

KENT COUNTY COUNCIL

PENSION BOARD

MINUTES of a meeting of the Pension Board held in the Council Chamber, Sessions House, County Hall, Maidstone on Thursday, 8 June 2023.

PRESENT: Mr R J Thomas (Chair), Cllr R Carnac, Ms A Hartley, Mrs A Mings, Ms K King, Mr J Parsons (Vice Chair) and Mr G Ward

ALSO PRESENT: Mr C Simkins (Chairman of the Pension Fund Committee)

IN ATTENDANCE: Mr N Buckland (Head of Pensions and Treasury), Mr J Graham (Pension Fund and Treasury Investments Manager), Mrs C Chambers (Pensions Manager), Mrs E Green (Senior Pensions Programme Manager), Mr S Tagg (Senior Accountant - Employer Governance and Compliance) and Mr M Dentten (Democratic Services Officer)

UNRESTRICTED ITEMS

27. Apologies and Substitutes

(Item 1)

Apologies for absence were received from Mr Jeffrey.

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

(Item 2)

No declarations were made.

29. Minutes of the meeting held on 14 March 2023

(Item 3)

RESOLVED that the minutes of the meeting held on 14 March 2023 are correctly recorded and that they be signed by the Chairman.

30. Update from the Chairman of the Pension Fund Committee

(Item 5)

1. Mr Simkins gave a verbal update on the work of the Pension Fund Committee and its most recent meeting on 29 March 2023, highlighting the following:
 - a. that the results of Barnett Waddingham's 31 March 2022 triennial Actuarial Valuation had been received and considered by the Committee;
 - b. it was noted that the Fund's three-year investment strategy remained the Committee's main focus over the next year, with proposals developed with Mercer to be considered at the Committee's next meeting on 22 June;
 - c. that asset pooling continued with ACCESS; and
 - d. that investment performance had been strong over the previous quarter.

RESOLVED to note the update.

31. Business Plan and Risk Register update

(Item 6)

1. Mr Buckland introduced the report which updated the Board on progress against the Fund's Business Plan which was agreed by the Pension Fund Committee at their meeting on 29 March, having been reviewed previously by the Board. He noted that all items scheduled for completion in 2022/23 had been completed. The changes made to the risk register, which included risks related to the potential failure to maintain appropriate knowledge to establish and maintain the investment strategy; an increased funding deficit; and the impact of cyber-attacks on pension providers and administration were highlighted.
2. The Chair commended the strong performance in 2022/23 and completion of all scheduled items.
3. The Board asked that the Risk Register be reported in its entirety to all future meetings.
4. A Member asked whether pension funds relation to authorities should be a risk. Mr Buckland confirmed that employer insolvency was included as a risk. He noted that employer risk would be reported to Pension Fund Committee and that the Fund worked with Barnett Waddingham on employer covenants, though it was explained that these did not apply to local authority employers.
5. Following a question from a Member on whether the 2022/23 business plan had been challenging enough, Mr Buckland explained that the aim had been to create a plan which was challenging in the long term but realistic in the short term.

RESOLVED to note and comment upon the Business Plan and budget for the Kent Pension Fund.

32. Pension Administration update

(Item 7)

1. Mrs Chambers introduced the report which addressed the administration of the Kent Pension Fund for the period 1 February to 30 April 2023 and updated Board Members on developments since publication. She explained that a backlog resolving death grants had reduced and would be cleared within weeks. A further updated on vacancies and career path development was given. Regarding Breaches of Law, she confirmed that a new data improvement plan would be used and that data would be provided at each meeting on a monthly basis. The beginning of the digital by default transition was highlighted. Concerning outstanding data returns it was noted that the majority related to a single payroll provider, reassurance was given that the provider had been met with regularly, the implication of a breach were detailed.
2. Mrs Chamber explained that SCAPE stood for 'superannuation contributions adjusted for past experience,' following a question from a Member. She agreed to clarify this in future reports.

3. A Member asked for assurances that the recruitment plan had been within budget and for an overview of the pensions administration team's structure. Mrs Chamber confirmed that the recruitment plan was included within the budget and agreed to share the structure chart with the Board. Mr Buckland agreed to highlight where teams had been strengthened and backfilled.
4. In response to a question from a Member on how employers were kept abreast of administrative changes, Mrs Chambers noted that the communications policy had been reviewed, including consideration of how employers were updated and engaged. An upcoming employer forum was highlighted as a key means of communication.
5. Concerning scheme employer annual returns, a Member asked what reasons there were for delayed returns and whether there were any trends. Mrs Chambers stated that there was no single trend, it was noted that changes in payroll provider had contributed to delays but that there was no reason to be concerned that statements would not be issued on time.
6. Mr Buckland explained that in the event of a data breach during employers' submission of their returns that they, rather than the Fund, would be liable. Mrs Chambers added that The Pensions Regulator (TPR) traffic light system was employed in these instances.
7. A Member asked whether issues with the cost of living had led to an increase in members leaving the scheme. Mr Tagg confirmed that the average opt outs per annum over the last four years was 600 and that there had not been a significant increase over the last year.

RESOLVED to note the report.

33. McCloud update

(Item 8)

1. Mrs Chambers presented the report which gave an update on the McCloud Remedy Regulations and the actions taken by officers of the Kent Pension Fund to prepare in advance of the regulations becoming law.
2. A Member asked to what extent employers had been engaged by the Kent Pension Fund on McCloud developments. Mrs Chambers confirmed that updates had been shared on the employer section of the Fund's website and that employers would be made aware of what data they would need to provide.

RESOLVED to note the report.

34. Funding matters

(Item 9)

1. Mr Tagg introduced the report which provided an update on Fund employers for the 3 months ending 31 March 2023, information on Oasis Restore Trust and confirmation of employer matters agreed by Pension Fund Committee on 29 March 2023. He highlighted the percentage of contributions received on time by

value Key Performance Indicator (KPI), which stood at 93% for January, 98% for February and 100% for March.

2. In response to a question from the Chair, Mr Tagg assured the Board that there had been no significant delays or issues related to the receipt of employer contributions for the 3 months ending 31 March 2023. He recognised that where there had been delays in October 2022 and January 2023, that the Fund had responded to and resolved issues quickly.
3. Mr Tagg confirmed, following a question from a Member, that Oasis Restore Trust had joined the fund as a scheduled body, with no admission agreement. He added that its entrance to the Fund included receipt of retrospective employee and employer contributions which had been received back to February 2023. It was noted that most employees would start in September 2023.

RESOLVED to note the report.

35. Governance and Policies update

(Item 10)

1. Mr Buckland introduced the report which detailed the progress made with the implementation of the recommendations arising from the Barnett Waddingham review and advised the Board on the current position of the Fund's policies, including planned updates to the Fund's Communications policy and creation of a Data Quality policy. Concerning governance, he explained that delays to government regulations and guidance had impacted the implementation of some recommendations, a commitment was made to provide a full update to the next Board meeting, including areas of progress and ongoing issues. He noted that the merits of another independent review were being considered in order to judge the progress made since Barnett Waddingham's review.
2. The Chair commented that it would be useful for the Board to have a list of when other policies would be reviewed.
3. Mr Buckland gave assurance that the refreshed Communications Policy would establish a more proactive approach to employer engagement and ensure that they were clear on their responsibilities. Mrs Chambers added that the Administration Strategy also set out employers' roles and responsibilities and was used to support employer as well as to make them aware of penalties.
4. Following a question from a Member, Mrs Chambers confirmed that a plan to support employer onboarding onto iConnect was in development, with employers grouped by payroll provider. Employer resource constraints were recognised.

RESOLVED to note the report.

36. Training Plan

(Item 11)

1. Mrs Green introduced the report which detailed the progress made in developing the training plan for Board and Committee members. The proposed September

2023 to June 2025 training plan was explained, with it noted that core topics would include: pensions accounting and audit standards; pensions administration; investment performance and risk management; committee role and pension legislation; procurement and relationship management; actuarial methods, standards and practices; pensions governance; and financial markets and product knowledge. She added that access to Hymans Robertson's learning academy would form part of the training offer. She noted the proposal for Hymans Robertson to be re-commissioned to reevaluate the knowledge held by members following completion of the training plan.

2. The Chair commented that an annual assessment of member knowledge would be sensible for monitoring progress.
3. Mr Buckland explained that whilst there was a legal requirement for Board members to complete training, the same did not apply for Committee members. He reassured the Board that despite the lack of a legal requirement, the Committee received training and would participate in the proposed training programme. The importance of the Board's training extending beyond the mandatory areas was emphasised.

RESOLVED to note the report.

37. Fund Position Statement

(Item 12)

1. Mr Graham introduced the report which presented the Fund's asset allocation and performance as of 31 March 2023. He advised that the Fund had a positive quarter, despite market volatility, increasing in value by 1.1% (£92m), though underperforming against its benchmark of 2.6%. It was noted that for the year ending March 2023, the Fund achieved a return of 1.4% against a benchmark return of 0.3%, an outperformance of 1.11% and that over the last three years it had outperformed its benchmark of 9.9% per annum returning 11.0% per annum.

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

38. Pensions Administration Audit

(Item 13)

1. Mrs Green presented the report which outlined the findings of an internal audit of the administration of the Kent Pension Fund between February and March 2023. She drew attention to the audit report's conclusions which stated that internal control, governance and management of risk was adequate overall, though there were areas identified where elements of residual risk or weakness with some of the controls may put some of the system objectives at risk. She reassured Members that a signed management action plan had been put in place to address all seven issues identified in the report.
2. Mr Buckland noted that the audit report had been reported to Governance and Audit Committee, with the committee raising no concerns. He added that the management action had been shared with internal audit and that there would be a reinvestigation should the plan not be completed.

RESOLVED to review and comment on the updated Risk Register.

Motion to exclude the press and public for exempt business

RESOLVED that, under Section 100A of the Local Government Act 1972, the press and public be excluded from the meeting for the following business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of part 1 of Schedule 12A of the Act.

EXEMPT BUSINESS
Open access to minute

39. ACCESS update
(Item 14)

1. Mr Graham gave an overview of the report which updated Members on the activities of the ACCESS pool since the Board's last meeting. He addressed the decisions taken by the ACCESS Joint Committee and items under consideration.
2. Following a question from a Member, Mr Buckland confirmed that the development of Kent Pension Fund's investment strategy would consider future opportunities to pool assets.

RESOLVED to note the report.