



## AGENDA

### PENSION BOARD

**Tuesday, 28th November, 2023, at 10.00 am**

Ask for: **Matt Dentten**

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

Telephone **03000 418381**

#### **Membership**

##### **Scheme Employer Representatives (4)**

Kent County Council (2)

Mr R Thomas (Chair) and Mr D Jeffrey

District/Medway Council (1)

Cllr R Carnac

Police/Fire & Rescue (1)

Ms A Hartley

##### **Scheme Member Representatives (4)**

Active Scheme Member Representative (1)

Ms K King, Kent County Council

Pensioner Representatives (2)

Mrs A Mings, Mr G Ward

Unison Representative (1)

Mr J Parsons (Vice-Chair)

#### **UNRESTRICTED ITEMS**

*(During these items the meeting is likely to be open to the public)*

1. Apologies and Substitutes
2. Declarations of Interest
3. Minutes of the meeting held on 6 September 2023 (Pages 1 - 6)
4. Update from the Chairman of the Pension Fund Committee
5. Business Plan, Budget and Governance (Pages 7 - 24)

6. Pensions Administration (Pages 25 - 36)
7. Employer Governance (Pages 37 - 44)
8. Member Training (Pages 45 - 50)
9. Investment Update (Pages 51 - 66)

**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)*

10. ACCESS (Pages 67 - 82)
11. Employer Risk Review (Pages 83 - 116)
12. McCloud Judgment (Pages 117 - 122)
13. Cyber Security (Pages 123 - 126)
14. Risk Register - To follow
15. Date of next meeting

The next meeting of the Board will be held on Tuesday 12 March 2024, commencing at 10.00 am.

Benjamin Watts  
General Counsel  
03000 416814

**Monday, 20 November 2023**

**KENT COUNTY COUNCIL**

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**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, Mr D Jeffrey, Ms A Hartley, 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.

<b>From:</b>	Chairman – Kent Pension Board Corporate Director of Finance
<b>To:</b>	Kent Pension Board – 28 November 2023
<b>Subject:</b>	Business Plan, Budget and Governance update
<b>Classification:</b>	Unrestricted

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**Summary:**

To provide an update on the Fund Business Plan for 2023/24 and 2024/25, including an update on the Fund's budget. This report also considers any governance matters including policy updates.

**Recommendation:**

The Board is asked to note and comment on the report.

**FOR INFORMATION**

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**1. Introduction**

- 1.1 This report provides a Business Plan for the Kent Pension Fund (KPF) for 2023/24 and 2024/25.
- 1.2 A copy of the Business Plan is at Appendix 1, and this includes the Fund budget for 2023/24, an updated forecast, and the outturn for 2022/23.
- 1.3 The report also provides an update on the Fund's Policies and strategies.

**2. Fund Business Plan**

- 2.1 The Business Plan has been designed to include a number of key aspects in the management of the KPF. The Plan includes the following elements:
  - Background to the Fund
  - Vision and Long-term plan
  - Key aims and objectives.
  - Business as Usual
  - Three Year plan
  - Delivering and monitoring the plan
- 2.2 The Business Plan has been developed for use as a tool for the Pension Board and Committee in managing and monitoring the key areas of work for the Fund, and the Fund's management team and staff to deliver the business-as-usual work as well as the new projects.

- 2.3 The Business Plan is an updated version on that agreed by the Pension Fund Committee in on 28<sup>th</sup> September 2022, and the Board considered and supported the Plan at their meeting on 24<sup>th</sup> November 2022.
- 2.4 The Plan includes a broader vision and key aims and objectives for the Fund. Officers, the Board and the Committee will develop this over time, with the intention of developing a “best-in-class” service to all of the Fund’s members and key stakeholders.
- 2.5 As previously highlighted the Fund has developed a whole fund budget which was agreed by the Committee in March 2023.
- 2.6 An updated forecast for 2023/24 for the budget is contained in the Business Plan and is considered in detail in paragraph 4.

### 3. Business Plan updates

- 3.1 The plan has a number of Key tasks for the period and a number have been considered at previous meetings as complete and so are now crossed through and highlighted in grey. The items are still shown to demonstrate progress. Since the Board and Committee last considered the Plan, three additional items are now considered complete. These are shown below and crossed through and highlighted in orange:

- **Administration** – Complete Guaranteed Minimum Pension reconciliation and rectification.
- **Administration** – Assess current resource levels and capacity planning.
- **Administration** – Assess the impact of implementing the annual revaluation date change.

These areas are considered in the Pensions Administration report elsewhere on today’s agenda.

- 3.2 All other items with target completion dates in 2023/24 are well underway and are on target to be completed in the year. With the exception of those that are awaiting Regulation and/or guidance; highlighted in yellow.
- 3.3 Later in the year work will begin on the longer-term Business plan and respective budgets and this will be brought to the Board and Committee for review and approval in March 2024, ahead of the new financial year.

### 4. Budget

- 4.1 The Fund budget for 2023/24 is included in the Business Plan. The budget has been updated based on the end of September position, and this is shown in the forecast column. A number of other key points are highlighted below:

- The cost of Pensions Administration (mainly staff costs) is likely to be £38,000 lower than budget by virtue of the remaining vacancies to be filled. Good progress has been made on this front in 2023/24.
- IT costs are forecasting an overspend of £162,000, which relates to the costs of implementing and maintaining software for the GMP reconciliation project, which were unknown at the time the Committee approved the budget, plus the cost of transitioning to the self-service platform which were approved by the Committee in September and were additional to the original budget.
- There was an increase in the level of Actuarial Fees charged to the Fund, however there was also an increase in those fees being recovered from the Fund's Employers, so these two budget lines need to be viewed in total, and this reflects an overall increased cost of £13,000.
- ACCESS pooling costs are likely to be around £38,000 lower than budgeted due to factors affecting the speed of delivery within ACCESS. These factors are considered elsewhere on the agenda.
- Fund Manager Fees are highly variable and are based on the market value of investments. Estimating the future direction of these fees is very difficult and so the forecasts are showing the budgeted numbers.

4.2 Overall the forecast for 2023/24 looks likely to be circa £62,000 higher than the budget, however with the majority of the cost coming from Investment management costs, this is not considered of undue concern.

## 5. Fund Policies

5.1 The table below summarises the Fund's Policies and Strategies. The table shows two changes from the previous update, relating to the Responsible Investment policy and the Personal Data Retention Policy. These policies will be brought to the Board and Committee meetings in 2024.

5.2 In addition the Fund's Investment Strategy Statement will be updated to reflect the updated Investment Strategy, agreed by the Committee in September 2023, and considered elsewhere on today's agenda. Unlike most other policies officer consider that it is appropriate that the Committee considers this ahead of the Pension Board, due to its content; it will be presented to the Board's next meeting in March 2024.

Policy	Last reviewed by the Committee	Next update and review due	Responsibility
Funding Strategy Statement (FSS)	March 2023	March 2025	Nick Buckland
Investment Strategy	September	December 2023 after	James Graham

Statement (ISS)	2022	review of Investment Strategy	
Governance policy and compliance statement	September 2022	September 2024	Nick Buckland
Responsible Investment policy (RI Policy)	September 2022	<del>December 2023</del> March 2024 – linked to Investment Strategy review	James Graham
Communications policy	June 2023	June 2025	Clare Chambers
Administration Strategy	March 2023	March 2025	Clare Chambers
Conflicts of Interests Policy	December 2022	December 2024	Nick Buckland
Breaches of the Law policy	December 2022	December 2024	Nick Buckland
Discretions policy	December 2022	December 2024	Clare Chambers
Abatements policy	December 2022	December 2024	Clare Chambers
Training Strategy	March 2022	March 2024	Emma Green
Personal Data Retention policy	December 2019	<del>December 2023</del> – June 2024 linked to Cyber security work	Clare Chambers
Data Quality policy	June 2023	June 2025	Clare Chambers
Escalations policy	n/a	New policy, tbc	Clare Chambers
Privacy Notice	n/a	New policy, tbc	Clare Chambers

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**Nick Buckland**  
**Head of Pensions and Treasury**  
**Kent Pension Fund**

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**Kent County Council**

**Administering Authority for  
Kent Pension Fund**

**Business plan 2023/24 & 2024/25**

**November 2023 update**

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## Introduction

This is the business plan for the Kent Pension Fund, which is managed and administered by Kent County Council. The business plan details our priorities and areas of key focus in relation to the Kent Pension Fund for 2023/24 and 2024/25. This business plan was agreed at the Kent Pension Fund Committee meeting on 29 March 2023. The business plan is formally reviewed and agreed every year, and this will take place ahead of the start of each financial year. However, throughout the year it is monitored, and the Pension Fund Committee may be asked to agree to changes to it.

The purpose of the business plan is to:

- explain the background to and objectives for the management of the Kent Pension Fund
- document the priorities and improvements to be implemented by the pension service during the next three years to help achieve those objectives
- enable progress and performance to be monitored in relation to those priorities
- provide all key stakeholders with a clear vision for the next three years.

In addition, this business plan includes a budget for expected payments to and from the Kent Pension Fund including the resources required to manage the Fund.

If you require further information about anything in or related to this business plan, please contact:

Nick Buckland, Head of Pensions and Treasury, Kent County Council

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## Background to the Kent Pension Fund

The Kent Pension Fund ("KPF") is a £7.7bn (as at 30 June 2023) Local Government Pension Fund which provides death and retirement benefits for local government employees (other than teachers, police, and firefighters) in Kent and employees of other qualifying bodies which provide similar services.

Total Fund membership is 149,112 with 52,829 active contributors from 292 contributing employers, 46,706 retired and survivor members, and 49,577 deferred and other members.

### Governance and Management of the Fund

The key decision-making and management of the Fund has been delegated by Kent County Council ("the Council") to a formal Pension Fund Committee ("PFC").

A Local Pension Board is in place to assist in:

- securing compliance of Fund matters and
- ensuring the efficient and effective governance and administration of the Fund.

### The Pension Fund Management Team

The Corporate Director of Finance has overall responsibility for the operation of the Fund, and delegates day-to-day responsibility to the Head of Pensions and Treasury supported by the Pension Fund and Treasury Investments Manager and the Pensions Administration Manager. There are two sections within the team:

- The Pensions Administration Section which is responsible for delivering the Fund's Administration and Communications Strategies. It is headed by the Pension Administration Manager.

The Pensions Finance Section is responsible for delivering the Fund's Investment and Funding Strategies, as well as accounting matters. It also has overall responsibility for ensuring all governance matters are delivered. The team also has responsibility for Treasury Management for the Fund, and Kent County Council. It is headed by the Pension Fund and Treasury Investments Manager.

More information about their day-to-day responsibilities is documented later in this Plan in the "Business as Usual".

## Vision and Long-term Plan

The purpose of the KPF Business Plan is to set out the Fund's vision, goals, culture, improvement plan and actions for the current and future years, and a longer-term strategic direction.

The Fund undertook an independent review of its governance in previous 18 months, and a number of these proposed changes/improvements have already been implemented. In addition to this the Fund is looking forward to developing its service to provide an excellent service to all of its key stakeholders.

The Fund has developed this broader business plan to replace the existing plan which was agreed by the Pension Fund Committee in 2021.

The Fund's focus needs to be firmly set on achieving outcomes for our customers, i.e., the scheme employers and members. Everything that we do needs to keep this in mind, and decisions need to be made with an eye to the end goal of delivering an outstanding service, as set out in the Fund's vision:

**Our Vision is to deliver an outstanding and “best in class” service to our members and employers.**

Everyone's role in the team either directly contributes to the vision or creates the foundations and environment which make it possible. We will measure success against the vision by monitoring our progress against various service related KPIs, targets, and actions.

This document will be reviewed regularly and revised annually. The Strategic vision and overall goals will also be developed over time and will be included in future versions of the document.

The key aims and objectives for the Fund are detailed below.

## Key aims and objectives

The key actions and areas of focus in our business plan (as shown in the appendix) are grouped into the areas of **Governance, Funding and Investments** and **Administration** to align with the key aims and objectives of these strategies and policies. These aims and objectives are summarised below.

### Governance

- Act in the best interests of the Fund's members and employers
- Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies, and strategies
- Ensure the Pension Fund is managed, and its services delivered, by people who have the appropriate knowledge and expertise.
- Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based.

### Funding and Investments

- Achieve and maintain assets equal to 100% of liabilities, whilst remaining within reasonable risk parameters
- Determine employer contribution requirements, whilst recognising the constraints on affordability and strength of employer covenant, with the aim being to maintain as predictable an employer contribution requirement as possible
- Recognising the constraints on affordability for employers, aim for sufficient excess investment returns relative to the growth of liabilities
- Strike the appropriate balance between long-term consistent investment performance and the funding objectives.
- Manage employers' liabilities effectively through the adoption of employer specific funding objectives.
- Ensure net cash outgoings can be met as/when required.
- Ensure that the future strategy, investment management actions, governance and reporting procedures take full account of longer-term risks and sustainability
- Promote acceptance of sustainability principles and work together with others to enhance the Fund's effectiveness in implementing these

- Work with colleagues in the ACCESS pool to develop opportunities so that it is the first choice for investing the Fund's assets subject to it being able to meet the requirements of the Fund's investment strategy and objectives (including environmental, social and governance requirements), within acceptable long-term costs to deliver the expected benefits and subject to ongoing confidence in the governance of the partnership.

## Administration

- To pay the right benefits, to the right members, at the right time
- To collect income as necessary from external parties
- To develop a robust and effective Administration Strategy and ensure that all those involved with delivering under the strategy feel supported to fulfil their roles and responsibilities.
- To develop effective ways of measuring the performance of the pensions administration team and scheme employers in order to deliver the highest possible standard of service to scheme members.
- To ensure appropriate, clear, and meaningful performance data is provided to the Local Pension Board and Pension Fund Committee to support them in their remit in scrutinising the management of the pension fund
- To build strong relationships with scheme employers and support them in fulfilling their statutory obligations under the LGPS
- To build strong relationships with other external parties that may be involved with or support the delivery of the LGPS to Kent Pension Fund members including but not limited to the Pension Fund Committee and Local Pension Board
- To ensure the Fund maintains the highest level of data integrity and that all data is handled with due consideration given to data processing legislation
- To communicate with and support scheme members so that they have easy access to their pension information and have a clear understanding of their pension in order for them to make informed decision.
- To ensure that any breaches of Regulations/legislation are reported to the necessary parties in a timely manner.
- To monitor all complaints, compliments and comments and use these as a learning tool to improve the service delivery.

## Business as usual

Later in this business plan we highlight our key priorities are for the next three years. This focusses on areas of change and project-like tasks which are in addition to our day to day “business as usual” duties.

Managing the Fund on a day-to-day basis involves a wide range of processes and procedures, some of which are outlined below and all of which have been designed around achieving our Fund’s objectives as outlined in our strategies and policies. The management of the Fund is significant, complex, and highly regulated. As such, these processes and procedures require expert knowledge and experience from both officers and external advisors in several diverse areas as illustrated below.

### Governance

Theme	Sub-theme	Timetable	Action
Governance	Financial Control	Annual	Prepare annual accounts and annual report in compliance with CIPFA requirements
Governance	Financial Control	Annual	Preparing and monitoring the Pension Fund's budget and cashflow
Governance	Financial Control	Ongoing	Assist internal and external auditors in their role
Governance	Financial Control	Ongoing	Set agenda, reporting and presentation to PFC, PB and working groups
Governance	Financial Control	Ongoing	Support Chairman in role on the ACCESS Joint Committee
Governance	Financial Control	Ongoing	Participate in ACCESS officer groups (s151, OWG, various sub-groups)
Governance	Financial Control	Ongoing	Report on ACCESS progress on a quarterly basis to the PFC and LPB
Governance	Financial Control	Ongoing	Develop and maintain training plan for PFC and LPB
Governance	Operational Control	Ongoing	Establish, maintain, and test business continuity arrangements/plans
Governance	Operational Control	Ongoing	Implementing and monitoring the achievement of other governance areas such as training policy, conflict of interest policy, risk register, and compliance against The Pension Regulator’s Code of Practice
Governance	Compliance	Ongoing	Compliance with KCC policy and law re procurement, data protection and health and safety
Governance	Compliance	Ongoing	Reply to FOI requests
Governance	Compliance	Ongoing	Respond to consultations and regulatory developments

Governance	Compliance	Ongoing	Preparation of statutory and non-statutory returns
Governance	Procurement	2023/24	Fund actuary procurement
Governance	Procurement	TBA	Custodian and record keeper procurement

## Funding and Investment

Theme	Sub-theme	Timetable	Action
Funding	Valuation	2022/23	Assist Fund actuary with triennial valuation exercise and communicate results to employers
Funding	Valuation	2023/24	Submit data to the GAD for the s.13 review
Funding	Employer governance	Ongoing	Monitor employers' funding positions and covenants
Funding	Employer governance	Ongoing	Facilitating employer events (admissions, cessations etc.) effectively
Funding	Employer governance	Ongoing	Support the provision of IAS19/FRS102 reporting for employers via submission of data to the Fund actuary
Funding	AVCs	Ongoing	Review AVC provision on a regular basis
Investment	Asset pooling	Ongoing	Ongoing pooling of investment assets
Investment	Asset pooling	Ongoing	Support/Manage/Monitor/Contribute to ACCESS project
Investment	Strategy	2023/24	Review ISS
Investment	Monitoring	Ongoing	Review current asset allocation vs strategic asset allocation
Investment	Monitoring	Ongoing	Review performance and continuing suitability of equity protection programme
Investment	Monitoring	Ongoing	Quarterly monitoring of investment performance (AA and FMs)
Investment	Monitoring	Ongoing	Appoint/Monitor/Terminate fund managers including within a pooling environment
Investment	Monitoring	Ongoing	Ensure investment costs are fully disclosed in line with CTI
Investment	Responsible investment	2023/24	Review membership of collaborative initiatives

## Administration

Theme	Sub-theme	Timetable	Action
Administration	Governance	Ongoing	Review all Pension Fund policies
Administration	Governance	Ongoing	Ensure that all complaints are dealt with in a timely manner
Administration	Reporting	Ongoing	Produce quarterly administration performance reports for the Local Pension Board
Administration	Reporting	Ongoing	Monitor and report against the Administration Strategy
Administration	Communication	Ongoing	Review the content of the Pension Fund website to ensure it is compliant and fit for purpose
Administration	Communication	Ongoing	Produce newsletters for members and employers
Administration	Communication	Ongoing	Timely production of Benefit Statements for Active and Deferred members
Administration	Communication	Ongoing	Timely production of Pension Saving Statements for members who exceed the Annual Allowance
Administration	Communication	Ongoing	Communicate any scheme changes to Pension Fund Committee, Local Pension Board, members, and employers as appropriate
Administration	Communication	Ongoing	Deliver Employer Forum and receive feedback from employers

## Three-year Business Plan

### Key tasks for 2022/23 – 2024/25

The Fund has many ongoing pieces of work, and also some key tasks for the forthcoming years, the tables below are grouped into the areas of **Governance**, **Funding and Investments** and **Administration** to align with the key aims and objectives of these strategies and policies.

#### Governance

Action	2022/23	2023/24	2024/25
Implement recommendations of Barnett Waddingham governance review	X	X	
Implement recommendations of SAB Good Governance review (as necessary)		X	
Develop TCFD reporting		X	
Assess TPR single code of practice	X	X	X
Develop and maintain cybersecurity policy and arrangements	X	X	X
Assess new LGPS pooling guidance (expected)		X	

#### Investment and Funding

Action	2022/23	2023/24	2024/25
Further develop approach to climate risks and opportunities		X	
<del>Determine funding strategy with actuary for three years, consulting with employers</del>	X		
Investment strategy review and implementation		X	X
Explore suitability of hedging other risks (including currency)		X	
Further develop responsible investment approach	X	X	X
Develop annual stewardship reporting		X	
Explore levelling up agenda		X	
Interim funding review			X

## Administration

Action	2022/23	2023/24	2024/25
Complete Guaranteed Minimum Pension Reconciliation and Rectification project, taking guidance from Pension Fund Committee on any potential under and over payments of pension	X	X	X
Develop and deliver a Data Improvement Plan		X	
Plan for and deliver McCloud project	X	X	X
Plan for and deliver Pensions Dashboard project		X	X
Assess current resource levels and carry out appropriate capacity planning, including a review of team structure	X	X	
Clear backlog of individual cases in an efficient way	X	X	
Identify and implement any system enhancements in order to improve on efficiency and effectiveness of the service delivery	X	X	
Promote digital offering to members and employers including but not limited to Member Self Service and iConnect	X	X	X
<del>Develop and deliver an Administration Strategy</del>	<del>X</del>		
<del>Manage the expiration of the current administration system contract</del>	<del>X</del>	<del>X</del>	
<del>Carry out the 2022 Triennial Valuation</del>	<del>X</del>		
To deliver the day-to-day BAU including but not limited to new scheme joiners, transfers in/out, refunds, deferred benefits, retirement estimates, payment of retirement benefits, deaths, divorces, general correspondence	X	X	X
Compliance with future regulations/legislative changes, including appropriate communication, training and process notes for members and employers	X	X	X
<del>Develop an Administering Authority Discretions Policy</del>	<del>X</del>		
<del>Develop a robust Breach Reporting Policy</del>		<del>X</del>	
Develop and deliver Fund surveys to capture feedback from all stakeholders in order to inform the future improvement of the service		X	
Assessing the impact of and implementing the annual revaluation date change	X	X	

## Delivering the Business Plan

### Pension Fund Budget

	2022-23 Actuals	2023-24 Budget	2023-24 Forecast	Variance
Pensions Administration	2,358,472	2,970,000	2,931,672	-38,329
IT Expenses	680,638	1,200,000	1,362,125	162,125
Pension Payroll Services	228,188	235,000	241,879	6,879
Payment services	17,267	17,000	20,140	3,140
Financial systems and services	64,700	65,000	65,000	0
Legal Fees	134,899	80,000	70,225	-9,775
<b>Administration Expenses</b>	<b>3,484,164</b>	<b>4,567,000</b>	<b>4,691,040</b>	<b>124,040</b>
Actuarial Fee including cost of valuation	420,169	280,000	299,284	19,284
Direct recovery of actuary, legal fees and admin costs	-295,179	-240,000	-246,071	-6,071
Subscriptions	62,438	70,000	65,991	-4,010
ACCESS pooling costs	115,345	180,000	141,730	-38,270
Investment Accounting and Oversight costs	684,522	773,000	769,974	-3,026
Training	1,200	15,000	9,522	-5,478
Performance Measurement Fees	26,684	35,000	37,270	2,270
Governance Consultancy	0	15,000	0	-15,000
Investment consultancy	304,353	353,000	334,500	-18,500
<b>Governance and Oversight Expenses</b>	<b>1,319,532</b>	<b>1,481,000</b>	<b>1,412,200</b>	<b>-68,800</b>
Custody	38,028	45,000	45,000	0
Transaction Costs	165,716	675,000	675,000	0
Fund Manager Fees - Fixed Income	3,801,624	5,640,000	5,640,000	0
Fund Manager Fees - Equities	13,343,379	13,667,000	13,667,000	0
Fund Manager Fees - Private Equity/Infrastructure	6,907,234	7,875,000	7,875,000	0
Fund Manager Fees - Property	3,395,638	3,744,000	3,744,000	0
<b>Investment Management Costs</b>	<b>27,651,619</b>	<b>31,646,000</b>	<b>31,646,000</b>	<b>0</b>
Audit fee	45,511	43,000	50,100	7,100
<b>Total</b>	<b>32,500,826</b>	<b>37,737,000</b>	<b>37,799,340</b>	<b>62,340</b>

## Delivering the Business Plan

### Monitoring and Reporting

In order to identify whether we are meeting our agreed business plan we will:

- continue to monitor progress of the key priorities and budgets on an ongoing basis within the Pension Fund Management Team
- provide updates on progress against these key priorities on a quarterly basis to the Pension Fund Committee, which will be shared with the Pension Board
- as part of these quarterly updates:
  - highlight any areas where we are exceeding or failing to achieve our targets and the reasons why and identify any changes to the planned priorities as a result of this.
  - highlight any significant additional spend or underspend in relation to the agreed budget as it becomes apparent.

**From:** Chairman – Kent Pension Board  
Corporate Director of Finance

**To:** Kent Pension Board – 28 November 2023

**Subject:** Pensions Administration

**Classification:** Unrestricted

**Summary:**

This report brings Members up to date with a range of matters concerning the administration of the Kent Pension Fund for the period 1 August to 31 October 2023. The report covers the following areas:

1. Performance
2. Recruitment
3. Breaches of Law
4. Complaints, Compliments and Comments
5. Project Updates
6. Overpayment Recovery and Write Off Limits
7. Communications and Support Update
8. Technical Updates
9. Training and Development

**Recommendations:**

The Board is asked to note the report.

**FOR INFORMATION**

**1. Performance Update**

- 1.1 Details of the administration casework performance can be found at **Appendix 1.**
- 1.2 During the period 1 August to 31 October 2023 a total of 14,643 new cases were received by the Pensions team. This is a decrease of 883 from the previous period. 13,499 cases were completed during the period August to October. An increase of 2,076 compared to the previous period. This is mainly attributed to the processing of cases that were previously on hold due to changes to the SCAPE factors.
- 1.3 The average performance across all casework has decreased from 82% to 62%, which can be attributed to the number of outstanding cases decreasing from 19,308 to 19,079 as the teamwork through backlogs created by the changes to the SCAPE factors.

	<b>Nov 2022 to</b>	<b>Feb to Apr</b>	<b>May to July</b>	<b>Aug to Oct</b>
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	<b>Jan 2023</b>	<b>2023</b>	<b>2023</b>	<b>2023</b>
<b>Cases Open</b>	12,193	14,364	16,029	19,308
<b>Cases Received</b>	14,777	16,041	15,526	14,643
<b>Cases Completed</b>	11,878	13,792	11,423	13,499
<b>Cases Outstanding</b>	14,266	15,741	19,085	19,079
<b>Overall SLA Performance</b>	86%	79%	82%	62%

## 2. Recruitment

- 2.1 The last quarter has involved much recruitment activity, which saw a combination of several internal moves (mainly promotions) and the appointment of external applicants. Whilst these appointments are vital for the long-term success of Kent Pension Fund and have been undertaken as per the planned Phase 2 Recruitment schedule, they have brought a period of unavoidable unsettlement and change, particularly to the Communications & Support team. Phase 3 Recruitment will begin in 2024 to allow some stability and settling into new roles. There remain vacancies within in the Pensions section, most notably at the grades of Senior Pensions Administrators and Pensions Officers (KR7 and KR8); the team are confident that these vacancies will be filled in 2024. The details below summarise the Phase 2 recruitment activity between August and October 2023.
- 2.2 In September 2023 the team concluded the Pensions Assistant (KR5) recruitment campaign. The team will be welcoming four new Pension Assistants to the Pension Administration teams between December 2023 and January 2024. In addition, the team are pleased to welcome back a previous colleague to Kent Pension Fund, who will be joining the Pensions Communication & Support Team as a Pensions Assistant. They will be joined by an existing team member, who is moving as a Pensions Assistant from the Pensions Administration team to the Pensions Communication & Support team.
- 2.3 The Pensions Assistant recruitment campaign was needed to backfill positions made vacant due to successful internal promotions. Further to training and experience gained within the Fund during secondments, two promotions to Pensions Administrator were confirmed in September 2023. In response to an invitation for Expressions of Interest, three other Pension Administrator secondments were awarded in October which will start in January 2024. The team are proud to support colleagues in their career journeys and to provide opportunities through secondment placements.
- 2.4 The team are pleased to confirm two Deputy Team Manager secondments to support the Pensions Administration teams. These placements have been

filled by existing colleagues from the Communication & Support team. These Deputy Team Manager secondments are due to commence in December 2023 and February 2024 to allow a smooth handover period. Five other Communication & Support Officers were appointed in August 2023, one of whom was an external candidate.

2.5 Since October, the newly formed Projects team has been strengthened by the internal move of a Senior Administrator who had previously worked on administrating the Kent Police Pension scheme. The officer will strengthen resilience within Kent Pension Fund to work on a range of different projects and initiatives.

### 3. Breaches of Law

3.1 Details of identified breaches of scheme Regulations can be found in **Appendix 2**.

3.2 B2 has been updated to include the number of members who left the scheme between 1 April and 31 October 2018, and are yet to claim payment of their refund.

3.3 There have been no new breaches reported.

### 4. Complaints, Compliments and Comments

4.1 For the period 1 August to 31 October 2023 a total of 5 complaints, 22 compliments and 26 comments were received into the corporate system called iCasework. These have been summarised below:

	<b>Complaints</b>	<b>Compliments</b>	<b>Comments</b>
<b>August</b>	<b>1</b> (x1 poor communication)	<b>6</b> (x6 good communication)	<b>11</b> (x1 service delivery by third party X10 poor communication)
<b>September</b>	<b>2</b> (x1 disagreement with decision or policy) x1 poor communication)	<b>6</b> (x6 good communication)	<b>7</b> (x1 service delivery by third party x6 poor communication)
<b>October</b>	<b>2</b> (x1 poor communication x1 service delivery from third party)	<b>10</b> (x10 good communication)	<b>8</b> (x1 good communication x7 poor communication)

## 5. Project Updates

- 5.1 **Benchmarking** - CEM have reviewed the information provided by the Fund during the Summer. A draft report which outlines the key findings has been prepared by CEM and sent to Kent Pension Fund. Officers are meeting with CEM at the end of November to review the draft report provided. An initial review of the draft report findings suggests a fair reflection of progress-to-date. Where management action has been suggested by CEM, action is already underway or is being planned. A full outline of the CEM benchmarking assessment will follow at the next Pension Board meeting in 2024.
- 5.2 **Police Pension Scheme Administration Exit** – the administration of the Police Pension Scheme successfully transitioned to XPS on 1 October 2023. To date there have been no queries raised by the new provider and very few communications from affected members.
- 5.3 **Guaranteed Minimum Pension (GMP) Rectification** – upon completion of this project, letters were issued to 296 members who had an adjustment to their pension. To date the team have received less than 30 calls from affected members and less than 20 have requested further information and/or copies of the calculations. The team have received a Stage 1 Internal Dispute Resolution Procedure (IDRP) application which has been referred to the Fund’s independent adjudicator.
- 5.4 **Overseas Existence Checks** - Crown Agents Bank (CAB) will be assisting The Fund with this process from November 2023. Procurement processes have been completed to onboard CAB, and Officers are working with CAB to commence project activity. Communication and messaging will be used to inform scheme members about CAB’s assistance to Kent Pension Fund. Outsourcing this work to CAB will take some of the pressure off the in-house team. CAB use digital technology solutions to verify proof of life existence amongst overseas pensioners. The systems used by CAB also have an anti-fraud advantage, whereby compliance checks are designed to identify suspicious activity. Whilst use of these new systems is expected to make it easier for overseas scheme members to confirm their existence, paper-based options will continue to be made available to scheme members who do not wish to use the technology, or do not have an email address.
- 5.5 **Enhanced Admin to Pay and Immediate Payments** - this project automates benefit payments and the calculation of pension arrears, streamlining processes. The project commenced mid-September 2023 and system updates are expected to be implemented by Spring 2024.
- 5.6 **Telephony** - The Fund has been selected as early adopters of KCC’s new telephony solution, Luware. The Luware system will enable use of a more sophisticated telephony solution, with the potential to offer improved customer service to scheme members. Luware’s functionality enables easier monitoring

of calls and enquiries, so that call lines can be managed according to demand.

- 5.7 **Inbound Post Solution** - due to the number of other high-profile projects this quarter, it has been decided to pause this project activity. Recommencement of this project will be reconsidered in February 2024.
- 5.8 **Insights** - training and liaison with Heywood's has continued this quarter. Reporting using Insights is due to commence in 2024. The project has experienced some delays due to expanding the scope of areas to be reported.
- 5.9 **Process Reviews – Deaths** - this successful review has been looking at the initial part of the Death process, payment of Survivor Benefits and Death Grants, liaison with KCC's payroll team, recording deaths, mortality screening and governance. A workshop was held in November to gather feedback from the team. Another workshop is to be held in December 2023. The information collected at these workshops will be used to improve processes, training and communication.

## 6. Overpayment Recovery and Write Off Limits

- 6.1 The number of pension overpayment write offs for the period 1 August to 31 October are set out below:

	August 2023		September 2023		October 2023	
	Number	Total	Number	Total	Number	Total
<b>£200-£5,000</b>	1	£41.02	-	-	41	£13,627.91
<b>£5,000-£50,000</b>	2	£18,695.60	1	£8,701.69	-	-
<b>£50,000+</b>	-	-	-	-	-	-

## 7. Communications and Support (C&S) Update

- 7.1 Following the launch of the new **Kent Pension Fund logo**, the C&S team have commenced a project to add the new logo to all member and employer forms on the pension fund website. As there are over 400 forms to amend, this is expected to run for a few months. The pension fund website has also been updated in line with the new branding.
- 7.3 The team have started to send chasers to scheme employers for **McCloud** data and will continue to support employers throughout this project. Just over 50% of the data expected has been received from employers although the quality of this data has not yet been checked.
- 7.4 The team are progressing well with the onboarding of the Fund's second largest employer on to **iConnect** and have also received some training from Heywood's in preparation for the significant scale of the project as more employers are due to onboard from April 2024.

- 7.5 The next **Employer Forum** has been scheduled for December 2023 and advertised to employers. To date 58 employers have registered to attend and reminders about this event will be issued.
- 7.6 The team hosted the first **member webinar** ‘Understanding Your Annual Benefit Illustration’. The session was fully booked, and excellent feedback was received. The next webinar ‘Member Self Service’ is scheduled for the end of November.
- 7.7 Three members of the C&S team attended school bursar meetings along with colleagues from the Treasury & Investments team to deliver a presentation regarding **employer responsibilities**. The feedback from these sessions was really positive.
- 7.8 The team have commenced a project to transition from the current **member self-service** platform to a new and improved platform which will streamline member registrations and account access, provide more robust security and allow the team to automate more processes.
- 7.9 Member registrations to the current platform are steadily increasing and the team will progress at speed with the promotional plans once onboarded to the new platform.

	<b>30 April 2023</b>	<b>31 July 2023</b>	<b>31 October 2023</b>
<b>Active</b>	3,790	4,384	4,659
<b>Deferred</b>	2,217	2,687	2,815
<b>Pensioner</b>	2,410	2,984	3,221

## 8. Technical Updates

- 8.1 **SCAPE changes – updated actuarial factors** - since the last Pension Board meeting in September, the team have now received all updates to the actuarial factors, which were necessitated by the change to the SCAPE rate in March 2023. These revised factors were received over 4 separate batches between April and September. This impacted almost all work from retirement benefits to transfer calculations and caused a number of areas of work to be put on hold or dealt with manually until the software could be updated.
- 8.2 **Annual Allowance** - at the start of October, the Technical Team, with help from the Administration Team, completed the annual exercise of notifying scheme members of their Pension Input Amount. This is a statutory requirement on the scheme to notify scheme members where they have exceeded the Standard Annual Allowance in the LGPS for the previous tax year. In total, calculations were undertaken on 204 members. From these, 103 letters were issued to members who had exceeded the Annual Allowance in 2022/23. Follow up work continues to be undertaken to deal with elections to use Scheme Pays.
- 8.3 **McCloud ruling and the Remedy in the LGPS** - the Government laid The Local Government Pension Scheme (Amendment) (No. 3) Regulations 2023

on 8 September 2023, which set out the framework for the remedy in the LGPS. The remedy in the LGPS will have a major impact on many different areas of work. Interpretation of the legislation is on-going; however, decisions have been made at a national level to continue processing pension transfers between LGPS funds. A further decision was made to enable the team to continue processing transfer quotes (for transfers outside of the LGPS) although this is just an interim solution that may require the team to revisit cases in future. The technical team have so far delivered 6 training sessions to colleagues regarding the remedy. These sessions have focussed on background information. Plans are in place to deliver more detailed sessions over the coming months once all software and data requirements in place. Administrator guidance from the Local Government Association is still outstanding.

- 8.4 **LGA working group for a LGPS qualification** - a member of the Technical Team is part of a working group chaired by the Local Government Association looking at setting up a LGPS specific qualification for pension administrators. The working group meets for the first time on 15 November with the aim to start the discussions on the design of the qualification.

## 9. Training and Development

- 9.1 The Training Officers have produced learning pathways for the Pension Assistants and Pension Administrators. The two pathways are now live and are actively being used to plan and schedule the training development for all colleagues at these grades. The pathways ensure pension knowledge is built upon from subject to subject.

- 9.2 Training figures for the period 01/08/2023 – 31/10/2023

In house training sessions	51
Sessions led by Training Officers	40
External LGA training	11

- 9.3 The numbers appear lower than for last period due to the pause on training during the month of August to ensure adequate available resource for the increase in workload from leaver packs and member queries due to the number of schools/academies/colleges in the fund and to prepare for the dispatch of Annual Benefit Illustrations.

- 9.4 This training schedule has also been impacted by the SCAPE factor changes. When factors are changed training must be cancelled or rearranged at very short notice awaiting guidance of when case processing can recommence.

**Clare Chambers – Pensions Administration Manager – Kent Pension Fund**

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**Appendix 1 – August to October 2023 Performance Report**  
**Appendix 2 – Breach of Law Register**

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	Case Type	SLA (days)	Tolerable Performance (%)	Number of cases open at start of the period	Number of cases received	Number of cases completed	Number of cases completed within SLA	% of cases completed within SLA	Number of cases completed outside of SLA	Average number of days to complete cases	Number of cases open at end of the period
Deaths	Initial Death Notification	15		71	383	379	355	94	24	7	57
	Survivors Pensions	15		74	138	141	95	67	46	15	67
	Death Grant Payment	20		30	70	60	46	77	14	21	37
	Balance of Payments/Overpayment Recovery	15		32	225	210	198	94	12	4	40
Retirements	Payment of Retirement Benefits	20	90	347	876	784	723	92	61	19	422
	Provision of Retirement Estimates	20		623	1239	1237	951	76	286	18	544
Early Leavers	Payment of Refunds	20		145	312	392	347	89	45	11	56
	Provision of Deferred Benefit Statements	60		6299	1317	774	252	33	522	177	6257
Transfers	LGPS Transfer In Estimates	20		1006	255	46	36	78	10	243	1160
	Aggregation In Estimates	260		1642	169	73	44	60	29	433	1708
	LGPS Transfer Out Estimates	20		342	119	95	23	24	72	101	342
	LGPS Transfer In Actuals	20		345	53	25	0	0	25	211	365
	Aggregation In Actual	60		6478	1602	753	219	29	534	201	6869
	LGPS Transfer Out Actuals	20		202	83	28	3	11	25	137	255
	Non LGPS Transfer In Estimates	20		73	49	100	25	25	75	50	7
	Non LGPS Transfer Out Estimates	20		139	146	120	21	18	99	64	147
	Non LGPS Transfer In Actuals	20		108	52	36	4	11	32	83	120
Non LGPS Transfer Out Actuals	20		20	22	20	6	30	14	40	20	
Divorces	Pension Sharing on Divorce Estimates	6 weeks		34	107	100	88	88	12	19	34
	Pension Sharing on Divorce Implementations	4 months		4	1	1	1	100	0	112	3
General	New Starters	30		971	3698	4427	3440	78	987	16	235
	General Correspondence	15	98	102	2105	2091	1950	93	141	3	105
	Change of Details (i.e. address, name, nomination)	10		23	1432	1439	1431	99	8	0	15
	Opt Outs			184	113	89	78	88	11	10	202
	Lost Pension			14	77	79	78	99	1	2	12
<b>Total</b>				<b>19308</b>	<b>14643</b>	<b>13499</b>	<b>10414</b>	<b>62</b>	<b>3085</b>	<b>80</b>	<b>19079</b>

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Reference	Date entered in register	Title of breach	Owner of breach	Third party which caused the breach (if any)	Description and cause	Possible effect and wider implications	Category of members and number of members affected	Initial (re)action	Assessment of breach (red/amber/green) Brief summary of rationale	Reported to tPR (Yes/No) and outcome of report	If reported, name of reporter	Further actions taken to rectify breach	Outstanding actions (if any) and date breach closed
B1	27/04/2023	Over 5 year unclaimed refunds	Clare Chambers	Scheme Members (Frozen Refunds)	Scheme members who joined the scheme after 1 April 2014, left with an entitlement to a refund of contributions but have not claimed the refund within 5 years of leaving the scheme	Inaccurate valuation of the Fund's liabilities	Frozen Refund members who left between 01/04/2014 and 31/03/2018 x2,996 members	Claim forms sent to members upon leaving the scheme	Green Not materially significant - no financial detriment to member - procedures being put in place to avoid future breaches - Regulations due to be amended by government	No	N/A	5 year period has already expired so breach cannot be rectified	Fund need to chase members for completion of claim forms following an address tracing exercise. Fund also need to implement a more robust process for chasing members who are approaching the 5 year deadline. To note, it is anticipated that this Regulation will be removed in due course, in which case these may no longer be considered as a breach
B2	13/11/2023	Over 5 year unclaimed refunds	Clare Chambers	Scheme Members (Frozen Refunds)	Scheme members who joined the scheme after 1 April 2014, left with an entitlement to a refund of contributions but have not claimed the refund within 5 years of leaving the scheme	Inaccurate valuation of the Fund's liabilities	Frozen Refund members who left between 01/04/2018 and 31/10/2018 x695 members	Claim forms sent to members upon leaving the scheme	Green Not materially significant - no financial detriment to member - procedures being put in place to avoid future breaches - Regulations due to be amended by government	No	N/A	5 year period has already expired so breach cannot be rectified	Fund need to chase members for completion of claim forms following an address tracing exercise. Fund also need to implement a more robust process for chasing members who are approaching the 5 year deadline. To note, it is anticipated that this Regulation will be removed in due course, in which case these may no longer be considered as a breach

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**From:** Chairman – Kent Pension Board  
Corporate Director of Finance

**To:** Kent Pension Board – 28 November 2023

**Subject:** Employer Governance Update

**Classification:** Unrestricted

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**Summary:**

This report provides an update on Fund employers for the 3 months ending 30 September 2023 and confirmation of an employer matter agreed by Committee at their meeting on 26 September 2023. It also provides an update on 'deemed employer' status and the actuary procurement project.

**Recommendation:**

The Board is asked to note the report.

FOR INFORMATION

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**1. Introduction**

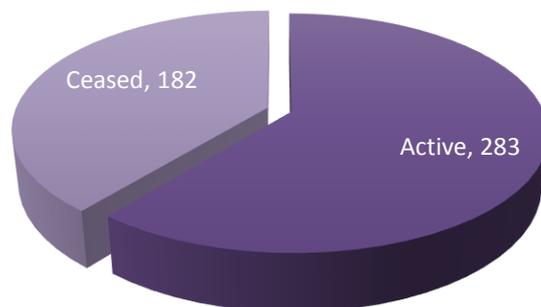
This report provides an update on Fund employers for the 3 months ending 30 September 2023 and confirmation on matters agreed by Committee at their meeting on 26 September 2023. It also provides an update on 'deemed employer' status' and on the actuary procurement project.

**2. Employer Update for the 3 months to 30 September 2023**

- 2.1 At its last meeting the Board received an update on employer numbers as at 30 June 2023, when there were 464 employers in the Fund. This number increased by 1 overall in the 2nd quarter of 2023/4 to 465 employers in the Fund on 30 September 2023.
- 2.2 During this quarter, 1 new free school and 1 new academy trust joined the Fund. In addition, 2 new admitted body employers and 1 new parish council also joined the Fund. In addition, 4 schools converted to academy status and joined existing multi-academy trusts.

Also, during this quarter, 9 admitted bodies and 1 parish council became ceased employers who still have liabilities in the Fund although this does not affect the overall number of employers in the Fund.

## Split of Employers between Active and Ceased



2.3 The following tables list employers who joined the Fund as well as those who left the Fund or ceased to have active members in the Fund during the 3 months to 30 September 2023.

Type	New Employers	Effective Date
Admission Body	Seeclear Facilities (UK) Ltd	01 April 2020 (backdated admission)
Admission Body	Skanska Construction UK Ltd	01 November 2022 (backdated admission)
Scheduled Body	Rusthall Parish Council	10 July 2023
Academy Trust	United Learning Trust (Chilmington School)	01 September 2023
Academy Trust	Inspire Academy Movement	01 September 2023

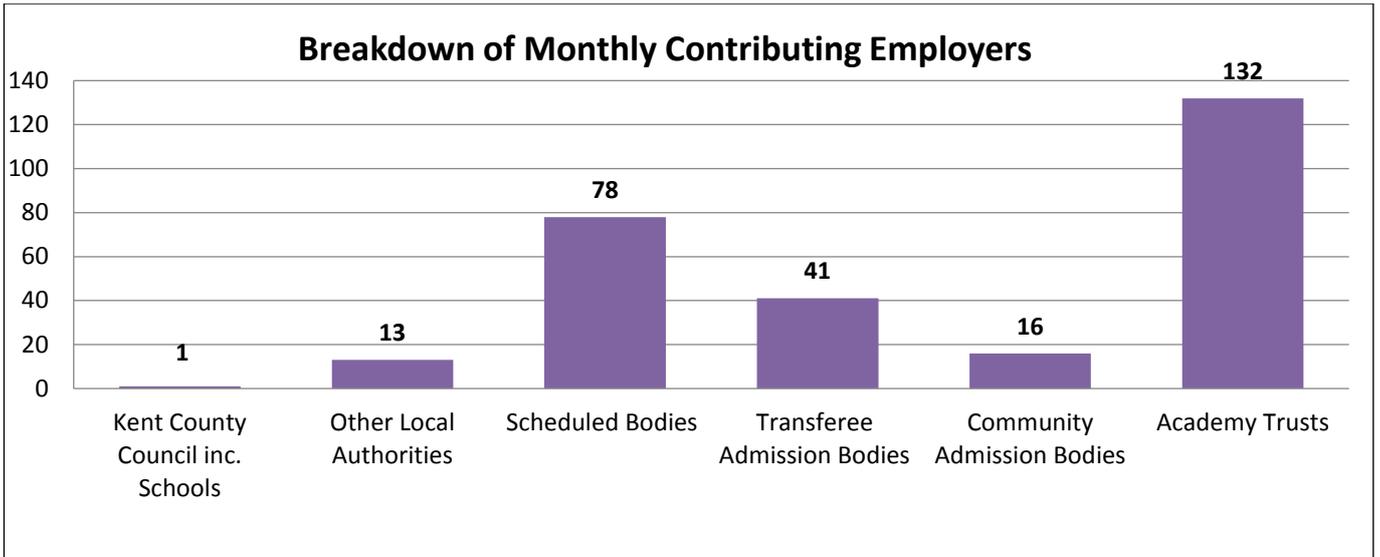
Type	Ceased Employers	Effective Date
Admission Body	Enterprise AOL Ltd	31 August 2023
Admission Body	Pabulum Ltd re Swale Academies Trust	31 July 2023
Admission Body	Churchill Contract Services Ltd (Re: Thinking School Academy Trust)	31 August 2023
Admission Body	Cleantec Services Ltd (Leigh Academies Trust)	31 July 2023
Admission Body	Cleantec Services Ltd (Dartford Grammar School for Girls)	31 August 2023
Admission Body	Purgo Supply Services Ltd	31 July 2023

Admission Body	Birkin Cleaning Services Ltd (Re: Maritime Academy Trust)	08 August 2023
Admission Body	Compass Contract Services UK Ltd (Kent Catholic Schools Trust -Secondary Schools)	03 January 2023
Admission Body	Sodexo (Oasis Community Learning Trust)	31 August 2023
Schedule Body	Westgate on Sea Parish Council	01 August 2023

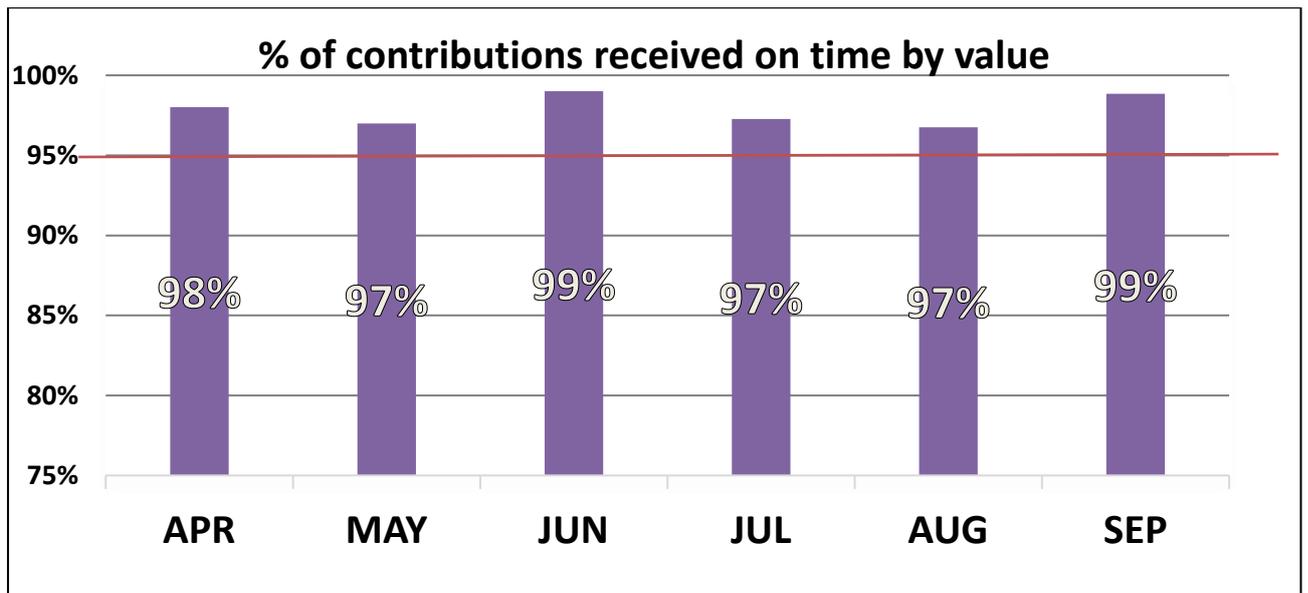
2.4 In the 6 months to 30 September 2023 the Fund received £152m from employers in respect of their monthly contributions (employer and employee) as follows:

	Received Early	Cash on 19th	Received Late	TOTAL
	£	£	£	£
<b>April</b>	15,142,991.08	9,535,893.13	539,725.23	25,218,609.44
<b>May</b>	14,966,215.01	9,581,543.72	772,968.68	25,320,727.41
<b>June</b>	15,444,021.25	10,037,167.15	187,303.66	25,668,492.06
<b>July</b>	13,951,651.32	10,874,794.53	697,085.24	25,523,531.09
<b>August</b>	15,663,617.93	8,906,384.41	827,294.35	25,397,296.69
<b>September</b>	15,556,908.04	9,574,294.26	295,556.59	25,426,758.89

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



2.6 The Key Performance Indicator (KPI) of 95% by value for % of contributions was met every month April to September 2023.



2.7 The Key Performance Indicator (KPI) of 95% for % of employers was met every month April to September 2023 bar May 2023. 22 employers paid late or didn't pay and 11 of these related to a single payroll provider (Cintra) who did not make the May payment in time. Although these outstanding payments have now been resolved, the payroll provider in question subsequently notified the Fund on that they were withdrawing from the local government market with effect from 1 September 2023. Officers are liaising with affected employers to ensure contributions and associated payroll information continue to be received on a timely basis and have arranged employer specific training.

### 3. Employer Admission Matters

3.1 At their meeting on 26 September 2023 the Committee agreed:

- a) to the admission to the Kent Pension Fund of Compass Contract Services UK Ltd (re Crest Infants and Nursery School);
- b) to the admission to the Kent Pension Fund of Churchill Contract Services Ltd (re KCC 2022);
- c) to the admission to the Kent Pension Fund of Purgo Supply Services Ltd (re Leigh Academies Trust)
- d) the exit surplus in respect of Tascor Services Ltd is allocated to the Police and Crime Commissioner's notional share of the Fund; and
- e) the decision for awarding the actuarial contract is delegated to the Corporate Director of Finance in conjunction with the Committee Chair and Vice Chair.

#### **4. 2019 Government Consultation - deemed employer route**

- 4.1 In May 2018 the LGPS regulations were amended to allow LGPS legal documents to be given retrospective effect back to the staff transfer date. Whilst this has provided welcome flexibility for the Fund, letting authorities and contractors it also causes practical difficulties for the employees involved in a staff transfer who may wish to retire etc before the legal documents are completed, leading to a delay in processing their LGPS benefits.
- 4.2 At their meeting on 21 June 2019 Committee were advised the then Ministry of Housing, Communities & Local Government (MHCLG) ran a consultation from January to April 2019 called *Fair Deal – strengthening pension protection*. Officers did not respond to the consultation on behalf of the Fund although broadly welcomed the proposals. This consultation is available via the following link  
[https://assets.publishing.service.gov.uk/media/5c360252ed915d7320b52529/Fair\\_Deal\\_in\\_the\\_LGPS\\_consultation.pdf](https://assets.publishing.service.gov.uk/media/5c360252ed915d7320b52529/Fair_Deal_in_the_LGPS_consultation.pdf)<sup>4.3</sup> The consultation proposed that service providers do not necessarily need to become admission bodies in the LGPS to participate in the scheme. Instead 'deemed employer status' could be used, with LGPS risk retained by the letting authority, whilst the LGPS contributions are paid by the contractor potentially at the same rate as the letting authority.
- 4.4 Officers anticipate the deemed employer route for entry to the Fund would reduce costs and delays by potentially minimising the involvement of the actuary and the need for a legal admission agreement and associated security.
- 4.5 There had been no further update on the deemed employer route following the 2019 consultation and it was recommended the Chair of the Committee write to The Department of Levelling Up, Housing and Communities (DLUHC) to express the Fund's support for it and to ask for amendments to the LGPS regulations to be made as soon as possible.

- 4.6 At their meeting on 29 March 2023 the Committee agreed that the Chairman writes to DLUHC asking for an update on the matter of deemed employer status.
- 4.7 At their meeting on 29 June 2023 the Committee were advised officers have considered the matter further and the Charman wrote to Cllr Roger Phillips Scheme Advisory Board Chairman. A further update will be provided at future meetings of the Committee and Board.
- 4.8 On 16 October 2023 Cllr Roger Phillips wrote to the Department of Levelling Up, Housing and Communities and a copy of this letter is attached at Appendix One.
- 4.9 A further update will be provided at future meetings of the Committee and Board.

## **5. Actuary Procurement**

- 5.1 As reported to the Board at its meeting on 6 September, the Fund is currently carrying out a routine re-procurement exercise for the ongoing provision of actuarial advice, using a competitive process under the Actuarial, Benefits and Governance Consultancy Services Framework established by the National LGPS Frameworks.
- 5.2 The procurement process has broadly proceeded as planned but the final stage of the evaluation process – in-person interviews – has been subject to a minor delay owing to adverse weather conditions impacting arrangements in November. At the time of writing, officers are in the process of rescheduling the postponed interview stage.
- 5.3 In light of this development, officers now expect an appointment to be made in early Q1 2024. However, officers do not expect the minor delay to have any material impact on the oversight or administration of the Fund. A verbal update will be provided at today's meeting as necessary.

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Steven Tagg, Senior Accountant Employer Governance and Compliance – Kent Pension Fund.

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Local Government Pension Scheme  
**Scheme Advisory Board**

Teresa Clay  
Local Government Pensions  
Department of Levelling Up, Housing and Communities  
Fry Building  
2 Marsham Street  
SW1P 4DF

16 October 2023

Please reply to [joanne.donnelly@local.gov.uk](mailto:joanne.donnelly@local.gov.uk)

Dear Teresa,

### **Deemed Employer Status**

I write in regard to the [DLUHC consultation](#) held in 2019 on the strengthening of Fair Deal protections and in particular to request an update on the Department's response. The consultation closed on 4 April 2019 and the latest update on the gov.uk site, from 8 September 2022 was that you were reconsidering the proposals.

The Scheme Advisory Board has received many representations in the interim from trade unions representing Scheme members and I understand that the Secretariat have continued to raise with you informally the need to deal with this issue. I have also recently received the enclosed correspondence from Cllr Charles Simkins, the Chair of Kent Pension Fund Committee. Cllr Simkins requests an update on this matter with particular reference to the broadening of the concept of "deemed employer" status to allow councils to more easily bring contractors in and out of the Scheme.

As it stands, contractors are required to go through the legal process to become an admission body in the Fund, which is an onerous process and adds complexity to the administration of the Scheme. The letter we received also detailed further difficulty in predicting exit payments/credit leading to issues finding the funds or accurately budgeting for unexpected costs, along with administrative burden on both the Fund and the Employer on cessation of commercial contracts.

As the existing provisions no longer seem to be meeting the needs of scheme members or employers, I would be grateful if you could provide a timescale by which the Department will publish its response and address the issues with the current arrangements set out above. The Secretariat are very willing to discuss implementation of the Fair Deal proposals and some of the issues arising now from their current application if that would be helpful in formulating a response.

Local Government Pension Scheme  
**Scheme Advisory Board**

Yours sincerely



Cllr Roger Phillips  
Chair of the LGPS Scheme Advisory Board

**From:** Chair – Kent Pension Board  
Corporate Director of Finance

**To:** Kent Pension Board – 28 November 2023

**Subject:** Member Training Update

**Classification:** Unrestricted

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**Summary:**

A training survey was completed by Pension Board and Pension Fund Committee Members in October/November 2023. The survey related to training undertaken between April and September 2023, and training proposals for 2024.

**Recommendations:**

The Board is asked to note the report.

**FOR INFORMATION**

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**1. Introduction & Background**

1.1 The contents of this update report are based upon responses to a recent training survey, undertaken in October/November 2023 by 23 Members of Kent Pension Board and Pension Committee.

1.2 Training is undertaken, recorded and monitored as per the Kent Pension Fund Training Strategy (approved at Pension Fund Committee March 2022); a link is contained in **Appendix 1**. The Strategy sets out strategic training objectives and the training vision, whilst incorporating CIPFA's 'Code of Practice on Public Sector Pensions Finance, Knowledge & Skills' and CIPFA's Knowledge & Skills Framework. Furthermore, the Kent Pension Fund Training Strategy explains the requirement for those on the Pensions Board and Pensions Fund Committee to have sufficient skills and knowledge to undertake their role.

1.3 The October/November training survey sent to Members provided an opportunity for the training records of April – September 2023 to be checked and verified, ahead of publication in the Annual Report in Summer 2024.

1.4 Sending the training survey twice a year in October, breaks down the year to two six-month blocks of time. This new approach has allowed for easier monitoring and management of data, with less risk of items being missed or forgotten.

1.5 So far in 2023/2024, Members of Pension Board and Pension Fund Committee have been undertaking training via various methods:

- Through the provision of information and briefings provided at Pension Board, Pension Committee, Employer Forums, and updates between meetings.
- During events arranged internally by Officers.
- During events provided by external partners specifically for Kent Pension Fund.
- At industry conferences, courses, webinars and workshops.
- Support from Officers to individual members, on the management of Kent Pension Fund
- Self-improvement, study and reading.

## **2. The Pensions Regulator's (tPR) Public Services E-learning Toolkit**

2.1 tPR has developed an online tool designed to help those running public service schemes to understand the governance and the administrative requirements in CIPFA's Code of Practice. The toolkit is designed specifically with Local Pension Board members in mind however the material covered is of equal relevance to members of the Pension Fund Committee.

2.2 The Pension Fund Committee is expected to complete the toolkit and for the Local Pension Board members this is a mandatory requirement. The toolkit is an easy-to-use resource and covers short modules. These are:

- a) Conflicts of Interests;
- b) Managing Risk and Internal Controls;
- c) Maintaining Accurate Member Data;
- d) Maintaining Member Contributions;
- e) Providing Information to Members and Others;
- f) Resolving Internal Disputes;
- g) Reporting Breaches of the Law.
- h) Pension Scams

2.3 All members are expected to complete their induction material and the tPR e-toolkit (public service pension schemes) within 6 months of joining the Pensions Board or Pension Fund Committee. Where existing members and representatives have not completed the tPR's e-Learning Toolkit for public services, they are expected to complete.

2.4 The October/November 2023 training survey found that of the 23 responses received:

- Six Members have now fully completed the e-toolkit
- One Members have started the e-toolkit but have not fully completed yet.

- Sixteen Members have not started yet but intend to so in 2023/24 (largely expressed by newer Members that have recently joined Pension Fund Committee or Pension Board).

2.5 Since the last training survey in July 2023, which covered all training completed in 22/23, there has been several members leaving and joining Pension Fund Committee. Therefore, as the membership has changed notably since July 2023, a direct comparison of data in terms of e-toolkit completion progress is not possible.

2.6 Messaging is scheduled to go out before the end of the 22/23 financial year, to remind members (where necessary) that completion of the e-toolkit (pension public services) is due. The e-toolkit is a regulatory requirement for Pension Board Members and an expectation of Pension Fund Committee Members.

### **3. Structured Training Programme 23/24 and 24/25**

3.1 A forward programme of training has been prepared; the programme covers the eight learning topics outlined by CIPFA plus cyber security and was approved at Pension Fund Committee earlier this year. Please see Appendix 2. The plan does not include specific, individual 'investment-based training' as this is provided on a regular basis when available from suppliers.

3.2 Training is to be delivered as per the indicative programme via a series of online meetings. Outlook invites are sent to attendees in advance. Dates selected for training are as per the dates in the recent training surveys (based on availability of Members and the training providers). Recordings are made available to members unable to attend the sessions.

3.3 Training is provided by in-house and external subject matter experts. These experts work collaboratively to prepare suitable presentation material. The training subjects are covered at both national and local level, so the the implications for Kent Pension Fund are understood but are also given context.

3.3 Since the last training paper, we are pleased to report that cyber security training was completed on 25 September 2023. There was a high level of interest and engagement during the training session, whereby a range of questions and matters were discussed. For some, the training acted as a refresher session. For others, the information provided gave an introduction and an awareness to cybersecurity.

3.4 The training programme is subject to change, should training needs be identified which must take priority due to governance implications – this was why the cybersecurity training was prioritised in September 2023. Also of note is that a CEM Benchmarking Assessment has recently been completed for Kent Pension Fund and the findings of the assessment are to be explored over the coming months. Results from this Assessment may be used to inform future training topics.

## **4. Monitoring & Future Assessment**

4.1 Further to the success of the training survey in October/November 2023, training completed by Members will be monitored by twice yearly surveys. The next survey will be issued in April 2024, for training completed October 2023 to March 2024.

4.2 Information provided via the training surveys will be used to populate the Annual Report, inform monitoring, identify training gaps and opportunities.

4.3 Individual (bespoke) training support and training options will continue to be made available to Members of Pension Fund Committee and Pension Board. These training options are likely to include conference attendance and external learning opportunities from the Local Government Association and similar.

4.4 As per the previous training paper in September 2023, liaison was undertaken with Hymans to explore use of their LOLA training platform. However, given the potential costs of using this learning platform, access activity has been put on pause whilst other learning options have been promoted. Potential use of LOLA will be reviewed again in 2024/2025, if required.

## Appendix 1

[https://www.kentpensionfund.co.uk/\\_data/assets/pdf\\_file/0003/135435/Kent-Pension-Fund-Training-Strategy.pdf](https://www.kentpensionfund.co.uk/_data/assets/pdf_file/0003/135435/Kent-Pension-Fund-Training-Strategy.pdf)

## Appendix 2

### Structured Training Programme:

*Subject to change if training need identified which requires prioritization due to governance purposes.*

<b>Indicative Timeframe</b>	<b>Core Topic</b>
September 2023  (Completed 25 <sup>th</sup> September 2023)	Cybercrime  <i>Awareness training and proposed approach on new strategy.</i>
December 2023 (Planned for 7 <sup>th</sup> December 2023)	Pensions Accounting & Audit Standards  <i>To provide a general understanding of the Accounts and Audit Regulations, and the role of internal and external audit</i>
March 2024 (date tbc, based upon recent survey responses)	Pensions Administration  <i>To provide a general understanding of best practice in pensions administration, together with Fund polices, resource and discretionary powers.</i>
June 2023 (date tbc, based upon recent survey responses)	Investment Performance & Risk Management  <i>To provide a general understanding of the relationship between assets and liabilities and the structure, operation and purpose of investment pooling arrangements.</i>

September 2024	<p>Committee Role &amp; Pensions Legislation</p> <p><i>To provide an overview of the Committee’s role and a general understanding of the legislative framework as it applies to the LGPS, in line with the CIPFA Knowledge &amp; Skills Framework</i></p>
December 2024	<p>Procurement &amp; Relationship Management</p> <p><i>To provide a general understanding of the public procurement requirements as they apply to the LGPS, and how performance of suppliers can be monitored.</i></p>
March 2025	<p>Actuarial Methods, Standards &amp; Practices</p> <p><i>To provide a general understanding of the role of the Fund actuary and the formal valuation process (including the FSS and inter-valuation monitoring) and the treatment of new and ceasing employers (including employer covenant)</i></p>
June 2025	<p>Pensions Governance</p> <p><i>To provide a general understanding of the controls and measures in place to manage risks and conflicts and interest of the Fund, whilst ensuring the right skills and experience are available.</i></p>
2023 – 2024 as per specific meetings with Investors	<p>Financial Markets &amp; Product Knowledge</p> <p><i>To provide a general understanding of the financial context of the Fund, and the products relating to the Fund.</i></p>

**Emma Green – Senior Pensions Programme Manager (Kent Pension Fund)**

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<b>From:</b>	Chairman Kent Pension Board Corporate Director of Finance
<b>To:</b>	Kent Pension Board – 28 November 2023
<b>Subject:</b>	Investment Update
<b>Classification:</b>	Unrestricted

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**Summary:**

This report provides the Board with an update on the Fund's investment activity and performance, as well as on responsible investment developments that have taken place since the Board's last meeting. Over the course of 2023 the Pension Fund Committee has undertaken a review of the Fund's investment strategy. This process has now concluded, and the report provides the Board with an overview of the strategy review process and the outcome.

**Recommendation:**

The Board is asked to note the report.

**FOR INFORMATION**

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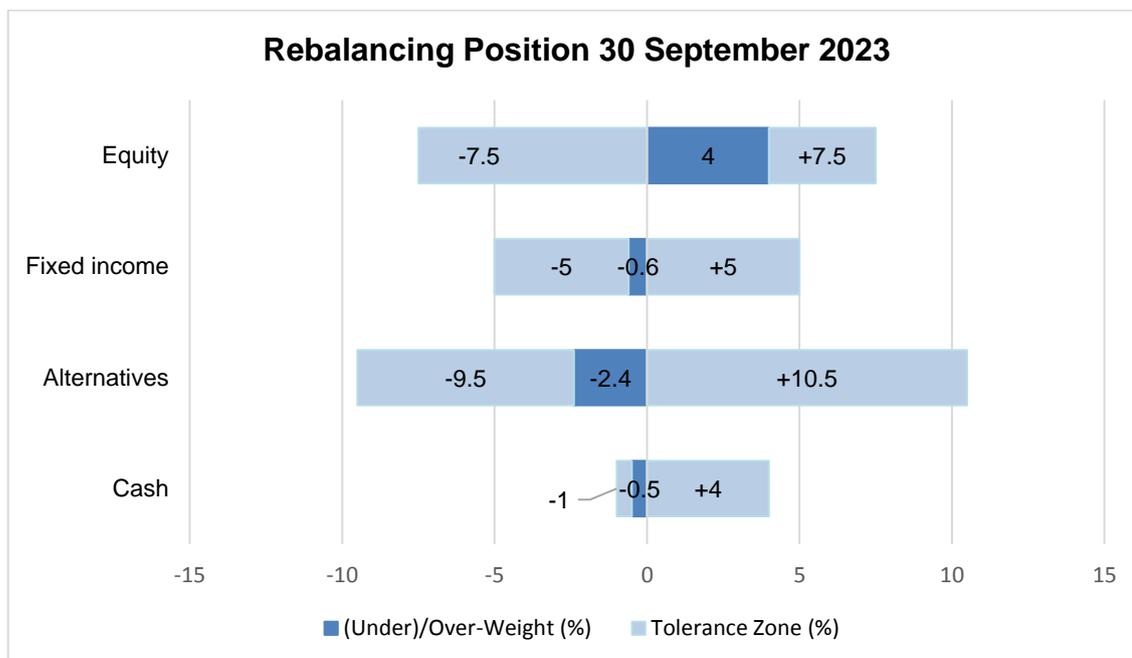
**1. Introduction**

1.1 This report provides the Board with an update on the Fund's investment activity and performance, as well as on responsible investment developments that have taken place since the Board's last meeting. Over the course of 2023 the Pension Fund Committee has undertaken a review of the Fund's investment strategy. This process has now concluded, and the report provides the Board with an overview of the strategy review process and the outcome.

**2. Fund value and asset allocation**

2.1 As of 30 September 2023, the Fund's value was £7.83bn, an increase of £91m over the quarter.

2.2 Within its equity allocation, the current asset allocation is biased towards global equity and underweight UK equity versus the strategic target. Notwithstanding this, the overall equity allocation (along with all other asset classes) is within the formal tolerance ranges established under the Fund's Investment Strategy Statement (as shown in the chart below).



2.3 Moreover, as the Pension Fund Committee has now concluded its investment strategy review (discussed further below under section 6), deviations between the current asset allocation and the *new* strategic weights will be addressed via implementation of the new strategy.

2.4 Therefore, officers will recommend to the Committee at its December meeting that no rebalancing is undertaken at this stage.

2.5 A copy of the Fund Position Statement is at Appendix 1.

### 3. Investment performance quarter to 30 September 2023

3.1 The Fund's investments returned 1.56% in the three months to 30 September 2023, against a benchmark return of 1.08%, with the performance of the Fund's equity protection programme compensating for negative returns from the Fund's equities allocation.

3.2 **UK equities** performed relatively well versus global peers due to strong performance in the basic materials and energy sectors. The Fund's UK equity manager, Schrodgers, trailed the benchmark marginally during the quarter with a return of 0.94% (versus the benchmark return of 2.35%).

3.3 **Global equities** fell in local currency but had a positive return in sterling terms as the dollar appreciated versus sterling. Japanese equities were the best performing region and emerging markets generated positive returns. US equities were worst performing followed by European equities with the rally in the so-called "magnificent seven" tech stocks (e.g., Nvidia & Microsoft) having slowed down. Energy sector performance was the exception in all the markets. The MSCI World index in GBP terms returned 0.62% over the quarter.

3.4 Against this backdrop, most of the Fund's active global equity managers lagged the benchmark returns this quarter. The exception to this was the Fund's global active value manager Schroder which outperformed the benchmark with quarterly returns of 3.0%.

- 3.5 The fall in the global equities in local currency meant that the equity protection program gained £126m during the quarter.
- 3.6 **Fixed income** markets continued to struggle on account of concerns that interest rates would need to remain higher for longer to address persistent inflation. However, it was a good quarter for high yield and corporate bonds (especially financials) and, accordingly, the Fund's two multi asset credit managers (M&G and CQS) performed well this quarter, beating the cash benchmark of 1.37% with returns of 2.76% and 2.56%, respectively. GSAM and Schroders (who target interest rate risk in addition to credit within their investment strategies) performed less well and marginally underperformed their benchmarks.
- 3.7 **Property** experienced negative capital returns during the quarter, but positive income yields meant overall returns were broadly flat over the quarter: the total return for the MSCI property index was -0.25% with alternative and industrial sectors providing positive total returns and office and retail sector continuing to suffer losses. The Fund's property managers outperformed the benchmark with the exception of DTZ, where the manager realised losses on two disposals.
- 3.8 Both **absolute return** managers underperformed against the RPI linked benchmark of 1.7% but the **private equity** and **infrastructure** mandates benefitted from improved valuations this quarter.

#### 4. Longer term performance

- 4.1 For the year ended September 2023, the Fund achieved a return of 2.67% against a benchmark return of 6.74%, an underperformance of 4.07%.
- 4.2 The performance from the Fund's UK and value style equity managers has been additive, as have strong returns from fixed income managers GSAM, M&G and CQS. Moreover, the property mandates, whilst having produced negative returns, have outperformed the benchmark. However, Baillie Gifford, who manage 13.3% of the Fund's assets have underperformed the benchmark over the year and the equity protection programme has detracted in the past 12 months too. The absolute return managers have also underperformed their inflation plus style benchmarks.
- 4.3 For the three-year period the Fund achieved a return of 4.78% compared to its strategic benchmark of 7.16%, an underperformance of 2.38%
- 4.4 During this period all the Fund's equity managers except M&G have underperformed the benchmark and the alternative investments have generally produced near or above benchmark returns. The fixed income managers have been the best performers in the three-year period and the absolute return managers produced the worst performance against their RPI linked benchmark return of 13.76% in this prolonged period of high inflation.

#### 5. Responsible Investment Update

- 5.1 The Responsible Investment Working Group (RIWG) met on 2 October and 27 October and is due to meet again on 24 November.
- 5.2 At its meeting on 2 October, the group received a training session led by Minerva which focused on the Sustainable Development Goals (SDGs) and

their applicability to an asset owner such as the Kent Pension Fund. The 17 SDGs have been developed by the UN for governments to address global challenges such as climate change, poverty inequality & peace and justice, with a target date to achieve these goals by 2030. Minerva explained how investors such as the LGPS can focus on SDGs to develop their stewardship activities and provided examples of their work with, and progress made by other local authority pension funds using SDG frameworks to achieve their ESG goals. Officers consider that the SDG framework will be a helpful tool for the Kent Pension Fund to direct engagement activities with its fund managers.

- 5.3 The RIWG explored these themes further at its next meeting, which feature a workshop led by *Pensions for Purpose* (PFP) regarding impact investment. Impact investing involves investing with an aim to make a positive impact on society and/or the environment, whilst also generating a suitable financial return. The objective of both of these sessions has been to understand the relevance of sustainable and impact investing to the Kent Pension Fund, and officers will take forward the findings in progressing the RIWG's workplan in the new year.
- 5.4 Since the Board's last meeting, the RIWG has also recommended that the Committee undertakes a review of its responsible investment (RI) beliefs, which were originally established as the result of a survey amongst Members in October 2021. Much progress has been made by the Fund since then, and it is acknowledged that there are likely to have been several developments in best practice which could influence the beliefs of the Committee and also that these should be taken into account before reviewing the RI policy. Officers are currently considering options for facilitating the RI beliefs review and have provisionally scheduled the review to take place at the Committee's meeting on 22 February 2024, which is customarily reserved as a training day for the Committee.
- 5.5 At its upcoming meeting on 24 November, the RIWG is due to consider the results of the *Analytics for Climate Transition* assessment being carried out by the Investment Consultant, Mercer on behalf of the Fund. The analysis will enable the Fund to understand the transition potential of its underlying investments, which is a necessary precursor to establishing a credible, proportionate and realisable net zero target. The RIWG will use the assessment to consider a net zero target which officers expect will subsequently be recommended to the Pension Fund Committee at its December meeting for adoption.

## **6. 2023 Investment Strategy Review**

- 6.1 At its meeting on 26 September, the Pension Fund Committee concluded its review of the Fund's investment strategy, which has been a key business item during 2023. The strategy review is consistent with, and builds on, the findings of the 2022 actuarial valuation and has been conducted by Mercer (the Fund's retained Investment Consultant). The output represents the culmination of a considerable amount of collaborative work involving the Committee, officers, and the Investment Consultant at various stages. The underlying approach follows an ethos of *evolution* rather than *revolution*, with the resulting strategic asset allocation representing enhancements to the existing investment strategy.

6.2 The strategy review has taken place over three distinct phases: in March the Committee focused on identifying key considerations; broad principles underpinning the new strategy were established in June; and at its September meeting the Committee finalised the precise allocation option it would utilise to achieve its new investment strategy.

### Phase I

6.3 At the outset of the review, the Fund convened an *Investment Strategy Away Day* (3 March 2023), attended by Members of the Committee, and led by the Investment Consultant. The purpose of that meeting was to identify the key issues that the Committee would need to take into consideration during the review. At the March Committee meeting, the Committee distilled the key immediate areas for consideration as follows:

- Optimising risk and returns considering the Fund's improved funding position and improving diversification;
- Reviewing the regional composition of the Fund's listed equities allocation;
- Reducing exposure to diversified growth mandates; and
- Reviewing the Fund's exposure to illiquid asset classes, whereas a long-term investor it can access liquidity premia.

### Phase II

6.4 Officers and the Investment Consultant used these priorities to develop proposals for a new investment strategy. At its meeting in June, the Committee considered an initial report on the findings of the investment strategy review and reached the following key decisions:

- a) Reduce the overall exposure to equities and increase exposure to fixed income via the introduction of an allocation to index linked gilts;
- b) Rationalise the listed equities allocation by reducing the allocation to UK equities and adding one to Emerging Markets;
- c) Remove the strategic allocation to cash;
- d) Re-organise the allocation to illiquid / alternative asset classes by varying the target allocations to property, private equity, and infrastructure; and
- e) As a result of the above changes reduce the allocation to diversified growth funds.

6.5 Taken together, these changes result in a diversified investment strategy that takes advantage of updated capital market expectations and is aligned with the actuarially required return posited under the 2022 triennial valuation.

### Phase III

6.6 At its June meeting, the Committee further noted that there were two possible asset allocation options available to achieve the desired balance of expected risk and return established under the proposed new investment strategy:

- a) The first option involved removing the existing equity protection overlay and introducing the required strategy updates entirely through changes to underlying asset class allocation target weights.

b) The second option retained an equity protection overlay and involved less radical (albeit still meaningful) changes to the underlying strategic allocation target weights.

- 6.7 It is important to note that both options essentially represented different available means of achieving a similar expected result. However, the final composition of the strategic asset allocation was contingent on whether the Committee decided to retain an equity protection overlay once the current programme expires in early 2024. The Committee was advised that this matter would need to be investigated in detail by the Risk Management Group (RMG, formerly the Equity Protection Working Group), who would report back with a recommendation at the Committee's September meeting.
- 6.8 The RMG met on 27 July and noted that the equity protection overlay provided the Fund with an efficient means to manage the volatility emanating from its global equity allocation, without requiring the Fund to physically sell down its equity position. As such equity protection provided the Fund with greater flexibility in establishing its targeted risk exposure.
- 6.9 Whilst the above benefits were recognised, the RMG also noted that maintaining the overlay necessitated a higher governance burden. However, it was recognised that the Fund had gained experience in overseeing a derivatives overlay programme over the past two years and that the Committee already had the requisite governance arrangements in place with the establishment of the RMG. As a result, the RMG recommended to the Committee that the Fund continue using the equity protection overlay which the Committee resolved to agree.
- 6.10 Consequently, the Committee was also able to finalise the new strategic asset allocation (SAA) which is shown below against the existing (former) SAA. The Committee ratified the new SAA at its September meeting.

	<b>Previous SAA</b>	<b>New SAA</b>	<b>Change</b>
Total Equities	55.5%	53.0%	-2.5%
UK	23.5%	10.0%	-13.5%
Global	32.0% (protected)	38.0% (protected)	+6.0%
Emerging Markets	0.0%	5.0%	+5.0%
Total Fixed Income	16.0%	22.0%	+6.0%
Credit	15.0%	15.0%	-
Index Linked Gilts	0.0%	7.0%	+7.0%
Cash	1.0%	0.0%	-1.0%
Total Alternatives	28.5%	25.0%	-3.5%
DGFs	8.0%	5.0%	-3.0%
Property	13.0%	10.0%	-3.0%
Infrastructure	3.5%	5.0%	+1.5%
Private Equity	4.0%	5.0%	+1.0%
Total	100.0%	100.0%	-

### Implementation

- 6.11 Aside from agreeing to retain the equity protection programme, the Committee also agreed some technical aspects relating to future design of the equity

protection programme based on advice from the Investment Consultant and the considerations of the RMG.

6.12 Further, technical matters relating to the implementation of the replacement equities protection programme required further investigation and accordingly these matters were delegated by the Committee to the Head of Pensions and Treasury to work through in consultation with the RMG.

6.13 The Committee will receive a progress update on these implementation matters at its meeting in December, where it will also consider a plan for the implementation of the wider strategic changes discussed above (i.e., the asset allocation changes).

6.14 The Fund's Investment Strategy Statement is being reviewed to take account of the outcome of the investment strategy review and will be submitted to the Pension Fund Committee for approval in December.

## **Appendices**

Appendix 1 – Funding Position Statement (30 September 2023)

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James Graham – Pension Fund and Treasury  
Investments Manager, Kent County Council

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**E: [james.graham@kent.gov.uk](mailto:james.graham@kent.gov.uk)**

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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

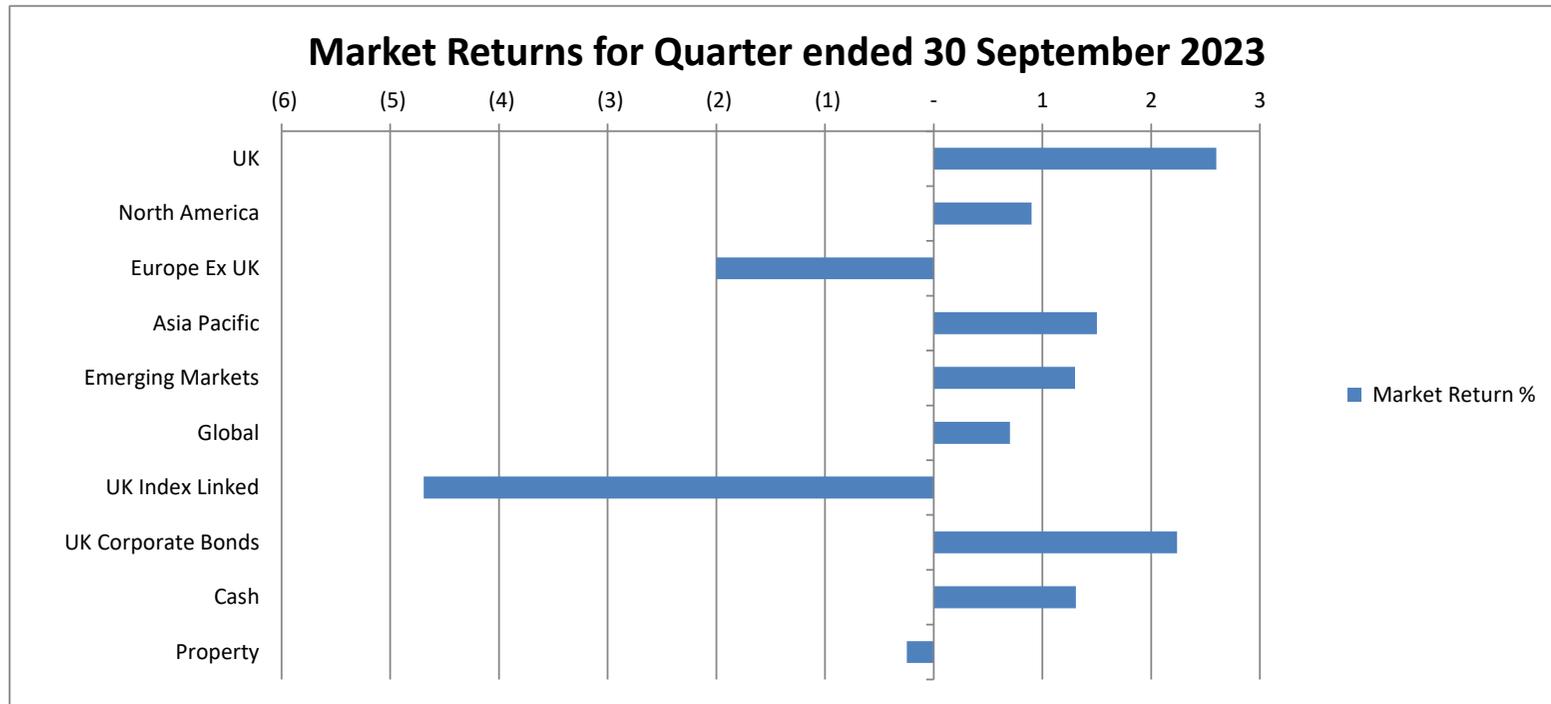


Kent Pension Fund

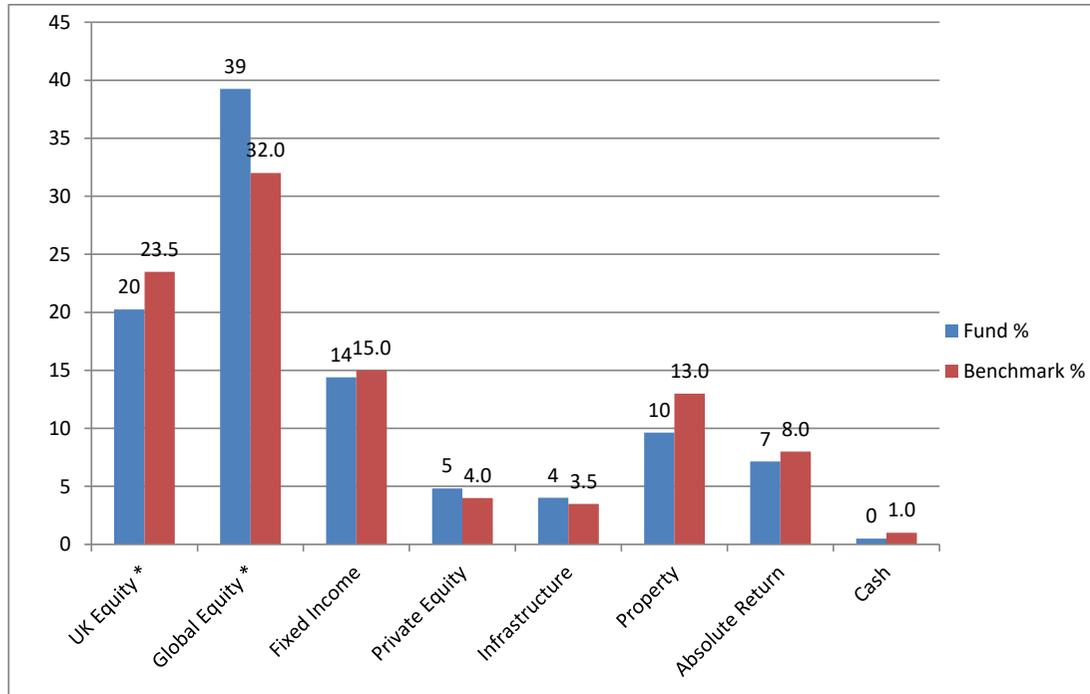
Q2 2023-24

Connor Steensel - Graduate Accountant

## Market Returns for Quarter ended 30 September 2023



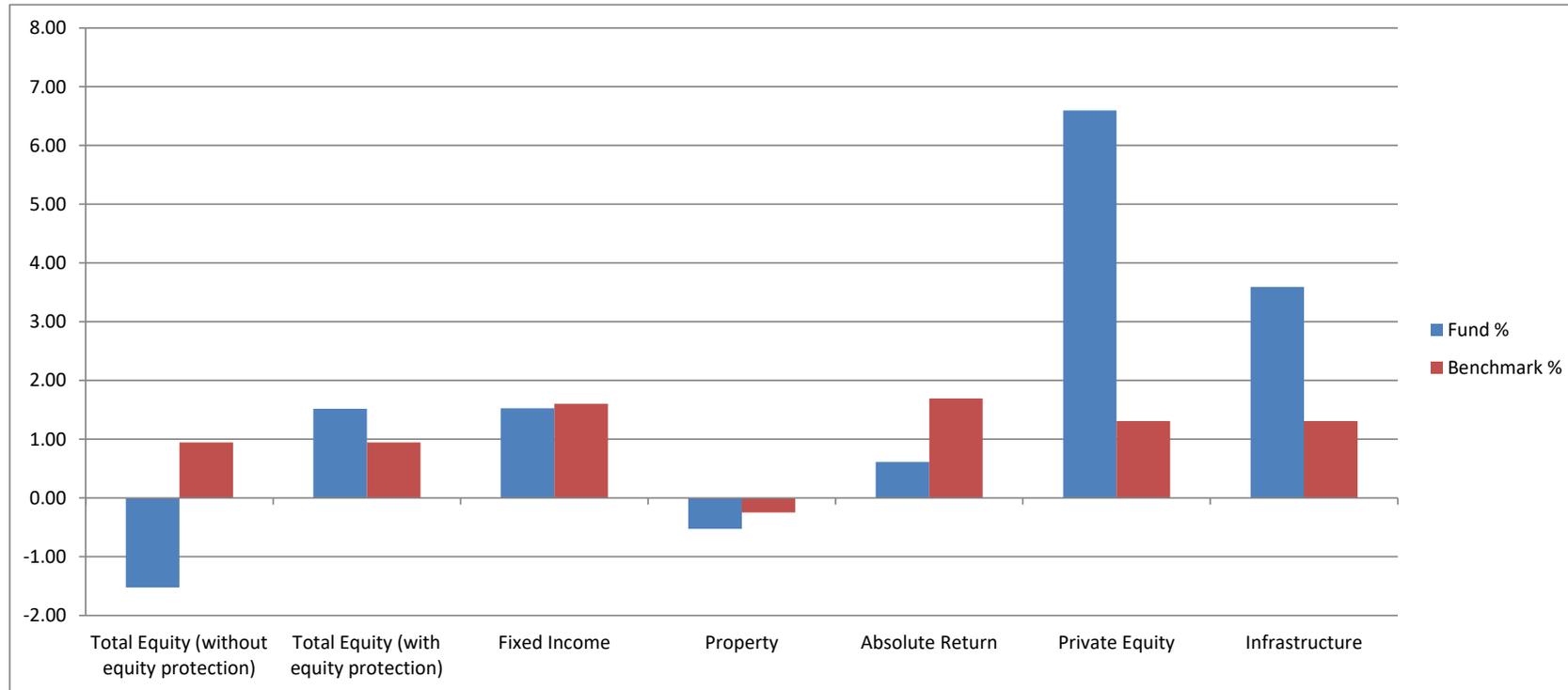
## Fund Asset Allocation vs Benchmark as at 30 September 2023



Asset Class	Fund		Benchmark	Over / (under) weight
	£m	%	%	%
UK Equity *	1,584	20.2	23.5	-3.3
Global Equity *	3,072	39.2	32	7.2
Fixed Income	1,127	14.4	15	-0.6
Private Equity	378	4.8	4	0.8
Infrastructure	315	4.0	3.5	0.5
Property	754	9.6	13	-3.4
Absolute Return	559	7.1	8	-0.9
Cash	38	0.5	1	-0.5
Total	7,826	100	100	

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

## Fund Asset Class Performance for Quarter ending 30 September 2023



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Asset Class	Fund %	Benchmark %	Outperformance %
Total Equity (without equity protection)	-1.53	0.94	-2.47
Total Equity (with equity protection)	1.52	0.94	0.57
Fixed Income	1.53	1.60	-0.08
Property	-0.52	-0.25	-0.27
Absolute Return	0.61	1.70	-1.08
Private Equity	6.60	1.31	5.29
Infrastructure	3.59	1.31	2.28

## Market Value Summary by Fund Manager as at 30 September 2023

Fund Manager	Asset Class	Market Value as at 30 June 2023 (£m)	Market Value as at 30 September 2023 (£m)	Change in Market Value (£m)	% of Total Fund 30 September 2023
Schroders - LF ACCESS UK Equity Fund	UK Equity	1,178	1,189	11	15.2%
Baillie Gifford - LF ACCESS Global Equity Core Fund	Global Equity	1,091	1,041	-50	13.3%
Insight	Equity Protection Program	914	1,039	126	13.3%
M&G - LF ACCESS Global Dividend Fund	Global Equity	536	523	-13	6.7%
DTZ	Direct Property	501	474	-27	6.1%
Schroders GAV - LF ACCESS Global Active Value Fund	Global Equity	410	422	12	5.4%
Goldman Sachs	Fixed Income	388	391	3	5.0%
Sarasin	Global Equity	384	372	-12	4.8%
Pyrford	Absolute Return	376	381	6	4.9%
Partners	Infrastructure	287	315	27	4.0%
Harbourvest	Private Equity	266	286	20	3.7%
M&G Alpha Opportunities	Fixed Income	252	259	7	3.3%
Schroders	Fixed Income	240	241	1	3.1%
CQS	Fixed Income	233	239	6	3.1%
Ruffer - LF ACCESS Absolute Return Fund	Absolute Return	179	177	-2	2.3%
Fidelity	Pooled Property	142	142	0	1.8%
YFM	Private Equity	86	92	6	1.2%
Impax Environmental Markets	Global Equity	72	67	-5	0.9%
M&G Residential Property	Pooled Property	69	69	0	0.9%
DTZ Pooled Funds	Pooled Property	39	39	0	0.5%
DTZ (Kames)	Pooled Property	32	29	-3	0.4%
Woodford	UK Equity	2	2	0	0.0%
Internally managed cash	Cash	56	34	-22	0.4%
<b>Total Kent Fund</b>		<b>7,734</b>	<b>7,825</b>	<b>91</b>	<b>100.0%</b>

**Total investments in ACCESS pooled funds**

**3,394**

**3,353**

**Percentage of the total Fund**

**44%**

**43%**

## Performance as at 30 September 2023

	Quarter		1 Year		3 Year (p.a.)	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
<b>Total Fund</b>	1.56	1.08	2.67	6.47	4.78	7.16
<b>UK Equity</b>						
Schroders - LF ACCESS UK Equity Fund	0.94	2.35	14.13	13.89	10.90	12.28
Woodford	7.45	1.88	-38.13	13.84	-36.30	11.81
<b>Global Equity</b>						
Baillie Gifford - LF ACCESS Global Equity Core Fund	-4.56	0.33	7.22	12.72	-6.32	8.29
Sarasin	-3.14	0.62	7.11	10.48	6.72	8.96
Schroders - LF ACCESS Global Active Value Fund	3.00	0.62	10.33	10.48	16.02	8.96
Impax	-6.39	0.62	-1.40	10.48	5.10	8.96
M&G - LF ACCESS Global Dividend Fund	-2.47	0.62	10.17	10.48	12.41	8.96
<b>Fixed Income</b>						
Goldman Sachs	0.72	0.86	7.97	3.50	-1.41	3.50
Schroders Fixed Income	0.54	1.37	1.70	4.15	-0.43	1.56
CQS	2.56	1.37	10.70	4.15	3.36	1.56
M&G Alpha Opportunities	2.76	1.37	11.87	4.15	4.88	1.56
<b>Property</b>						
DTZ	-0.76	-0.25	-10.37	-13.78	5.76	3.46
Fidelity	-0.10	-0.25	-15.77	-13.78	3.40	3.46
DTZ (Kames)	0.24	-0.25	-9.58	-13.78	3.49	3.46
M&G Property	0.07	-0.25	-0.97	-13.78	2.22	3.46
<b>Private Equity</b>						
Harbourvest	6.12	1.31	-4.36	4.12	25.10	1.56
YFM	7.95	1.31	28.67	4.12	38.58	1.56
<b>Infrastructure</b>						
Partners	3.59	1.31	11.56	4.12	6.28	1.56
<b>Absolute Return</b>						
Pyrford	1.48	1.70	4.48	13.82	3.25	13.76
Ruffer - LF ACCESS Absolute Return Fund	-1.21	1.70	-7.54	13.82	4.16	13.76

## 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 Income	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	ICE BofA Sterling 3 month Gov Bill Index + 4%
M&G Alpha Opportunities	ICE BofA Sterling 3 month Gov Bill Index	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	
DTZ (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	



By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
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Agenda Item 10

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Agenda Item 13

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