

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 Thursday, 22 June 2023.

PRESENT: Mr C Simkins (Chairman), Mr N J D Chard (Vice-Chairman), Mr P Bartlett, Cllr J Burden, Mr P Cole, Ms M Dawkins, Mr P Doust, Cllr M Jones, Mr J P McInroy, Mr S Sim, Mr P Stepto and Mr J Wright.

ALSO PRESENT: Mr R J Thomas

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

UNRESTRICTED ITEMS

133. Apologies and Substitutes

(Item 1)

Apologies for absence were received from Mr Webb and Cllr Prenter who was substituted by Cllr Jones.

134. Membership

(Item 2)

It was noted that Cllr Mark Prenter had joined the committee.

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

(Item 3)

The following declarations were made:

- Mr Cole declared, in relation to item 19, that he was a Member of Sevenoaks District Council.
- Mr Bartlett declared that he was employed by the Bank of New York Mellon, the parent company of Insight which was involved with the Fund's equity protection. He stated that he would participate in the Investment Strategy item but not in future business involving equity protection.
- Mr Doust declared that he was in receipt of a Kent LGPS pension.

136. Minutes of the meeting held on 29 March 2023

(Item 4)

RESOLVED that the minutes of the meeting held on 29 March 2023 are correctly recorded and that they be signed by the Chairman.

137. Committee Work Programme and Action Log

(Item 6)

1. Mr Buckland introduced the committee's work programme and action log. He agreed to report the Risk Register to all future meetings of the committee.

RESOLVED to note the work programme for 2023/24 and the updated action log.

138. Fund Employer Matters

(Item 7)

1. Mr Tagg introduced the report which updated the committee on Fund employers for the three months ending 31 March 2023 as well as 'deemed employer' status and proposed an admission to the Fund.
2. Concerning the October and January employer contributions to the Fund, a member asked whether there were any underlying cash flow problems which had caused the late contributions. Mr Tagg explained that the two instances where late contributions had been received were the result of the 19th of the month contribution date falling on a weekend. He assured the committee that the issue had been raised with the employer concerned.
3. Following a question from a member on the officer time expended chasing late payments, Mr Tagg noted that the time required averaged two hours a month.

RESOLVED to note the report and agree:

- a) to the admission to the Kent County Council Pension Fund of Churchill Contract Services Ltd (re Inspire Partnership Academy Trust);
- b) that the Chairman may add recommendation a) to the Record of Decision at the end of today's meeting; and
- c) that once legal agreements have been prepared for matter a) the Kent County Council seal can be affixed to the legal documents.

139. Pensions Administration

(Item 8)

1. Mrs Chambers introduced the report which updated members on the administration of the Kent LGPS for the period 1 February to 30 April 2023, including performance; recruitment; annual benefit illustrations and member newsletters; benchmarking; end of year returns; breaches of law; complaints, compliments and comments; a new telephony solution; the pensions dashboard; and the Superannuation Contributions Adjusted for Past Experience (SCAPE) Rate. She gave thanks to Mr Sim for his contributions to reviewing the annual benefit illustrations templates and member newsletters. She informed the committee that CEM had been commissioned to deliver benchmarking against other LGPS funds, with their report expected at the end of 2023. She noted that end of year had gone well, was ahead of the previous year and made members aware of an issue with one payroll provider, which had been monitored closely, with data anticipated at the end of June. The possible impact on the issuing of annual statements by the statutory deadline was detailed.
2. In response to a question from a member, Mrs Chambers explained that high priority cases included deaths, retirements and refunds, whilst low priority cases

included deferred benefits and transfers. She added that statutory deadlines also heavily influenced priority. It was explained that methods for automating low priority cases into bulk processes were under investigation.

3. Mr Buckland explained, following a question from a member, that CEM benchmarking had been used on the Fund's investment side and that their administration benchmarking system had been developed over recent years. He detailed the criteria that CEM considered, including cost, performance and delivery to members. Mrs Chambers confirmed that the benchmarking cost £16,000.

RESOLVED to note the report.

140. McCloud Remedy Update

(Item 9)

1. Mrs Chambers introduced the report which detailed the McCloud remedy regulations and actions taken by officers of the Kent Pension Fund to prepare in advance of the regulations becoming law. She highlighted the Department for Levelling Up, Housing and Communities (DLUHC) further consultation which had been issued in May, with a deadline of the end of June, and sought responses on areas of the remedy which weren't included in the previous consultation. She noted that the Fund were awaiting the Local Government Association's (LGA) response before deciding on whether to provide a Fund response. Members were informed that a decision had been taken to begin employer data collection, with an external supplier to be contracted as part of broader data rectification efforts.

RESOLVED to note the report.

141. Pension Administration Audit

(Item 10)

1. Mrs Green introduced the report which outlined the findings of an internal audit of the administration of the Kent Pension Fund. She noted that the audit took place in February and March 2023, and had been reported to Governance and Audit Committee on 18 May 2023. She drew members' attention to the audit opinion, which had been classified as 'Adequate.' Mrs Green explained a range of management actions had been identified, several of which were already in progress.

RESOLVED to note the report.

142. Report from the Pension Board

(Item 121)

1. Mr Thomas, Chairman of the Pension Board, presented his report which summarised proceedings of Pension Board's 8 June meeting. He noted that the Board has also considered the training plan, as training was mandatory for Board members, and highlighted the Board's concerns that continued difficulties with the cost of living could impact pension opt outs.

RESOLVED to note the update from the Board.

143. Fund Position Statement

(Item 12)

1. Mr Graham introduced the report which detailed the Fund's asset allocation and performance as of 31 March 2023. He noted that the Fund's value was £7.83bn, an increase of £92m (1.4%) over the quarter, which when factoring in challenging market conditions was positive performance and 1% ahead of the benchmark. He added that over the past three years, the Fund had outperformed its 9.9% per annum benchmark, with a return of 11%.

RESOLVED to note the Fund's asset allocation and performance as of 31 March 2023.

144. Governance and Policy update

(Item 13)

1. Mr Buckland introduced the report which detailed two Fund policy proposals, the Communications Policy 2023/24 and Data Quality Policy, and provided an update on the implementation of the recommendations arising from the Barnett Waddingham review, with 46 of the 48 recommendations implemented or in progress. The purpose of the Communications Policy, to publish a statement setting out the methods of communication with stakeholders of the Fund was explained, including how the 'Digital by Default' objective would be achieved. He noted the intention for the Communications Policy to be updated and reviewed by the committee annually.
2. Mr Buckland agreed to provide an update to the committee at a future meeting concerning data security and assurance that the Fund was fully protecting its pensioners and members, following a request from a member.
3. In response to a question from a Member, Mr Buckland reassured the committee that whilst Fund members would be encouraged to digital by default, there was no intention to deny access to members who preferred existing arrangements and that the ambition was to provide the best possible service in the best way.
4. Following a question from a member on the scope for communicating with Fund members in different languages, Mrs Chambers assured the committee that, to ensure full accessibility, alternative formats were used when requested. It was noted that requests of this nature had not been made, though, arrangements were already in place for members requiring braille annual benefit illustrations.

RESOLVED to approve the Kent Pension Fund Communications Policy 2023/24 and Data Quality Policy.

145. Training Plan

(Item 14)

1. Mrs Green introduced the report which provided an update on the development of a training plan for Pension Board and Pension Fund Committee members. Pensions accounting, audit standards and pensions administration were highlighted as the areas prioritised for development, with it noted that the

priorities took account of the findings of Hymans Robertson's November 2022 assessment.

RESOLVED to note the report.

EXEMPT BUSINESS

Open access

146. Investment Strategy

(Item 15)

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

1. Mr Buckland explained that the broad themes of the Investment Strategy Review had been discussed at the last meeting of the committee and since then Mercer had completed a detailed analysis, the proposals of which had been considered by the Chairman and Vice-Chairman of the committee prior to this meeting.
2. Mr English and Mr Page introduced the report in relation to recommendations (a) and (b). They provided an overview of the Investment Strategy Review 2023 by way of a series of slides which included key considerations of the review.
3. The Chairman and Vice-Chairman thanked Mr English and Mr Page, along with KCC officers, for the significant amount of work that had been undertaken and stressed the importance of the strategy to the Council.
4. Members asked a series of questions on risk, equities, gilts and pooling which were duly answered by Mr English.

RESOLVED to note the report and to:

- a) Comment on the outcome of the investment strategy review;
- b) Agree the proposed changes to the investment strategy (as detailed in Appendix 1) to:
 - i. Reduce the overall exposure to equities and increases exposure to fixed income via the introduction of an allocation to index linked gilts.
 - ii. Rationalise the listed equities allocation by reducing the allocation to UK equities and adding one to Emerging Markets.
 - iii. Remove the strategic allocation to cash.
 - iv. Re-organise the allocation to illiquid / alternative asset classes by varying the target allocations to property, private equity, and infrastructure.
 - v. As a result of the above changes this reduces its allocation to diversified growth funds;
- c) Agree that the Fund's asset allocation should not be changed in accordance with the Fund's rebalancing policy;
- d) Delegate authority to vote in favour of the extension proposal concerning the Active Value Fund (subject to a satisfactory opinion from the Fund's Investment Consultant) to the Corporate Director of Finance in consultation with the Chairman of the Committee, and to undertake all necessary steps to execute the decision and associated paperwork required; and
- e) Delegate authority to vote in favour of the scheme of arrangement for the Fund's holding in the Woodford Equity fund to the Corporate Director of Finance in consultation with the Chairman of the Committee, and to undertake all necessary steps to execute the decision and associated paperwork required, subject to

officers being content that the final proposal is broadly in line with that set out in paragraph 9 of the report.

147. Responsible Investment

(Item 16)

1. Mr Graham introduced the report which updated the Committee on the voting activity of the Fund's investment managers, their engagement with the companies in which they were invested on the Fund's behalf and detailed the Fund's securities lending activity.

RESOLVED to note the report and to agree that the Fund becomes a member of Pensions for Purpose.

148. Guaranteed Minimum Pension update

(Item 17)

1. Mrs Chambers introduced the report regarding the current position of the Guaranteed Minimum Pension rectification project.

RESOLVED to agree to:

- a) apply a £60 per annum trivial threshold for changes (+/-) to pensions in payment;
- b) that historic underpayments above £30 (gross) are to be made to members; and
- c) that no historic overpayments are to be recovered.

149. ACCESS Update

(Item 18)

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

RESOLVED to note the report.

150. Funding and Employer Matters

(Item 19)

1. Mr Tagg introduced the report which provided an update on a Fund Employer matter and information on the security held by other Fund employers.

RESOLVED to note the report.