

KENT COUNTY COUNCIL

PENSION BOARD

MINUTES of a meeting of the Pension Board held in the Council Chamber, Sessions House, County Hall, Maidstone on Wednesday, 6 September 2023.

PRESENT: Mr J Parsons (Vice-Chairman in the Chair), Cllr R Carnac, Ms A Hartley, Mr D Jeffrey, Mrs A Mings and Mr G Ward

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

40. Apologies and Substitutes

(Item 1)

Apologies were received from Ms Kelly King and Mr Rob Thomas.

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

(Item 2)

No declarations were made.

42. Minutes of the meeting held on 8 June 2023

(Item 3)

RESOLVED that the minutes of the meeting held on 8 June 2023 are correctly recorded and that they be signed by the Chairman.

43. Update from the Chairman of the Pension Fund Committee

(Item 5)

1. On behalf of Mr Simkins (Chairman of the Pension Fund Committee), Mr Buckland provided a verbal update on the work of the Pension Fund Committee and its most recent meeting on 22 June 2023, highlighting the following:
 - a. The Committee agreed to two potential strategy options, with optimising risk and return, diversification, diversified growth mandates with a view to reduce exposure and illiquid asset access as the prioritises. It was noted that reductions in UK equity from 23% to 10% as well as reductions in diversified growth funds were included in both options.
 - b. The Committee to agree its preferred option at its 26 September 2023 meeting.

- c. Officers had worked with the Committee's Chairman and Vice Chairman in the interim to select an option for recommendation to the Committee. The option selected includes equity protection.
2. The Vice Chair asked whether the equity protected since inception had been calculated. Mr Buckland explained that whilst it was not possible to quantify, equity protection shielded the Fund from volatile markets and proved neutral, as when costs had been incurred the market had increased.
3. Following a question from a Member, Mr Buckland confirmed that officers had considered how the new strategy would be implemented once agreed, which included how managers would be used.

RESOLVED to note the update.

44. Business Plan and Budget

(Item 6)

1. Mr Buckland introduced the report which updated the Board on the key elements of the Fund Business Plan, budget for 2023/24 and confirmed an underspend against the 2022/23 budget of £3.042m which had resulted primarily from lower than anticipated Investment Management costs.
2. Concerning vacancies within the Pensions Administration team, a Member noted the information shared with the Board which confirmed nine vacancies out of a total strength of 45, in excess of two vacancies in communications and one in the project sub-team.
3. In response to a question from a Member, Mr Buckland confirmed that agency staff were not used to fill vacancies.
4. A Member asked how a "best in class" service for Fund members was defined. Mr Buckland explained that CEM Benchmarking analysed the best performing elements of the 7 largest LGPS funds to determine "best in class."
5. Mr Buckland confirmed that whilst the Risk Register and Business Plan aligned, the former would be overhauled to address recommendations from the Barnett Waddingham review. He gave assurance that he was comfortable with the current levels of risk.

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

45. Pensions Administration

(Item 7)

1. Mrs Chambers introduced the report which updated the Board on the administration of the Kent Pension Fund from 1 May to 31 July 2023, including performance; recruitment; breaches of law; complaints, compliments and comments; projects; overpayment recovery and write off limits; communications and support; training and development; and technical developments.

2. The Vice Chair thanked Pensions Administration officers for their strong performance.
3. A Member asked whether the recent decrease in cases represented an emerging trend. Mrs Chambers confirmed that new cases increased in March and April when end of year information was received, which caused a decrease in May. She agreed to report a long term overview of case figures and registration numbers to the next Board meeting.
4. Following a question from a Member, Mrs Chambers confirmed that recruitment of deputy managers was being resolved with secondments, with an option for permanent appointment.
5. In response to a question from a Member, Mrs Chambers agreed to review the annual allowance information on the Fund's website, to maximise clarity for scheme members.
6. A Member asked whether the percentage of cases completed in SLA would improve and be a future priority. Mrs Chambers noted that current vacancies had a 600 case per week impact. She agreed that improvement was needed in the area and reassured Members that deaths and retirements were prioritised. It was noted that further automation would reduce the administrative burden on officers, releasing resource and improving performance.
7. Mr Buckland explained that the decision to exit the Kent Police Pension Scheme administration contract was connected to the Fund's Business Plan and would assist achievement of "best in class" performance. He assured the Board that there had been dialogue with Kent Police throughout the exit progress, with amicable relations maintained. Mrs Chambers added that the officer supporting the Kent Police Scheme would be absorbed into the LGPS team and retrained, to ensure retention.

RESOLVED to note the report.

46. McCloud Judgment

(Item 8)

1. Mrs Green provided an overview of the report which detailed the preparations made by the Fund's officers for the McCloud Remedy. Concerns that information was still awaited from the Department of Levelling Up, Housing and Communities and that manual calculations would be required until the Fund's platform provider updates the administration platform were noted. The Board were told that the anticipated delays would create a backlog in cases, which would affect future resource availability.
2. Following a question from a Member, Mrs Chambers confirmed that data dating back to 1 April 2014, which includes non-active employers, would need to be analysed, subject to the agreement of the final regulations.

3. In response to a Member, Mrs Chamber explained that the processing of historical calculations would be outsourced, whilst future calculations would be handled internally every time a leaver case was progressed.
4. Mrs Chambers agreed to share the project plan with the Board once the regulations were approved.

RESOLVED to note the report.

47. Employer Governance

(Item 9)

1. Mr Tagg introduced the report which updated the Board on Fund employers for the three months ending 30 June 2023 and confirmed an employer matter agreed by Committee on 22 June 2023 as well as an upcoming re-procurement exercise for the ongoing provision of actuarial advice. He highlighted strong performance in the contributions received on time by value, with the 95% benchmark exceeded in each month and drew Board Members' attention to the below benchmark May contributions received on time by employer.

RESOLVED to note the report.

48. Governance and Policies

(Item 10)

1. Mr Buckland introduced the report which detailed the progress made implementing the recommendations arising from the Barnett Waddingham review and advised the Board on the position of the Fund's policies. He confirmed that 109 actions had been completed, 12 were in progress and 12 were to be actioned. It was noted that government anticipated regulatory and guidance developments had impacted the implementation of 7 recommendations. Consideration of substitute members at Board and Committee was highlighted as an area for consideration, with the connected training requirements noted. He reminded the Board that a follow up external review of the Fund's position was suggested once all recommendations were implemented.
2. The Vice Chair asked whether it would be appropriate to reject individual recommendations if they were negated by changes to guidance or regulations. Mr Buckland noted that there was scope to reflect on individual recommendations.
3. The Board congratulated the Fund on the progress made implementing the review's recommendations.

RESOLVED to note the report.

49. Member Training

(Item 11)

1. Mrs Green introduced the report which provided an update on the training undertaken and planned in 2023/2024. She highlighted cyber security as the next training workshop, which would be held on 25 September 2023. It was noted that the next Member training survey was planned for October 2023.

RESOLVED to note the report.

50. Fund Position Statement

(Item 12)

1. Mr Graham introduced the report which presented the Fund's asset allocation and performance as of 30 June 2023. He advised that the Fund's value was £7.73bn, a decrease of £95m over the quarter. It was noted that property as an asset class had underperformed, due primarily to high interest rates, though overall performance had been strong against the benchmark. It was explained that any changes to asset allocation would be included in the Fund's new strategy. Concerning climate risk, he noted that the Fund had analysed its exposure, with training workshops undertaken by the Responsible Investment (RI) working group on how a Net Zero target would be set to effectively manage risk.
2. Following a comment from a Member, Mr Graham gave reassurance that RI considerations were made first and foremost with the Fund's fiduciary responsibilities in mind and considered the long term risks the transition to a low carbon economy presented to the Fund.

RESOLVED to note the Fund's asset allocation and performance as of 30 June 2023.

Motion to Exclude the Press and Public

RESOLVED that the Press and Public be excluded from the meeting for the following business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of part 1 of Schedule 12A of the Act.

EXEMPT ITEMS

(Open access to minutes)

51. ACCESS

(Item 13)

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. Mr Buckland provided a supplementary overview of the decisions taken at ACCESS Joint Committee's 4 September meeting.

RESOLVED to note the report.

52. Cyber Security

(Item 14)

1. Mrs Green introduced the report which provided an update on the cyber security work being undertaken for Kent Pension Fund.
2. Board Members made comments on training, risk, compliance and arrangements with partners.

RESOVLED to note the report.

53. Risk Register

(Item 15)

1. Mr Buckland introduced the report, about which there were no questions.
2. A Member requested that resolved risks be removed and a reminder of the matrix used be included in the register going forward.

RESOLVED to review and comment on the updated Risk Register.

54. LGPS: Next steps on investment consultation - Verbal update

(Item 16)

1. Mr Buckland gave a presentation on the key elements of the Department for Levelling Up, Housing and Communities' LGPS: Next steps on investment consultation.
2. Board Members made a series of comments and asked questions which were answered by Mr Buckland.

RESOLVED to note the update.