities individually to understand the requirements of their investment strategies for alternative investments as well as their preferences for the timing and sequencing for pooling these investments. At present it is proposed that alternative investments are pooled in the following order: Private Debt, Private Equity, Infrastructure.
- 3.6 Following the JC’s decision on 7 March 2022 to invite two observers from each Local Pension Board to attend JC meetings on an observer basis, it has now been confirmed that two members from the Kent Pension Board will be able to observe the JC meeting on 6 March 2023.

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Nick Buckland, Head of Pensions and Treasury

**T: 03000 413984**

**E: [nick.buckland@kent.gov.uk](mailto:nick.buckland@kent.gov.uk)**

**September 2022**

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From:	Chairman Pension Fund Committee Corporate Director of Finance
To:	Pension Fund Committee – 28 September 2022
Subject:	Fund Position
Classification:	Unrestricted

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**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 30 June 2022

**FOR INFORMATION**

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**1. Introduction**

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

**2. Fund value and asset allocation**

- 2.1 As of 30 June 2022, the Fund's value was £7.57bn, a decrease of £99m over the quarter.
- 2.2 All asset classes remain within their target allocation ranges and therefore no rebalancing is required.

**3. Investment performance quarter to 30 June 2022**

- 3.1 Financial markets have come under pressure in the first half of 2022, as pandemic-induced supply chain constraints and the war in Ukraine have brought inflation risks to the fore. In a bid to control price rises, central banks have begun to reverse pandemic era monetary stimulus, raising interest rates and withdrawing quantitative easing. This in turn has put pressure on valuations in nearly all asset classes as well as increasing the likelihood of recession in the world's major economies.
- 3.2 Under these circumstances, the Fund generated a negative absolute return of -1.63% in Q2. The equity and fixed income allocations (which together make of 72% of the Fund's current asset allocation) detracted from performance during the quarter although this was partially offset by positive contributions from the

Fund's equity protection programme as well as its allocations to property, private equity, and infrastructure.

- 3.3 As a result, overall Fund performance compared favourably to a benchmark return of -2.97%
- 3.4 It should also be noted that whilst the Fund's actively managed fixed income mandates have underperformed their designated cash plus benchmarks, they have performed better than the wider credit markets.

#### **4. Longer term performance**

- 4.1 For the year ended June 2022, the Fund achieved a return of -2.47% against a benchmark return of 3.66%, a significant underperformance of 6.13%. Whilst equity and fixed income detracted generally over this time horizon, the largest negative contribution came from growth manager Baillie Gifford, who returned -38.83% over 12 months. Conversely, the M&G Global Dividend Fund and the Schroders Global Active Value Fund added value over the year, a period in which cyclical/value strategies prospered as economies emerged from lockdown. The Fund diversifies its equity allocation across a range of styles and expects this strategy to provide superior returns over the long term.
- 4.2 Private equity and property were the Fund's best performing asset classes overall in the year to June 2022, while infrastructure also outperformed. These illiquid asset classes are an important source of long term returns for the Fund, although performance can be highly volatile in the short term.
- 4.3 Over three years, the Fund has outperformed with a return of 5.63% per annum compared to the benchmark return of 5.49% p.a.

#### **5. Outlook**

- 5.1 With inflation pressures expected to persist for some time, financial markets are pricing in a series of further interest rate increases in the world's major economies, which in turn is likely to induce lower – even negative – economic growth.
- 5.2 These stagflationary conditions (high inflation combined with low growth) represent a highly challenging environment for investors: eventually, tighter monetary policy should bring demand back into equilibrium with supply although only at the cost of lower economic growth. However, there is significant uncertainty around how far central banks will need to go in their programme of interest rate rises, and indeed whether and when supply constraints will eventually subside (either due to the easing off pandemic induced constraints and/or a material reduction in geopolitical risks). Under these circumstances we should expect short term returns to remain highly volatile.

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Sangeeta Surana, Investments, Accounting and Pooling Manager

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**E: [sangeeta.surana@kent.gov.uk](mailto:sangeeta.surana@kent.gov.uk)**

**September 2022**

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**FUND POSITION STATEMENT**

**Summary of Fund Asset Allocation and Performance**

**Pension Fund Committee**

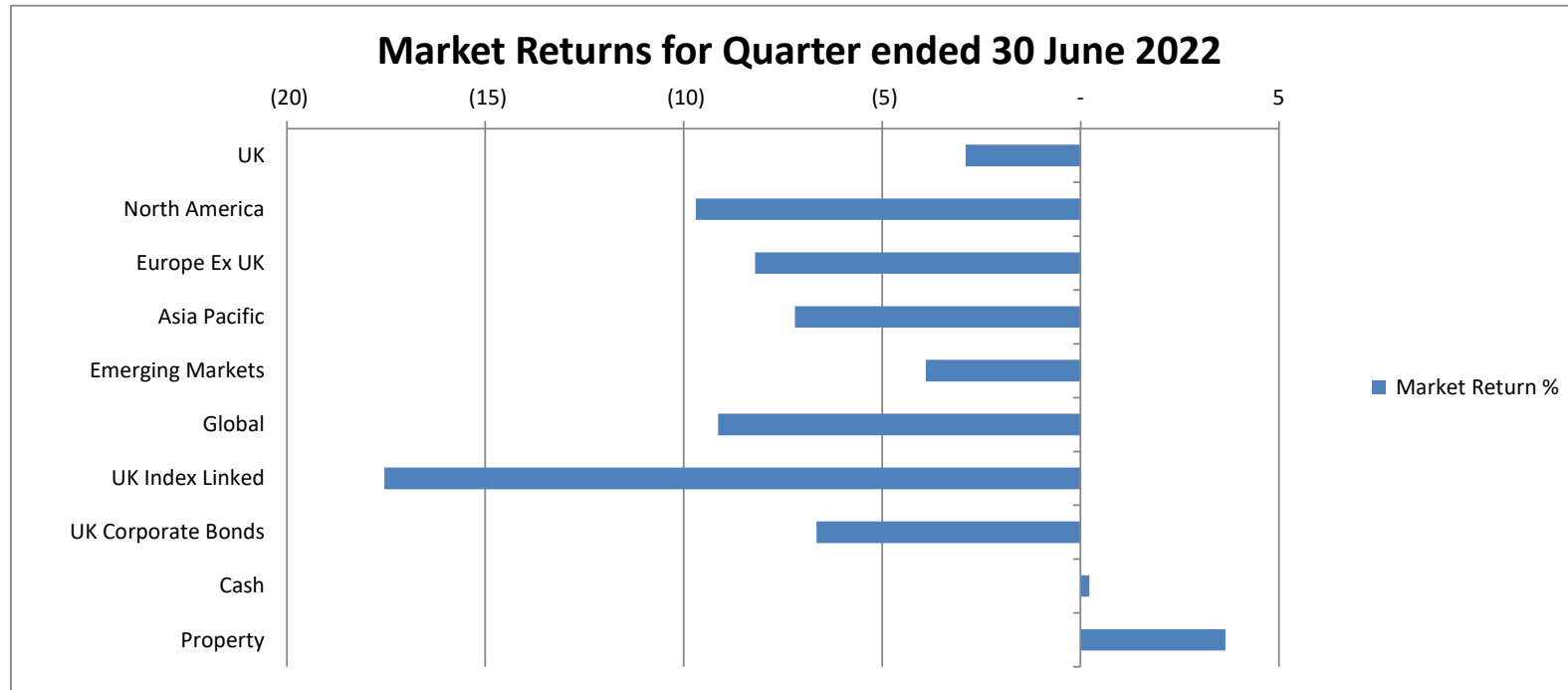
**By: Chairman Pension Fund Committee**  
Corporate Director of Finance



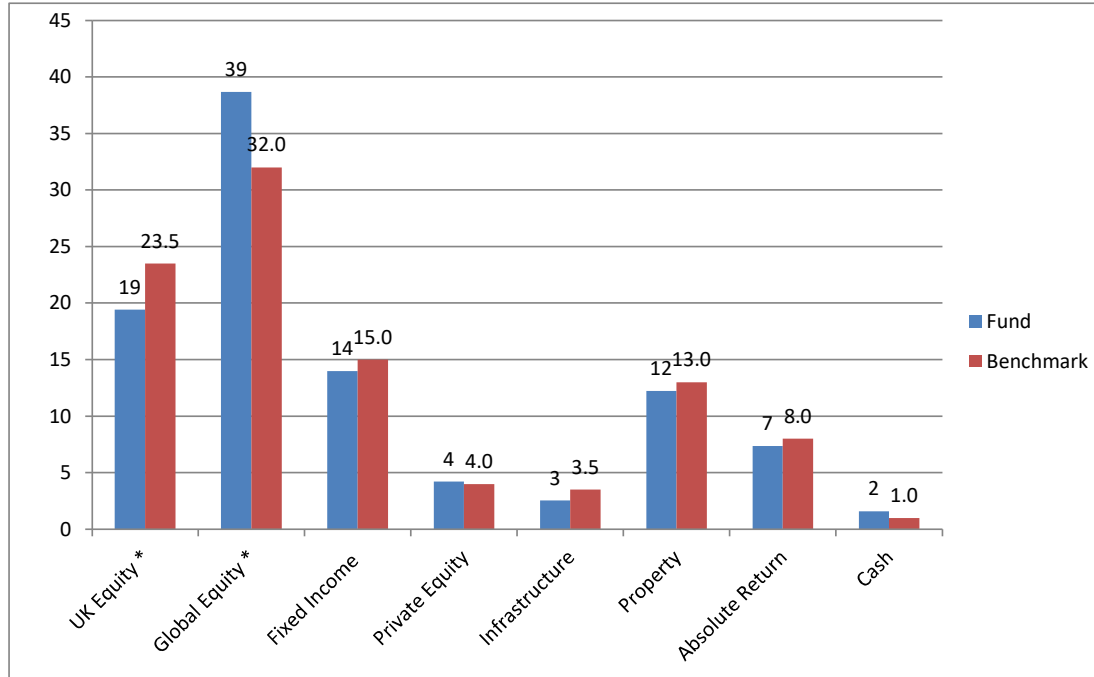
Kent County Council  
Pension Fund Q1 2022-23

Katherine Gray- Principal Accountant

## Market Returns for Quarter ended 30 June 2022



## Fund Asset Allocation vs Benchmark as at 30 June 2022



Asset Class	Fund		Benchmark	Over / (under) weight
	£m	%	%	%
UK Equity *	1,471	19.4	23.5	-4.1
Global Equity *	2,930	38.7	32	6.7
Fixed Income	1,058	14.0	15	-1.0
Private Equity	319	4.2	4	0.2
Infrastructure	192	2.5	3.5	-1.0
Property	927	12.2	13	-0.8
Absolute Return	557	7.3	8	-0.7
Cash	120	1.6	1	0.6
<b>Total</b>	<b>7,575</b>	<b>100</b>	<b>100</b>	

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

## Fund Asset Class Performance for Quarter ending 30 June 2022



Asset Class	Fund %	Benchmark %	Outperformance %
Total Equity (without equity protection)	-9.99	-7.19	-2.79
Total Equity (with equity protection)	-2.33	-7.43	5.10
Fixed Income	-5.46	0.83	-6.28
Property	3.02	3.65	-0.63
Absolute Return	-1.87	6.25	-8.11
Private Equity	6.51	0.22	6.28
Infrastructure	2.53	0.22	2.31

## Market Value Summary by Fund Manager as at 30 June 2022

Fund Manager	Asset Class	Market Value as at 31 March 2022 (£m)	Market Value as at 30 June 2022 (£m)	Change in Market Value (£m)	% of Total Fund 30 June 2022
Schroders - LF ACCESS UK Equity Fund	UK Equity	1,143	1,095	-48	14.5%
Insight	Equity Protection Program	791	1,057	266	14.0%
Baillie Gifford - LF ACCESS Global Equity Core Fund	Global Equity	1,190	951	-239	12.6%
DTZ	Direct Property	578	590	12	7.8%
M&G - LF ACCESS Global Dividend Fund	Global Equity	518	489	-29	6.5%
Schroders GAV - LF ACCESS Global Active Value Fund	Global Equity	401	385	-16	5.1%
Goldman Sachs	Fixed Interest	401	375	-26	5.0%
Pyrford	Absolute Return	376	373	-3	4.9%
Sarasin	Global Equity	381	349	-32	4.6%
Harbourvest	Private Equity	217	262	46	3.5%
Schroders	Fixed Interest	243	238	-6	3.1%
M&G Alpha Opportunities	Fixed Interest	240	230	-10	3.0%
CQS	Fixed Interest	238	219	-20	2.9%
Partners	Infrastructure	168	192	24	2.5%
Ruffer - LF ACCESS Absolute Return Fund	Absolute Return	191	183	-8	2.4%
Fidelity	Pooled Property	165	174	8	2.3%
M&G Residential Property	Pooled Property	68	69	1	0.9%
Impax Environmental Markets	Global Equity	75	68	-7	0.9%
YFM	Private Equity	56	57	1	0.8%
DTZ Pooled Funds	Pooled Property	50	52	2	0.7%
Aegon (Kames)	Pooled Property	43	42	-1	0.6%
Woodford	UK Equity	8	7	-1	0.1%
Internally managed cash	Cash	132	117	-15	1.5%
<b>Total Kent Fund</b>		<b>7,674</b>	<b>7,575</b>	<b>-99</b>	<b>100.0%</b>

<b>Total investments in ACCESS pooled funds</b>	<b>3,675</b>	<b>3,103</b>
<b>Percentage of the total Fund</b>	<b>48%</b>	<b>41%</b>

## Performance Returns as at 30 June 2022

	Quarter		1 Year		3 Year (p.a.)	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
<b>Total Fund *</b>	-1.63	-2.97	-2.47	3.29	5.63	5.49
<b>UK Equity</b>						
Schroders - LF ACCESS UK Equity Fund	-4.19	-4.46	1.43	3.66	3.32	2.06
Woodford	-13.18	-5.04	-17.44	1.64	-27.54	2.41
<b>Global Equity</b>						
Baillie Gifford - LF ACCESS Global Equity Core Fund	-20.06	-7.70	-38.83	-5.53	2.82	5.51
Sarasin	-8.48	-8.56	-5.59	-4.17	8.98	7.88
Schroders - LF ACCESS Global Active Value Fund	-3.97	-8.56	2.30	-4.17	3.32	2.06
Impax	-8.81	-8.56	-10.96	-4.17	9.63	7.88
M&G - LF ACCESS Global Dividend Fund	-5.52	-8.56	5.00	-4.17	9.99	7.88
<b>Fixed Interest</b>						
Goldman Sachs	-6.48	0.86	-10.98	3.50	-1.66	3.50
Schroders Fixed Interest	-2.31	0.15	-6.22	0.31	-1.62	0.47
CQS	-8.28	1.14	-7.98	4.32	--	--
M&G Alpha Opportunities	-4.14	1.14	-4.25	4.32	--	--
<b>Property</b>						
DTZ	2.63	3.65	20.55	23.33	9.92	9.52
Fidelity	5.03	3.65	20.75	23.33	9.75	9.52
Aegon (Kames)	3.62	3.65	18.26	23.33	5.29	9.52
M&G Property	1.39	3.65	5.33	23.33	1.93	9.52
<b>Private Equity</b>						
Harbourvest	8.12	0.22	47.10	0.28	32.04	0.20
YFM	0.00	0.22	41.91	0.28	23.66	0.20
<b>Infrastructure</b>						
Partners	2.53	0.22	10.60	0.28	-1.63	0.20
<b>Absolute Return</b>						
Pyrford	-0.72	6.25	2.43	16.94	2.93	10.54
Ruffer - LF ACCESS Absolute Return Fund	-4.12	6.25	0.98	16.94	9.18	10.54

\* 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
<b>UK Equities:</b>		
Schroders - LF ACCESS UK Equity Fund	Customised	+1.5% pa over rolling 3 years
Woodford	FTSE All Share	Unconstrained
<b>Global Equities:</b>		
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
<b>Fixed Income:</b>		
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%	
<b>Property:</b>		
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	
<b>Alternatives: (Cash / Other Assets)</b>		
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 30 June 2022

UK Equities	Global Equities	Fixed Interest	Property	Cash/Alternatives
Schroders +1.5% £1,095 m	Baillie Gifford +1.5% £951 m	Goldman Sachs +6.0% Abs. £375 m	DTZ Property £642 m	Internally managed Cash £117 m
Woodford £7 m	M&G +3.0% £489 m	Schroders +4.0% £238 m	Fidelity Property £174 m	Partners Infrastructure £192 m
	Schroders +3.0% - +4% £385 m	CQS £219 m	Aegon(Kames) Property £42 m	YFM Private Equity £57 m
	Impax +2.0% £68 m	M&G Alpha Opps £230 m	M&G Property £69 m	HarbourVest Private Equity £262 m
	Sarasin +2.5% £349 m			Pyrford Abs. Return RPI + 5% £373 m
	Insight Equity Protection £1,057 m			Ruffer Abs. Return RPI £183 m
			Total Fund    £7.6 bn	ACCESS fund



From: Chairman – Kent Pension Committee  
Interim Corporate Director of Finance

To: Pension Fund Committee – 28 September 2022

Subject: Governance review - update

Classification: Unrestricted

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**Summary:**

To report to the Committee on the progress made with the implementation of the recommendations arising from the Barnett Waddingham review. This report also covers the updated Governance Policy and Compliance Statement.

**Recommendation:**

The Committee is recommended to note the report and to resolve to agree the revised Governance Policy and Compliance Statement.

**FOR DECISION**

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**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.

**Progress to date**

2. Of the 139 recommendations made by Barnett Waddingham 94 have been implemented or in are in progress. Those relating to the membership of the Committee, its work programme, the Committee's terms of reference and decision-making arrangements have all been completed. The role and membership of the Pension Board has also been changed to comply with LGPS regulations and the Pension Regulator's code of practice, and the Fund's policy documents have been reviewed and updated to comply with regulations and good practice. Work is now in hand on the outstanding issues in particular the recommendations relating to the Fund's approach to risk management.

**Recent developments**

3. Since the Committee met in June County Council has approved the Board's revised terms of reference on 14 July. The Board noted these revised terms at their meeting earlier this month and adopted the code of conduct and conflict of interest policy. These documents have been published on the [Pension Fund](#)

[website](#) Arrangements are in hand to recruit to the vacant scheme member positions on the Board.

4. A copy of the Committee’s terms of reference including the revised non-voting membership has been published at: [Pension Fund Committee](#) and arrangements are also now in progress to recruit to the vacant employer and scheme member positions.

### **Fund policies**

5. The status of the Fund’s policies is as per the following table. Members are asked to note that all the policies have been updated to reflect the change of name of the Committee and Fund from Superannuation to Pension as agreed by County Council in May 2022. Apart from the Governance Policy and Compliance Statement and Administration strategy no other changes have been made since they were last approved by the Committee. These policies are available on the [Pension Fund website](#)

<b>Policy</b>	<b>Last reviewed by the Committee</b>	<b>Update for September 2022 Committee</b>	<b>Next update and review due</b>
Funding Strategy Statement	September 2021	Fund and Committee name changes	March 2023 after completion of the 2022 actuarial valuation
Investment Strategy Statement	September 2021	Fund and Committee name changes	March 2023
Governance policy and compliance statement	March 2022	Fund and Committee name changes. Revised Board terms of reference and new Committee non-voting membership	September 2023
Responsible Investment policy	March 2021	Fund and Committee name changes	February 2023
Communications policy	March 2018	Fund and Committee name changes	December 2022
Administration Strategy	n/a	New strategy	December 2022
Training Strategy	March 2022	Fund and Committee name changes	March 2024

6. The Governance Policy and Compliance Statement has also been updated to include the changes to the Board’s terms of reference, the changes to the Committee membership and the Committee meeting guidelines agreed on 26 June. A copy is at appendix 2.

7. The Pensions Manager has drafted a new Administration strategy which is covered in the Administration update.

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Alison Mings, Pensions and Treasury Strategic Advisor

**T: 03000 416488**

**E: [Alison.mings@kent.gov.uk](mailto:Alison.mings@kent.gov.uk)**

**September 2022**

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

Agenda Item 15

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of the Local Government Act 1972.

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of the Local Government Act 1972.

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Agenda Item 17

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