

PENSION FUND COMMITTEE

Tuesday, 12th December, 2023

10.00 am

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





AGENDA

PENSION FUND COMMITTEE

**Tuesday, 12th December, 2023
at 10.00 am**

Ask for: **Matt Dentten**

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

Telephone: **03000 418381**

Membership

Conservative (8):	Mr C Simkins (Chairman), Mr P Bartlett, Mr P C Cooper, Mr H Rayner and Mr J Wright	Mr N J D Chard (Vice-Chairman), Mr P M Hill, OBE, Mr J P McInroy,
Labour (1):	Ms M Dawkins	
Liberal Democrat (1):	Mr C Passmore	
Green and Independent (1):	Mr P Stepto	
District Council (3):	Cllr S Beer, Cllr J Burden and Cllr R Yates	
Medway Council (1):	Cllr M Prenter	
Pensioner Representative:	Mr P Doust	
Active Member Representative:	Mr S Sim	
UNISON:	Vacancy	

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 26 September 2023 (Pages 1 - 8)
- 4 Work Programme and Action Log (Pages 9 - 14)

- 5 Employer Governance (Pages 15 - 24)
- 6 Pensions Administration (Pages 25 - 30)
- 7 Pension Board update (Pages 31 - 34)
- 8 Business Plan, Budget and Governance (Pages 35 - 52)
- 9 Member Training (Pages 53 - 58)
- 10 Investment Performance and Asset Allocation (Pages 59 - 94)

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)

- 11 Investment Strategy Implementation (Pages 95 - 162)
- 12 Responsible Investment (Pages 163 - 200)
- 13 Cyber Security (Pages 201 - 204)
- 14 McCloud (Pages 205 - 210)
- 15 ACCESS (Pages 211 - 214)
- 16 LGPS: Next steps on investments consultation - Presentation
- 17 Date of next meeting

The next meeting of the committee will be held on 22 February 2024, commencing at 10.00 am at Sessions House, Maidstone.

Benjamin Watts
General Counsel
03000 416814

Monday, 4 December 2023

KENT COUNTY COUNCIL

PENSION FUND COMMITTEE

MINUTES of a meeting of the Pension Fund Committee held in the Council Chamber, Sessions House, County Hall, Maidstone on Tuesday, 26 September 2023.

PRESENT: Mr C Simkins (Chairman), Mr P Bartlett, Cllr S Beer, Cllr J Burden, Ms M Dawkins, Mr P Doust, Mr P M Hill, OBE, Cllr M Jones, Mr J P McInroy, Mr S Sim, Mr P Stepto, Mr J Wright and Cllr R Yates.

ALSO PRESENT: Mr P J Oakford and Mr R J Thomas.

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

IN ATTENDANCE VIRTUALLY: Mr N Chard (Vice Chairman).

UNRESTRICTED ITEMS**151. Membership**

(Item 1)

It was noted that Mr Hill, Mr Passmore, Mr Rayner, Cllr Beer and Cllr Yates had joined the Committee.

152. Apologies and Substitutes

(Item 2)

Apologies were received from Mr Passmore, Mr Rayner and Cllr Prenter who was substituted by Cllr Jones.

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

(Item 3)

1. In relation to Item 16 (Investment Strategy), Mr Bartlett declared that he was employed by the Bank of New York Mellon and would not participate in discussion of equity protection.
2. Cllr Beer declared that she was in receipt of a Kent LGPS pension.

154. Minutes of the meeting held on 22 June 2023

(Item 4)

RESOLVED that the minutes of the meeting held on 22 June 2023 are correctly recorded and that they be signed by the Chairman.

155. Committee Work Programme and Action Log

(Item 5)

1. Mr Buckland introduced the work programme for the Committee's next four meetings, to September 2024, and the action log from previous meetings. He shared the intention to consider developing a more detailed plan for the Committee in coming months which would include meetings focused on particular areas, including the review of asset managers and policies, alongside general meetings.

RESOLVED to note the work programme and updated action log.

156. Employer Governance

(Item 6)

1. Mr Tagg introduced the report which updated Members on Fund employers for the 3 months ending 30 June 2023 and proposed the admission to the Fund of Compass Contract Services UK Ltd, Churchill Contract Services Ltd and Purgo Supply Services Ltd as well as the allocation of Tascor Services Ltd's exit surplus to the Police and Crime Commissioner's notional share of the Fund.

RESOLVED to note the report and to agree:

- 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;
- e) the decision for awarding the actuarial contract be delegated to the Corporate Director of Finance, in consultation with the Chairman; and
- f) that once legal agreements have been prepared for matters a) to c) the Kent County Council seal be affixed to the legal documents.

157. Pensions Administration

(Item 7)

1. Mrs Green introduced the report which updated Members on the administration of the Kent LGPS for the period 1 May to 31 July 2023, including performance, recruitment, projects, communications, training, technical developments, overpayment recovery and write off limits. She drew the Committee's attention to recent recruitment success seeing five new Pensions Assistants and two new Team Managers recruited, with nine vacancies remaining. It was noted that the Police Pension Scheme Administration Exit remained on track and work on the Guaranteed Minimum Pension (GMP) rectification project had continued. She confirmed that annual allowance statements were due to be issued within the next week.

RESOLVED to note the report.

158. McCloud Remedy

(Item 8)

1. Mrs Green introduced the report which detailed the preparations made for the McCloud Remedy. She noted that whilst the regulations had been approved and would take effect on 1 October 2023, guidance from the Department of Levelling Up, Housing and Communities (DLUHC) was outstanding. She explained that a delay in guidance would create a backlog in cases, which affected future resource availability.

RESOLVED to note the report, in particular the resource implications and progress to-date.

159. Pension Board update

(Item 9)

1. Mr Thomas, Chairman of the Pension Board, presented his report which summarised proceedings of Pension Board's 6 September meeting.

RESOLVED to note the report.

160. Investment Performance and Asset Allocation

(Item 10)

1. Mrs Surana introduced the report which detailed the Fund's asset allocation, performance, manager activity, cashflow and a proposal to dispose of a plot of land in Peterborough.
2. Mrs Surana gave assurance, following a question from a Member, that the Fund retained a sufficient cash balance. She noted that additional liquidity buckets would be investigated as part of the investment strategy development process.
3. In response to a question from a Member, Mrs Surana confirmed that the plot of land in Peterborough had a value of approximately £100,000. Mr Buckland noted the size of the Fund's overall property portfolio as well as cost to maintain the plot as the rationale for disposal.

RESOLVED to note the report; and to:

1. Agree that the Fund's asset allocation should not be changed in accordance with the Fund's rebalancing policy; and
2. Agree to sell the property referred to as "Plot of Land at Peterborough" through agents at best value for the Fund, and to delegate the disposal after taking proper advice to the Head of Pensions and Treasury, in consultation with the Chairman of the Committee.

161. Responsible Investment

(Item 11)

1. Mr Graham presented the report which updated the Committee on the Responsible Investment Working Group's work, which included consideration of the implications of establishing and implementing a net zero target.
2. The Vice Chairman noted that the performance of Funds which were early adopters of Responsible Investment (RI) targets had been monitored by the Working Group alongside consideration of the Fund's fiduciary duties and the impact of transition.
3. Members asked that the Fund ensure that Fund Managers be robust with Rio Tinto when raising concerns on the company's conduct.
4. A Member asked that the Fund question Ruffer, Fund Manager of the LF ACCESS Absolute Return Sub-Fund, on why they had 22.3% of the Sub-Fund's stock on loan. Concerns were raised that vote buying through stock lending was not conducive to good governance.
5. Members stressed the importance of careful consideration of the impact of technological transition on the Fund.
6. Following a question from a Member, Mr Graham explained that the voting rights were held by Fund Managers and that it was considered sensible for those charged with the management of assets to have those rights. He noted that whilst the Committee did not have a designated voting policy, and that many other Fund's had adopted one, the investment strategy was the framework for directing voting. Mr Buckland suggested voting policy as an area for consideration by the Responsible Investment Working Group.
7. A Member commented that RI progress should be accelerated.
8. In response to a question from a Member, Mr Graham confirmed that ACCESS had comprehensive voting guidelines on all pooled assets and agreed to share it with the Responsible Investment Working Group.

RESOLVED to note the report.

162. Governance and Policies

(Item 12)

1. Mr Buckland introduced the report which updated Members on the progress made implementing the recommendations arising from the Barnett Waddingham review as well as the position of the Fund's policies, Business Plan, Budget and Risk Register. He noted that regulatory delays had impacted the implementation of multiple recommendations. It was suggested that a minor review of governance be commissioned in the next year, to judge the progress made since the last review. Concerning the underspend in 2022/23, he confirmed that lower than expected investment manager fees were the main reason, which had been caused by limited asset movement over the past year. He confirmed that KCC risk officers had been consulted as part of the rework of the Fund's Risk Register. The Fund's new branding was brought to the Committee's attention.
2. In response to a question from a Member, Mr Buckland confirmed that the risk that guidance would not be available in time for the implementation of the McCloud Remedy presented the Fund's only significant (red) risk.

RESOLVED to note, and comment on the updates contained within, the report.

163. Member Training

(Item 13)

1. Mrs Green introduced the report which provided an update on the Member training undertaken and planned in 2023/2024. She noted that the results of the 2022/23 Member training survey had informed the plan and that all training sessions were recorded and materials available for all Committee Members.
2. The Chairman emphasised the importance of training in supporting the Committee to fulfil its responsibilities effectively and encouraged Member involvement.

RESOLVED to note the report.

164. Annual Report, Accounts and External Audit

(Item 14)

1. Mrs Surana introduced the Fund's 2022-23 draft Annual Report, Accounts and External Audit Findings Report. She highlighted the positive audit opinion, which concluded that the Fund's financial transactions had been true, fair and were properly prepared, with no unusual transaction to report. Members were told that the External Audit Findings Report would be considered by Governance and Audit Committee at its next meeting.
2. The Chairman thanked Katherine Gray for her service to the Fund over the previous 16 years and wished her success in her new role.
3. Regarding the Fund's policy to not divest from companies involved in fossil fuels, a Member asked whether the policy could be subdivided and divestment from coal be investigated. Mr Graham highlighted the Fund's policy of monitoring and supporting the development of companies' management of environmental issues, including those companies traditionally associated with fossil fuels. Mr Buckland advised that consideration of how assets were fit for transition was an important part of the Responsible Investment Working Group's role.

RESOLVED to:

- a) Note the content of the 2022-23 Pension Fund Draft Accounts and the Annual Report;
- b) Note the position with regards to external auditor's Draft Audit Findings Report;
- c) Note the position with regards to Governance and Audit Committee;
- d) Delegate authority to the Corporate Director of Finance, in consultation with the Chairman, to approve the final Annual Report on receipt of the audit certificate; and
- e) Confirm that once the report is authorised the Report and Accounts may be published to the Kent Pension Fund website.

Motion to exclude the press and public for exempt business

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

RESTRICTED ITEMS

Open access

165. Exempt Minutes of the meeting held on 22 June 2023

(Item 15)

RESOLVED that the exempt minutes of the meeting held on 22 June 2023 are correctly recorded and that they be signed by the Chairman.

166. Investment Strategy

(Item 16)

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

1. Mr Graham introduced the report, reminded the Committee of its multistage approval of its revised investment strategy and the decisions taken at the previous meeting on equities, fixed income, strategic allocation to cash, alternative assets, private equity, infrastructure and diversified growth funds.
2. Mr Page gave a presentation which advised the Committee on strategic allocations, risk, static and systematic equity protection. He advised that a systematic equity protection structure would be optimal for the Fund.
3. Members asked a series of questions on static and systematic equity protection, the impact of equity protection on returns and risk management.

RESOLVED to note the report and agree:

- a) the continued use of the equity protection programme covering the Fund's global equity exposure following the expiry of the existing programme;
- b) the strategic asset allocation set out at paragraph 2.8;
- c) to adopt a systematic structure when implementing the new equity protection programme; and
- d) to delegate all other decisions regarding the implementation of the equity protection programme to the Head of Pensions and Treasury in consultation with the Chairman of the Pension Fund Committee and the Equity Protection Working Group.

167. Funding and Employer Governance

(Item 17)

1. Mr Tagg gave an overview of the report which updated the Committee on an employer matter and provided an employer risk analysis. He noted that under the LGPS employees carried no risk, whilst the Fund was exposed to employer risk. Concerning the areas identified for further investigations, he confirmed that they would be reported to a future meeting of the Committee.

RESOLVED to note the report.

168. LGPS: Next steps on investments consultation

(Item 18)

1. Mr Buckland introduced the report which included the Kent Pension Fund's draft response to the DLUHC Local Government Pension Scheme (England and Wales): Next steps on investments consultation.
2. Mr Buckland gave a presentation on the consultation's key proposals and considerations.
3. The Chairman reminded the Committee that ACCESS had responded to the consultation in addition to the Kent Pension Fund.
4. Members made a series of comments on the consultation proposals and the Fund's response.

RESOLVED to approve the response to the consultation.

169. ACCESS

(Item 19)

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

RESOLVED to note the report.

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From: Chairman Pension Fund Committee
Corporate Director of Finance

To: Pension Fund Committee – 12 December 2023

Subject: Committee work programme and Action Log

Classification: Unrestricted

Summary:

To report on the updated Committee work programme for the next four meetings and note the action log from previous meetings.

Recommendation:

The Committee is asked to note the work programme and updated action log.

FOR INFORMATION

1. Committee Work Programme

- 1.1 Members will be aware that the established meeting pattern is 4 quarterly meetings plus 1 extra to allow for training.
- 1.2 Appendix 1 shows the plans for the next four formal Committee meetings.
- 1.3 This work programme is intended to inform the Committee of the key items that will be considered at those meetings. This programme will be subject to change as issues arise, and updates will be brought to every meeting.
- 1.4 Members will now be familiar with the manager monitoring meetings that are happening outside of the formal Committee meetings. In addition, the Risk Management Group meets when needed to consider activity in this area. The Responsible Investment working group meets monthly to develop thinking in this area. These groups are chaired by the Chairman and Vice Chairman respectively.

2. Committee Action Log

- 2.1 Since the start of 2022 Officers have kept a log of actions arising from the Committee meetings. This log enables the team to ensure that everything

raised at meetings and actions arising from this are not missed and followed up in a timely fashion.

- 2.2 Appendix 2 contains the log of actions for the meetings in 2023/24 with notes showing progress against these. In addition, it includes any outstanding actions from 2022/23. This is shown in addition to the formal minutes as a way of the Committee monitoring progress.
- 2.3 Actions that have been completed since the last meeting are struck through and shaded to show that action has been taken, and they will be removed from the log for the next meeting. The log will be updated after each meeting and run for each financial year, when it will reset, with any outstanding actions added to the start of the following year.

Nick Buckland, Head of Pensions and Treasury

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Draft Committee workplan

	22 February 2024 (informal investment training day)	26 March 2024	27 June 2024	TBC September 2024
Work programme update		Y	Y	Y
Governance update including Fund policies due for review		Y	Y	Y
Update from the Pensions Board meeting		Y	Y	Y
Pension Fund Business plan and budget update		Y	-	Y
ACCESS update		Y	Y	Y
Fund Employer matters		Y	Y	Y
Administration update <ul style="list-style-type: none"> • McCloud • KPI reporting 		Y	Y	Y
Training update		Y	Y	Y
Investment Performance		Y	Y	Y
Risk register update		Y	Y	Y
Investment Strategy (a) <ul style="list-style-type: none"> • Rebalancing • Manager monitoring • Implementation update 		Y	Y	Y
Investment Strategy Statement		-	-	-
Responsible Investment (b) <ul style="list-style-type: none"> • RI Policy update • Net Zero ambition • Impact investments 		Y	Y	Y

Notes

- (a) Agenda for informal training day in February 2024 being developed. It will include a session on investment beliefs which will inform the updated Responsible Investment strategy. The meeting will be hosted by Mercer at their office in London.

Pension Fund Committee Action Log – 2023-24

Date of Meeting	Agenda Item	Action/Question	Outcome	Complete (Y/N)
03/02/2022	RI Training	RI working group has progressed workplan	RI integration and review of RI Policy considered in 2023. Workplan for 2023 agreed by RI working group in February 2023	Remains ongoing
22/06/2022	Fund Employer and Governance matter	How does Kent compare to other Funds in Funding level and contribution rates?	2019 position shared as part of Valuation exercise. This will be updated when 2022 results are known – December 2023	N
22/06/2022	15 - Investment Strategy	Should we limit our exposure to a single manager?	To be considered as part of implementation of the Strategy implementation	N
28/09/2022	8 - Pensions Admin	Plans for review of workload of administration team ahead of significant workload.	Team has been reviewed, and recruitment plans commenced. Committee to be updated regularly.	Remains ongoing
29/03/2023	20 - Employer Matters	Provide an update on Sevenoaks leisure	Update on today's agenda	Remains ongoing
29/03/2023	20 - Employer Matters	Provide a list of employers in the fund where there is no bond or guarantee, and /or not scheme employer	Update on September's meeting to be linked with Actuary review of employer covenant – update in March	Ongoing

			2024	
29/03/2023	22 - Risk Register	Address font size issue on Risk Register	Wider review of RR underway, including consulting KCC risk officer to ensure consistency of approach	N
22/06/2023	13-Governance and Policies	Business Plan update to September meeting	Included on today's agenda	Y
22/06/2023	13-Governance and Policies	Full update on outstanding actions to next Committee	Included on today's agenda	Y
22/06/2023	15-Investment Strategy	Equity Protection group to review EP and impact on Strategy	Included in today's papers	Y
22/06/2023	16-Responsible Investment	Fund to join Pensions for Purpose	Application process complete	Y
22/06/2023	19-Funding and Employer Matters	Report on Employer covenant analysis to September meeting	Included on today's agenda	Y

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From: Chairman Pension Fund Committee
Corporate Director of Finance

To: Kent Pension Fund Committee – 12 December 2023

Subject: Funding and Employer Governance

Classification: Unrestricted

Summary:

This report provides information on Fund employers and admission matters. It also provides updates on the matters of 'deemed employer status' and the actuary procurement project.

Recommendations:

The Committee is asked to note the report and agree:

- a) to the admission to the Kent Pension Fund of Suez Recycling and Recovery UK Ltd;
- b) to the admission to the Kent Pension Fund of Caterlink Ltd (re Briary School/EKC Schools Trust);
- c) to the admission to the Kent Pension Fund of Independent Catering Management Ltd (re Gravesend Grammar School/Decus Trust);
- d) the Compass Contract Services UK Ltd net cessation surplus is allocated to Kent Catholic Schools Partnership share of the Kent Pension Fund being the funding pool for Kent and Medway academies;
- e) that once legal agreements have been prepared for matter a) to c) the Kent County Council seal can be affixed to the legal documents.

FOR DECISION

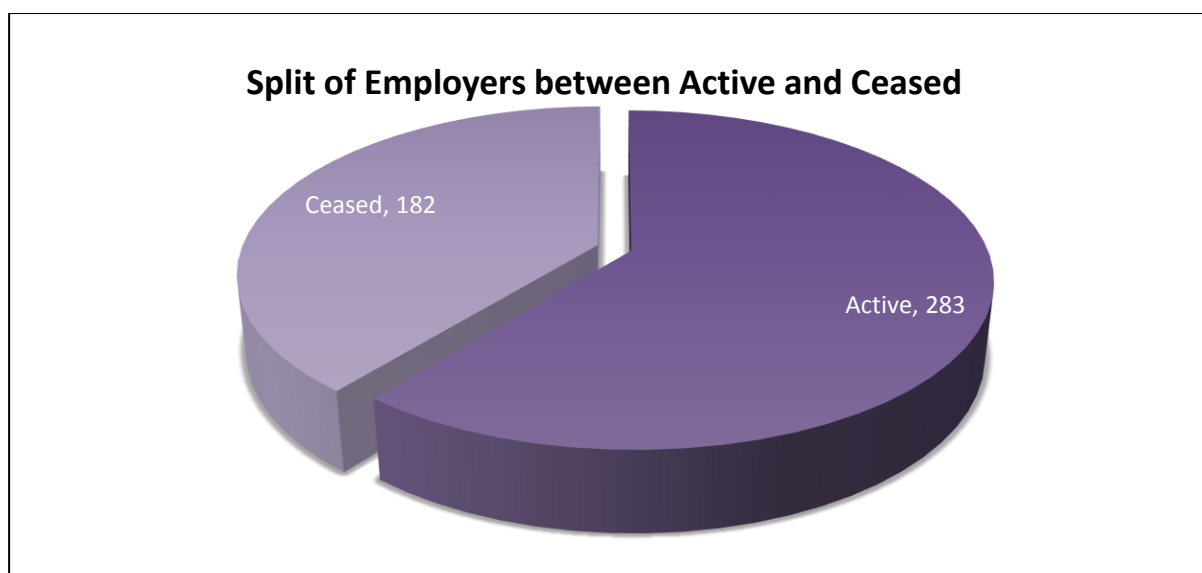
Summary:

1. Introduction

This report provides information on Fund employers for the 3 months ending 30 September 2023, proposes three employer admissions and the allocation of a net cessation surplus. It also provides updates on 'deemed employer status' and the actuarial procurement project.

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

- 2.1 At its last meeting the Committee 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 2023/24 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 academies joined existing multi-academy trusts.
- 2.3 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.



- 2.4 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

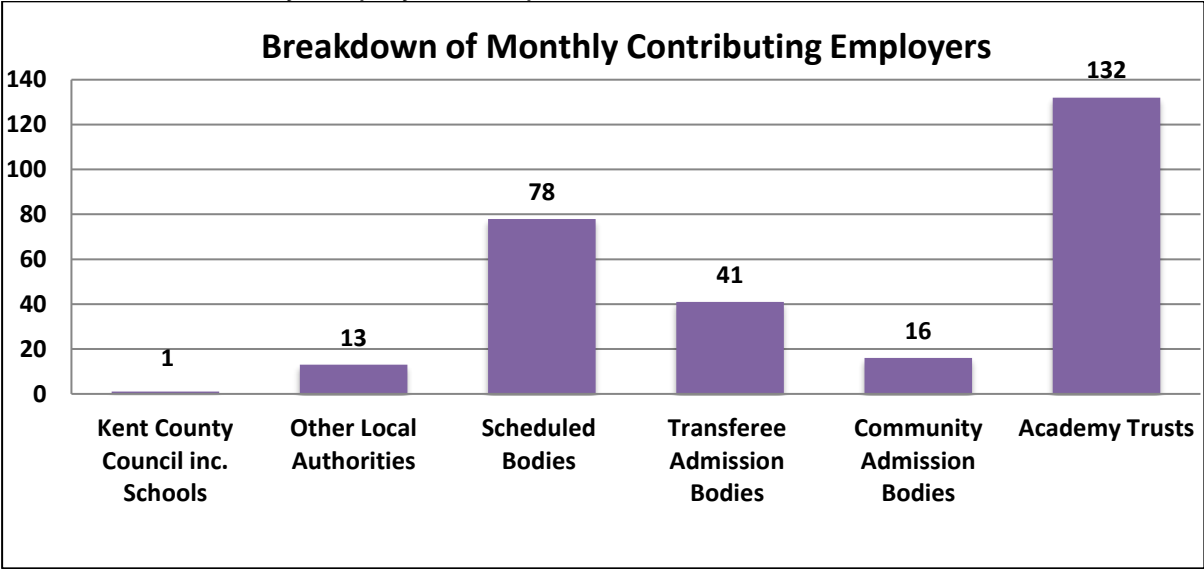
Academy Trust	Inspire Academy Movement	01 September 2023
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Type	Ceased Employers	Effective Date
Admission Body	Enterprise AOL Ltd	31 August 2023
Admission Body	Pabulum re Swale Academies Trust	31 July 2023
Admission Body	Churchill Contract Services (Re: 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

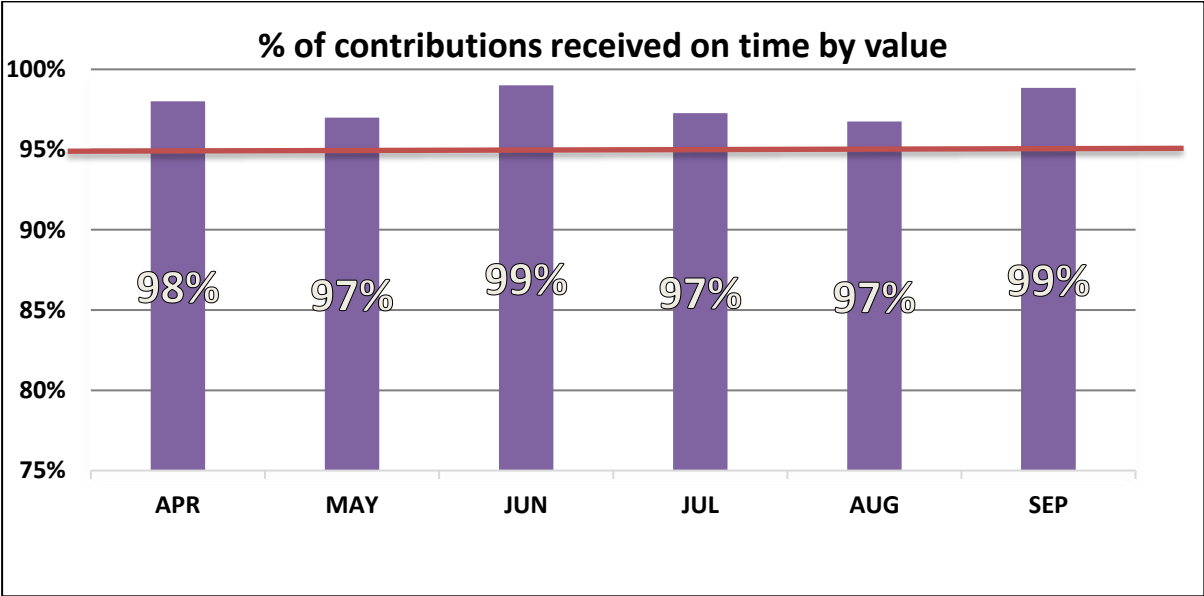
2.5 In the 6 months to 30 September 2023 the Fund received £152m from employers in respect of their monthly contributions (employer and employee) as follows:

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

2.6 The following table shows employers from whom the Fund receives monthly contributions by Employer Group:



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



2.8 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 now delivered employer specific training.

3. Suez Recycling and Recovery UK Ltd

- 3.1 Ashford, Maidstone and Swale Borough Councils have awarded an 8-year contract for waste collection and street cleansing to Suez Recycling and Recovery UK Ltd which commences on 24 March 2024. This involves the transfer of 4 employees from the current contractor Biffa Municipal Ltd.
- 3.2 Ashford Borough Council and Maidstone Borough Council will be joint scheme employer and will also act as Guarantor for this admission.
- 3.3 An admission application has been made under Schedule 2 Part 3 1(d) (i) of the LGPS Regulations 2013, as amended, and under this regulation the admitted body is required to provide some form of security.
- 3.4 The Fund Actuary has assessed the employer contribution rate as 28.2% for a closed agreement and the guarantee for the first year as £383k.
- 3.5 The completed questionnaires and supporting documents provided by Suez Recycling and Recovery Ltd have been examined by officers to ensure compliance with the LGPS regulations, and Invicta Law has given a favourable opinion.
- 3.6 The Committee is asked to agree that Suez Recycling and Recovery UK Ltd is admitted to the Fund.

4. Caterlink Ltd (re Briary School)

- 4.1 Briary School which is part of the EKC Schools Trust has awarded a 3-year catering contract to Caterlink Ltd from 1 June 2023. This involved the transfer of 1 eligible LGPS member to Caterlink Ltd.
- 4.2 A retrospective admission application has been made under Schedule 2 Part 3 1(d) (i) of the LGPS Regulations 2013, as amended, and under this regulation the admitted body is required to provide some form of security.
- 4.3 The Fund Actuary has assessed the employer contribution rate as 25.6% for a closed agreement and the bond for the first year as £16,000.
- 4.4 The completed questionnaires and supporting documents provided by Caterlink Ltd have been examined by officers to ensure compliance with the LGPS regulations, and Invicta Law has given a favourable opinion.
- 4.5 The Committee is asked to agree that Caterlink Ltd be admitted to the Fund.

5. Independent Catering Management Ltd (re Decus Trust)

- 5.1 Gravesend Grammar School which is part of the Decus Trust has awarded a 3-year catering contract to Independent Catering Management Ltd from 1 February 2023. This involved the transfer of 7 eligible LGPS member to Independent Catering Management Ltd.
- 5.2 A retrospective admission application has been made under Schedule 2 Part 3 1(d) (i) of the LGPS Regulations 2013, as amended, and under this regulation the admitted body is required to provide some form of security.
- 5.3 The Fund Actuary has assessed the employer contribution rate as 26.6% for a closed agreement and the bond for the first year as £75,000.
- 5.4 The completed questionnaires and supporting documents provided by Independent Catering Management Ltd have been examined by officers to ensure compliance with the LGPS regulations, and Invicta Law has given a favourable opinion.
- 5.5 The Committee is asked to agree that Independent Catering Management Ltd be admitted to the Fund.

6. Compass Contract Services UK Ltd (re Kent Catholic Schools Partnership)

- 6.1 Compass Contract Services UK Ltd (Compass) joined the Fund on 1 January 2019 in respect of two separate commercial contracts with Kent Catholic Schools Partnership (KCSP) one being for the KCSP primary schools and one for the KCSP secondary schools.
- 6.2 Compass has two distinct admission agreements for these two matters in accordance with the LGPS regulations.
- 6.3 KCSP participates in the Funds academy pool for funding purposes along with all the other Kent and Medway academies.
- 6.4 Compass re KCSP primary schools left the Fund on 16 November 2022 when their last LGPS active scheme member left. The actuary calculated a cessation deficit owing to the Fund of £20,000.
- 6.5 Compass re KCSP secondary schools left the Fund on 3 January 2023 when their contract ended. The actuary calculated a cessation surplus of £23,000.
- 6.6 Whilst any deficit due upon cessation is payable by Compass in accordance with both their admission agreements, KCSP have indemnified Compass against any LGPS deficit and both parties have agreed the Fund sets the deficit position against the surplus position.
- 6.7 At their meeting on 21 June 2019 the Committee delegated approval for decisions regarding exit surplus amounts to be given to officers up to £20,000.

6.8 As the secondary school's surplus is £23,000, agreement is sought that the primary school's deficit of £20,000 can be set against it, therefore leaving a net surplus of £3,000 which officers propose is notionally allocate to the academy funding pool.

7. 2019 Government Consultation - deemed employer route

7.1 At their meeting on 29 March 2023 Committee agreed that the Chairman writes to the Department of Levelling Up, Housing and Communities (DLUHC) asking for an update on the matter of deemed employer status.

7.2 At their meeting on 22 June 2023 Committee were advised officers had considered the matter further; the Charman had written to Cllr Roger Phillips (Scheme Advisory Board Chairman); and that a further update would be provided at future meetings of the Committee and Board.

7.3 On 16 October 2023 Cllr Roger Phillips wrote to the DLUHC and a copy of this letter is attached at Appendix One.

7.4 A further update will be provided at future meetings of the Committee and Board.

8. Actuary Procurement

8.1 As reported to the Committee at its meeting on 26 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. Committee agreed that the decision for awarding the actuarial contract is delegated to the Corporate Director of Finance in conjunction with the Committee Chair and Vice Chair and that a further update will be provided at the next meetings of the Committee and Board.

8.2 The procurement process has broadly proceeded as planned but the final stage of the evaluation process – in-person interviews – was subject to a minor delay owing to adverse weather conditions impacting arrangements in November. The interviews have now taken place and, as at the time of writing, final evaluation processes are being carried out with a view the awarding the contract to the successful tenderer in December. Officers expect to be able to give a verbal update on the outcome of the procurement at today's meeting.

Appendices

Appendix 1 – Scheme Advisory Board Letter to the Department for Levelling Up, Housing and Communities of 16 October 2023

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
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16 October 2023

Please reply to 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.

Scheme Advisory Board Secretariat

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Local Government Pension Scheme
Scheme Advisory Board

Yours sincerely



Cllr Roger Phillips
Chair of the LGPS Scheme Advisory Board

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

To: Kent Pension Fund Committee – 12 December 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 Local Government Pension Scheme for the period 1 August to 31 October 2023.

Recommendations:

The Committee is asked to note the report.

REPORT SUMMARY

1. Performance
2. Recruitment
3. Project Updates
4. Overpayment Recovery and Write Off Limits
5. Communications and Support Update
6. Technical Updates
7. Training and Development

FOR INFORMATION**1. Performance Update**

- 1.1 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.
- 1.2 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.

	Nov 2022 to Jan 2023	Feb to Apr 2023	May to July 2023	Aug to Oct 2023
Cases Open	12,193	14,364	16,029	19,308

Cases Received	14,777	16,041	15,526	14,643
Cases Completed	11,878	13,792	11,423	13,499
Cases Outstanding	14,266	15,741	19,085	19,079
Overall SLA Performance	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 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 administering 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. Project Updates

- 3.1 **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 met 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 Fund Committee meeting in 2024.

- 3.2 **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.

- 3.3 **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.

4. Overpayment Recovery and Write Off Limits

- 4.1 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
£200-£5,000	1	£41.02	-	-	41	£13,627.91

£5,000-£50,000	2	£18,695.60	1	£8,701.69	-	-
£50,000+	-	-	-	-	-	-

5. Communications and Support (C&S) Update

- 5.1 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.
- 5.2 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.
- 5.3 The next **Employer Forum** has been scheduled for 13 December 2023 and advertised to employers. To date 58 employers have registered to attend and reminders about this event will be issued.
- 5.4 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.
- 5.5 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.

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

6. Technical Updates

- 6.1 **SCAPE changes – updated actuarial factors** - since the last Pension Fund Committee 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 four 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.
- 6.2 **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.

6.3 **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 six 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.

7. Training and Development

7.1 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.

7.2 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

7.3 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.

7.4 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.

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From: Chairman Kent Pension Board
Corporate Director of Finance

To: Pension Fund Committee – 12 December 2023

Subject: Pension Board update

Classification: Unrestricted

Summary:

This report summarises the Board meeting that took place on 28 November 2023.

Recommendation:

The Committee is asked to note the update from the Pension Board.

FOR INFORMATION

1. Background

1.1 This briefing note has been prepared as a summary of the discussions at the meeting of the Pension Board on 28 November 2023.

2. Pension Board – 28 November 2023

2.1 At its meeting on 28 November 2023 the Kent Pension Board considered a varied agenda, and a number of the key items are considered below.

3. Detailed update on Pensions administration including a review of the Key Performance Indicators.

3.1. The Pensions Administration manager updated the Board on the key issues that were impacting the Administration team, and the plans for the future development of the service.

3.2. The Pensions Administration manager highlighted the work that the team were doing across all aspects of administration, including communications, working with employers, embedding the “digital by default” approach. She commented on substantial progress that had been made, and the Board asked a number of questions on this. The Board was grateful for the detailed responses received and commended the team for the great work that had been undertaken in the last year. A member of the Board asked whether the Fund had considered working with the Unions to promote Member self-service. It was agreed that this could be a productive approach and officers agreed to progress.

4. Update on the work of the Pension Fund Committee

- 4.1. The Chairman of the Pension Fund Committee updated the Board on the work of the Committee in recent meetings. He specifically the ongoing review of the Fund's Investment strategy which is being considered by the Committee on today's agenda. He also advised the Board on the work the Committee and Responsible Investment Working group had been progressing in this area. He noted developments within ACCESS and commented on the overall strong performance of the Kent Fund in recent years.

5. Business Plan, Budget and Governance and Policy updates

- 5.1. The Head of Pensions and Treasury updated the Board on progress made in this area and provided an update on the Fund's budget as at 30 September 2023.

6. Investment Strategy review and Responsible Investment update

- 6.1 The Board were provided with a review of the process followed by the Committee, officers and advisers in reviewing the Fund's investment strategy. The Board were assured that the process followed was robust and appropriate and the Officers were thanks for the diligence in concluding the strategy review in a timely manner.
- 6.2 The Board was also pleased with progress being made in Responsible Investment, and the Vice Chairman was grateful with being continued to be allowed to sit on the Responsible Investment Working group. The Board asked whether any Board members could join the meetings of this group and Officers advised that they would respond ahead of the next meeting of the group in January 2024.

7. Risk-Register

- 7.1 The Head of Pensions and Treasury updated the Board on the work that officers were doing to revise and refresh the Fund's Risk Register. The Board were assured that officers had been working with KCC's risk team and will be reviewing and refreshing the detailed risk register ahead of the next set of meetings. It has been agreed that the Fund will be using the KCC software to present in the future.

8. Cyber Security

- 8.1. The Board considered a paper on Cyber Security and the approach that the Fund was taking to manage the risks. The training session was highlighted with support from Mercer. Board members were pleased to see that this key area was being taken seriously and commended the workplan.

9. LGPS Investment Consultation

- 9.1 The Board received a briefing on officer's initial thoughts on the DLUHC response to the consultation on LGPS investment, which was published in line with the Chancellor's Autumn Statement.

Nick Buckland, Head of Pensions and Treasury

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From:	Chairman Pension Fund Committee Corporate Director of Finance
To:	Pension Fund Committee – 12 December 2023
Subject:	Business Plan, Budget and Governance
Classification:	Unrestricted

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 Committee is asked to note and comment on the report.

FOR INFORMATION

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 28th September 2022, and the Board considered and supported the Plan at their meeting on 24th 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.
- 4.3 In addition, the Committee will be updated on the costs associated with the implementation of the McCloud remedy elsewhere on today's agenda. The effect on the 2023/24 budget will be relatively small but will increase costs in the next couple of years.

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 has been updated to reflect the updated Investment Strategy, agreed by the Committee in September 2023, and considered elsewhere on today's agenda.

Policy	Last reviewed by the Committee	Next update and review due	Responsibility
Funding Strategy Statement (FSS)	March 2023	March 2025	Nick Buckland
<i>Investment Strategy Statement (ISS)</i>	<i>September 2022</i>	<i>December 2023 after review of Investment Strategy</i>	<i>James Graham</i>
Governance policy and compliance statement	September 2022	September 2024	Nick Buckland
Responsible Investment policy (RI Policy)	September 2022	December 2023 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	December 2023 – 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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Kent County Council

**Administering Authority for
Kent Pension Fund**

Business plan 2023/24 & 2024/25

December 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:

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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 for the next three years. This focuses 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	
Determine funding strategy with actuary for three years, consulting with employers	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
Develop and deliver an Administration Strategy	X		
Manage the expiration of the current administration system contract	X	X	
Carry out the 2022 Triennial Valuation	X		
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
Develop an Administering Authority Discretions Policy	X		
Develop a robust Breach Reporting Policy		X	
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
Administration Expenses	3,484,164	4,567,000	4,691,040	124,040
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
Governance and Oversight Expenses	1,319,532	1,481,000	1,412,200	-68,800
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
Investment Management Costs	27,651,619	31,646,000	31,646,000	0
Audit fee	45,511	43,000	50,100	7,100
Total	32,500,826	37,737,000	37,799,340	62,340

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 Pension Fund Committee
Corporate Director of Finance

To: Pension Fund Committee – 12 December 2023

Subject: Member Training Update

Classification: Unrestricted

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 Committee is asked to note the report.

FOR INFORMATION

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.

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Appendix 1

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.

Indicative Timeframe	Core Topic
September 2023 (Completed 25 th September 2023)	Cybercrime <i>Awareness training and proposed approach on new strategy.</i>
December 2023 (Planned for 7 th 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 & 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 & Skills Framework</i></p>
December 2024	<p>Procurement & 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 & 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 & 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>

From:	Chairman Pension Fund Committee Corporate Director of Finance
To:	Pension Fund Committee – 12 December 2023
Subject:	Investment Performance and Asset Allocation Update
Classification:	Unrestricted

Summary:

This report provides an update on the Fund's asset allocation, performance and cashflow position. Performance reporting is prepared on a quarterly basis while asset allocation (rebalancing) decisions are based on the latest month-end valuations available. Accordingly, performance is reported as at 30 September 2023 while asset allocation is discussed with reference to the Fund's value as at 31 October 2023. Officers have updated and modernised the Fund's in house performance reporting, which is reflected in the new *Quarterly Fund Performance Report* found at Appendix 1.

The Investment Strategy Statement (ISS) is a central part of the Fund's investment governance architecture, documenting the principles, beliefs and policies by which the administering authority manages the investment assets of the Fund. The ISS has been revised and updated in line with the changes to the investment strategy agreed by the Committee at its last meeting in September. Proposed changes to the updated ISS (found at appendix 2) require the Committee's approval.

Recommendation:

The Committee is asked to:

- a) note the report;
- b) agree that no rebalancing is undertaken (para. 1.4); and
- c) agree to adopt the updated Investment Strategy Statement (appendix 2), including the revised rebalancing policy set out within the statement.

FOR DECISION

1. FUND VALUE AND ASSET ALLOCATION

1.1 As of 31 October 2023, the Fund's value was £7.69bn, a decrease of £91m since 31 July 2023 (the most recent value reported to the Committee).

1.2 At its meeting in September, the Committee agreed an updated strategic asset allocation. The current asset allocation (as at 31 October) is shown against the new strategic target weights in the table below.

Asset Class / Fund Manager	Current Asset Allocation		Strategic Asset Allocation	
	£m	(%)	£m	(%)
Equities	4,207.3	55%	4,077.4	53%
UK Equities	1,516.0	20%	769.3	10%
Schroders	1,139.0	15%		
Link Fund Solutions	2.4	0%		
Insight (Synthetic Equity)	374.6	5%		
Global Equities	2,691.4	35%	2,923.4	38%
Schroders GAV	405.9	5%		
IMPAX Funds	61.7	1%		
Baillie Gifford	968.8	13%		
M&G Global Diversified	510.5	7%		
Sarasin	364.0	5%		
Insight (Synthetic Equity)	380.4	5%		
Emerging Market Equities	0.0	0%		5%
Fixed Income	1,440.4	19%	1,692.5	22%
Credit	1,128.3	15%	1,154.0	15%
Goldman Sachs	389.6	5%		
CQS	237.6	3%		
M&G Alpha Opportunities	259.2	3%		
Schroders Fixed Income	241.9	3%		
Risk Management Framework¹	312.1	4%	538.5	7%
Insight	312.1	4%		
Alternatives	1,982.3	26%	1,923.3	25%
Absolute Return	552.3	7%	384.7	5%
Ruffer	175.2	2%		
Pyrford	377.1	5%		
Infrastructure	316.1	4%	384.7	5%
Partners Group	316.1	4%		
Private Equity	371.5	5%	384.7	5%
YFM	82.1	1%		
Harbourvest Intl	289.4	4%		
Property	742.4	10%	769.3	10%
DTZ Direct Property	470.1	6%		
DTZ Pooled Property	39.1	1%		
Fidelity International	141.0	2%		
Kames Capital	29.1	0%		
M&G Property	63.0	1%		
Cash	63.2	1%	0.0	0%
Total	7,693.3	100%	7,693.3	100%

1.3 Compared to the strategic target weights for high-level asset classes, the Fund is marginally overweight equities, alternatives and cash, and marginally

¹ The current value of the Risk Management Framework is calculated from the market value of the Fund's derivative instruments, the market value of collateral (itself currently comprised of cash and asset backed securities) and the notional cash exposure from the Fund's synthetic equity positions.

underweight fixed income. However, within these high-level asset classes, deviations are more notable, particularly for UK equities, where the Fund is heavily overweight.

- 1.4 Whilst material deviations would ordinarily trigger rebalancing actions from the Committee, in this instance the differences arise because the Committee has only recently established its new policy portfolio and is yet to implement the required changes to bring the actual portfolio into alignment with its new strategic asset allocation. A separate item on investment strategy implementation appears later on today's agenda. Accordingly, officers recommend that no routine rebalancing is undertaken.

2. INVESTMENT PERFORMANCE

- 2.1 Officers have updated and modernised the Fund's in house performance reporting, which is reflected in the new *Quarterly Fund Performance Report* found at Appendix 1. The performance reporting reflects the latest quarterly information (i.e. as at 30 September 2023).

Investment performance: quarter to 30 September 2023

- 2.2 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.
- 2.3 **UK equities** performed well, in a relative sense, versus global peers due to strong performance in the basic materials and energy sectors. The Fund's UK equity manager, Schroders, trailed the benchmark marginally during the quarter with a return of 0.94% (versus the benchmark return of 2.35%).
- 2.4 **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.
- 2.5 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%.
- 2.6 The fall in the global equities in local currency meant that the equity protection program gained £126m during the quarter.
- 2.7 **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.

- 2.8 **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.
- 2.9 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.

Investment performance: longer term

- 2.10 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%.
- 2.11 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.
- 2.12 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%
- 2.13 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.

3. CASH FLOW

- 3.1 The cash balance as of 30 September 2023 was £28.6m, down from £55.3m at the end of the previous quarter.
- 3.2 Operational cash flow continues to be positive, with contributions exceeding pension payments. Investment cash flows relate to drawdowns and distribution from alternative asset classes including £30m for purchase of units in the DTZ Co-Liv Fund under the DTZ discretionary property mandate and £19.77m received for sale of Charing Cross property.
- 3.3 Forecast Fund cash flows are summarised in the table below.

	2023-24 2 Qtrs. £m	2024-25 Full year £m	2024-26 Full year £m

Opening cash balance	28.6	48.7	47.0
Operational cashflows			
Pensions Contributions	145.8	300.3	309.3
Property Income	11.1	21.1	22.2
Total inflows	156.9	321.4	331.5
Pensions Payments	-138.4	-294.4	-306.5
Admin, Governance and Investment Managers	-6.5	-9.8	-10.3
Total outflows	-144.9	-304.2	-316.7
Net operational cashflow	12.0	17.3	15.0
Investment cashflows			
YFM	11.7	2.0	2.0
Partners Group	-15.0	-51.7	-22.0
HarbourVest	-5.0	21.7	39.0
Property redemptions	16.4	9.1	9.1
Net investment cashflow	8.1	18.9	28.1
Closing Cash balance	48.7	47.0	90.1

- 3.4 Pension contributions and pension payments are based on Barnet Waddingham's actuarial projections adjusted for actual experience in the current year.
- 3.5 Property redemptions for 2023-24 include: M&G Residential Fund part redemption of £6.8m (already received), the sale of L&G property fund units £7.2mm (already received).
- 3.6 Cash flows for private equity and infrastructure drawdowns and distributions are based on projections provided by managers for existing portfolios. In the revised investment strategy, there is a provision to increase the allocation to these asset classes which will affect the cashflows. These changes have not been factored into this cashflow forecast but will be updated once officers have undertaken a commitment analysis for the new, increased allocations to private equity and infrastructure.
- 3.7 The cash flow forecast above also does not include short term capital movements required for implementation of the revised investment strategy, as these are expected to broadly net to zero.

4. INVESTMENT STRATEGY STATEMENT

- 4.1 The Fund is required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the "Regulations") to prepare and publish an Investment Strategy Statement (ISS), which must be in accordance with guidance issued from time to time by the Secretary of State for Levelling Up, Housing and Communities.
- 4.2 The ISS is a central part of the Fund's investment governance architecture, documenting the principles, beliefs and policies by which the administering authority manages the investment assets of the Fund.

- 4.3 The Fund's current ISS was approved by the Committee in September 2021. However, the ISS now needs to be updated to take account of the changes made to the Fund's strategic asset allocation at the Committee's last meeting.
- 4.4 The new strategic asset allocation has also necessitated a review of the Fund's rebalancing policy, which is one of the Committee's key risk management tools as it establishes ranges around the portfolio target weights, beyond which the Committee would ordinarily consider rebalancing activity to bring the actual portfolio into alignment with the approved strategic asset allocation.
- 4.5 The existing rebalancing policy refers to high-level asset classes only and officers have consulted Mercer to establish tolerance thresholds for liquid asset classes within the high-level asset classes too, which is expected to support the Committee's investment governance.
- 4.6 Officers have also taken the opportunity to update other areas of the ISS to aid readability and to better capture the Committee's current investment governance practices.
- 4.7 The updated ISS is found at appendix 2 and additional or revised wording has been highlighted to enable the Committee to easily identify changes.

Appendices

Appendix 1 – Quarterly Fund Performance Report – Q3 2023

Appendix 2 – Kent Pension Fund Investment Strategy Statement (Draft)

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Kent Pension Fund



[DRAFT] Investment Strategy Statement

December 2023



Introduction and purpose

Kent County Council (the “Council”) is the administering authority for the Kent Pension Fund (the “Fund”). The Council is required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the “Regulations”) to formulate and publish an investment strategy which must be in accordance with guidance issued from time to time by the Secretary of State for Levelling Up, Housing and Communities.

The Fund must invest any fund money that is not needed immediately for the payment of benefits and the purpose of the Investment Strategy Statement (the “ISS”) is to document the principles, beliefs and policies by which the administering authority manages the investment assets of the Fund.

Governance

The Council has delegated to the [Pension Fund Committee](#) (the “Committee”) all the powers and duties of the Council in relation to its functions as an [administering authority](#). The Committee is responsible for setting investment strategy, carrying out regular reviews, and monitoring the Fund’s investments.

The role of the Kent Local Pension Board (the “Board”) is to assist the Committee to comply with legislative and regulatory requirements, and to ensure the effective and efficient governance and administration of the Local Government Pension Scheme.

The Committee can create non-decision making working groups, constituted from its own membership, to enable the Committee to explore and examine specific themes and subjects in greater technical detail. Two such groups are in operation at the time of writing: the Responsible Investment Working Group and the Risk Management Group. These bodies enhance the Fund’s investment governance capacity; they report their findings to the Committee, which remains the sole decision-making authority.

The latest version of the ISS was approved by the Committee on **XX XX XXXX**. The Fund has taken proper advice from the Fund’s investment consultant, Mercer (the “Investment Consultant”) in formulating its investment strategy.

As set out in the Regulations the ISS is subject to review at least every three years and from time to time depending on any material change in investment policy or other matters as required by law.

Scope

Regulation 7(2) requires that the ISS must address the follow matters:

- a requirement to invest money in a wide range of investments
- the authority’s assessment of the suitability of particular investments and types of investments



Kent Pension Fund

- the authority's approach to risk, including the ways in which risks are to be measured and managed
- the authority's approach to pooling investments, including the use of collective investment vehicles and shared services
- the authority's policy on how social, environmental, or corporate governance considerations are taken into account in the selection, non-selection, retention, and realisation of investments, and
- the authority's policy on the exercise of rights (including voting rights) attaching to investments.

Links to the Funding Strategy Statement

The [Funding Strategy Statement](#) (FSS) aims to establish a clear and transparent strategy that will identify how participating employers' pension liabilities are best met going forward. To determine the value of accrued liabilities and derive future contribution requirements it is necessary to discount the Fund's future cash flows to present day values. The discount rate used in the actuarial valuation is derived by considering the long-term expected return from the Fund's long-term investment strategy, with a deduction applied for prudence. This ensures consistency between the funding strategy and investment strategy.

Accordingly, there is a fundamental link between the FSS and the ISS relating to the discount rate that underlies the funding strategy as set out in the FSS, and the expected rate of investment return which is expected to be achieved by the long-term investment strategy as set out in the in this document.

Investment Objectives

The Fund's primary purpose is to pay pensions, and lump sums and other benefits to Scheme Members as provided for under the Local Government Pension Scheme Regulations 2013. This primary objective is set out in more detail in the FSS.

The investment objective for the Fund is to ensure that over the long term it will have sufficient assets, when taken in conjunction with future contributions, to meet pension liabilities as they fall due. At the present time, the Fund's aim is to achieve at least an investment return in line with that set by the Fund Actuary for the 3-year valuation period, presently 4.5% p.a. based on the 2022 valuation results.

In order to achieve the investment objective the investment strategy seeks to:

- maximise returns for a given level of risk
- ensure liquidity requirements are met at all times
- achieve and maintain 100% funding level
- maintain stable employer contribution rates.

Asset Allocation



Kent Pension Fund

The Fund recognises that diversification is key to managing portfolio risks. Assets are invested across different asset classes and distinct investment management styles are combined with the aim of securing sufficient and stable returns and using risk efficiently.

The Fund recognises that the likelihood of achieving the investment objective is heavily influenced by the choice of strategic asset allocation. The Fund reviews its strategic asset allocation via periodic investment strategy reviews and in order to ensure that its asset allocation policy remains appropriate, reviews will normally take place every three years. However, a review may be undertaken sooner if there is a material change in the investment or regulatory environment, or in the circumstances of the Fund itself.

The Investment Consultant supports the Fund in determining its strategic asset allocation through the provision of professional advice.

The Committee reviewed the Fund's investment strategy following the 2022 triennial valuation and approved the Fund's current strategic asset allocation policy (shown in the following table) in September 2023.

Asset Class	Strategic Asset Allocation (%)
Equities	53
UK Equities	10
Global Equities	38
Emerging Market Equities	5
Fixed Income	22
Credit	15
Risk Management Framework (Index Linked Gilts) ¹	7
Alternatives	25
Absolute Return	5
Infrastructure	5
Private Equity	5
Property	10
Total	100

Compared to the Fund's previous Strategic Asset Allocation, the current policy has a reduced allocation to UK equities and increased exposure to Global Equities and Emerging Market Equities to better align the strategic asset allocation with their respective weights in global markets. Fixed income also has an enhanced role within the current Strategic Asset Allocation through the introduction of a new allocation to Index Linked Gilts, which also supports the risk management framework of the Fund.¹

Rebalancing Policy

The actual distribution of the Fund's assets will be affected by a range of factors including market movements, manager performance and cashflows into and out of the Fund. Over time there is therefore the potential for the asset allocation to drift away from the target allocation, potentially changing the agreed risk return characteristics of the Fund's portfolio.

¹ The Risk Management Framework is discussed in further detail under Suitability.



The Fund's current rebalancing policy is based on rebalancing ranges, as established in the following table.

Asset Class	Strategic Asset Allocation (%)	Tolerance Range (%)	Tolerance Band (%)
Equities	53	43 – 63	+/- 10
UK Equities	10	7.5 – 12.5	+/- 2.5
Global Equities	38	33 – 43	+/- 5
Emerging Market Equities	5	2.5 – 7.5	+/- 2.5
Fixed Income	22	17 – 27	+/- 5
Credit	15	10 – 20	+/- 5
RMF	7	-	-
Alternatives	25	15 – 35	+/- 10
Absolute Return	5	-	-
Infrastructure	5	-	-
Private Equity	5	-	-
Property	10	-	-
Cash	0	0 - 5	+ 5
Total	100		

Rebalancing is considered quarterly with the decision taken as a standing item at the Committee meeting. Rebalancing is based on the position shown in the latest available month-end valuation data.

The tolerance ranges are set sufficiently wide so that a degree of flexibility remains. For the purpose of the rebalancing policy, the Fund defines High Level Asset Classes as: Equities, Fixed Income, Alternatives and Cash. The Fund defines Sub-asset Classes as UK Equity, Global Equity, Emerging Markets Equity, Multi Asset Credit, the Risk Management Framework, Property, Private Equity, Infrastructure and Diversified Growth.

Rebalancing is based on both High Level Asset Classes and Sub-asset Classes for Equities (including UK Equity, Global Equity and Emerging Markets Equity) and Fixed Income (including Multi Asset Credit and the Risk Management Framework) and as a High Level Asset Class for Alternatives. Alternatives includes Property, Private Equity, Infrastructure and Absolute Return.

The Risk Management Framework is excluded from the rebalancing framework. Collateral adequacy is more important than the actual allocation to the Risk Management Framework. The Committee reviews collateral adequacy quarterly in order to determine if there was a shortage or surplus of collateral.

For the purposes of reviewing the Fund's position versus the rebalancing ranges, the total synthetic equity exposure from the Total Return Swaps within the Risk Management Framework should be added to the Fund's relevant physical sub-asset class equity exposures. The equivalent amount should be deducted from the Risk Management Framework valuation. For clarity, the mark-to-market value (whether



Kent Pension Fund

positive or negative) of the Fund's equity protection overlay structure should be included as part of the Risk Management Framework's value.

Decisions of where to either invest or disinvest cash within the asset and sub-asset class categories specified will be at the discretion of the Committee and should take into consideration the following: relative weights versus strategy, liquidity and transaction costs, medium term market views, short term sector/geographical outlook, tactical asset allocation considerations and confidence of the Committee in the manager's ability to meet performance targets (taking into account manager ratings).

Regular rebalancing is only made between the Fund's liquid assets. Within alternatives, this means rebalancing could involve adjusting the allocation to Diversified Growth to offset over or underweights to property, private equity and infrastructure. However, the Committee should have a strategy to manage the illiquid assets relative to their strategic allocation. This could involve pacing analysis to determine how much capital to deploy to the illiquid strategies and/or the use of listed alternatives.

Unless there is good reason otherwise, rebalancing is undertaken to bring the over or underweight asset class back to approximately the mid-point between its target allocation and the current position to reduce transaction costs and regret risk (should markets reverse shortly after rebalancing takes place).

The Fund also uses cash flows where possible to maintain the target allocations.

Suitability

The suitability of the Fund's investment assets has been determined in the context of its investment and funding objectives.

In assessing suitability, the Fund evaluates the expected returns and expected volatility of particular asset classes together with the correlations between asset classes and the diversification benefits available from combining different asset classes.

The current Strategic Asset Allocation has been established using the Investment Consultant's long term capital market expectations at the time of the most recent triennial valuation (31 March 2022).

The Fund has a central expectation for the current Strategic Asset Allocation to generate an expected annual return of 5.7% over the long term.

The Fund makes use of illiquid investments (such as infrastructure, private equity and property), recognising that investors are expected to be rewarded over the long term for bearing liquidity risk. In setting and reviewing its strategic asset allocation, the Fund further considers the legality of all investments for compliance with the LGPS.

The investment strategy is implemented via external fund managers (including ACCESS, as set out under Pooling below) and there is no internal investment management other than of cash flow. The Fund has a policy of appointing specialist managers with the necessary skills in managing specific investment strategies which should help the Fund to meet its long-term investment objectives.



The Investment Consultant supports the Fund in the implementation of its Investment Strategy, which includes advice on the suitability and appointment of investment managers. An investment management agreement and/or prospectus is in place for each investment mandate which sets out the relevant investment objectives, asset allocation ranges and restrictions, performance targets and relevant benchmark as determined by the Committee. The list of current investment manager arrangements is set out at Appendix 1.

The Committee monitors the Fund's investment management arrangements on an ongoing basis to ensure their continuing suitability. Monitoring is supported via the provision of in-house performance reporting, together with ongoing reporting from the Investment Consultant on appointed investment managers and the investment strategy (including the Risk Management Framework).

Risk Management Framework

The Fund uses a derivatives overlay (the "Equity Protection Programme") as an effective means of implementing its investment strategy. The equity protection programme enables the Fund to efficiently manage the volatility emanating from its equities allocation while still ensuring the Fund has sufficient upside potential to meet its investment return target. As such equity protection provides the Fund with greater flexibility in establishing its targeted risk exposure.

In order to ensure it has an adequate and sustainable collateral pool available to support the equity protection programme, and that it has sufficient exposure to equity risk premia, the Fund obtains some of its equity exposure via Total Return Swaps (synthetic equity) within the same investment mandate as the Equity Protection Programme.

The Fund's allocation to Index Linked Gilts serves a dual purpose of providing exposure to inflation linked UK sovereign bonds, and acting as a source of collateral for the Equity Protection Programme and the Total Return Swaps. In aggregate, this arrangement is referred to as the Risk Management Framework for investment governance purposes.

The Committee is experienced in overseeing a derivatives overlay programme but recognises that this arrangement necessitates a higher governance outlay. The Committee ensures it has the requisite governance capabilities in place to monitor and manage the Risk Management Framework. Proper advice on the implementation and ongoing monitoring of the Framework is provided by the Investment Consultant while specialist investment management expertise has been obtained via the appointment of investment manager, Insight. The Committee has also maintains a Risk Management Group to support the Committee in maintaining sufficient oversight of the Risk Management Framework.

Approach to Risk

The Fund recognises that risk is an intrinsic feature of investment activity. The Fund has identified several key risks that may impact on its investment strategy and funding



position, which are set out below together with appropriate mitigations. The Committee takes proper advice from its Investments Consultants on investment risks.

Risk	Mitigation
Equity risk	The largest risk the Fund is exposed to relates to its equity holding. Equity risk arises from the inherent volatility within equity market returns. Should equity markets deteriorate significantly, this will have a negative impact on the Fund's funding level. The Fund holds equities in order to generate sufficient investment returns so that employer contributions remain affordable. In order to manage equity risk, the Fund invests in managers with a variety of investment styles and has implemented an equity protection programme to limit the impact of falls in global equity markets. It also maintains a disciplined approach to rebalancing to ensure current risk exposures remain within tolerance.
Asset class concentration risk	Asset class concentration risk is a risk that any impact of adverse economic conditions affecting a particular asset class poses an outsized risk to the Fund's funding level and that the risk is not mitigated by investments in other asset classes. The Fund mitigates this risk through the establishment of a diversified investment strategy that pays attention to correlations between asset classes. Frequent and periodic rebalancing protects the Fund from maintain concentrated exposures that are not aligned with its target strategic asset allocation policy.
Active manager risk	Active manager risk is the risk that a fund manager underperforms a pre-established benchmark. The Committee believes that good active managers will add value to the Fund over the long term. The risk is small relative to asset class risk; nevertheless, the Fund addresses the risk through diversification of its exposure to active managers and careful monitoring of their investment performance and process. The Fund evaluates manager performance through regular reporting and through regular meetings with appointed fund managers.
Inflation risk	Inflation risk is the risk that a rise in inflation erodes the value of the investment returns required by the Fund to meet its pension liabilities. The Fund partially mitigates this risk by investing in asset classes that seek to provide returns in excess of inflation, or whose return is a direct function of inflation. Additionally, equities, property and infrastructure investments aim to achieve an indirect linkage to inflation.
Foreign exchange rate risk	The Fund invests in overseas assets. Foreign exchange rate risk is the risk that the value of the Fund's reporting currency, GBP, strengthens in comparison to other currencies (and affects the Fund's ability to realise the stated value of its global investments). The Fund is a long-term investor and can withstand short term currency fluctuations. The Fund monitors its overseas investment currency exposure but has not made



	arrangements to hedge this risk.
Alternative asset classes risk	The Fund invests in a range of alternative assets, which often have higher levels of volatility and higher illiquidity when compared to some traditional asset classes. However, the Committee judges that these assets are suitable where they produce sufficiently high expected returns and diversification benefits that reduce the Fund's overall reliance on equities for capital growth.
Liquidity risk	Liquidity risk is the risk that the Fund will not have sufficient cash to meet its pension and investment liabilities in time and becomes a forced seller of assets at an inopportune time. The Fund actively manages its cash flows over the short and longer term to ensure liquidity. It restricts its investments in illiquid assets to minority portion of the Fund's strategic asset allocation and undertakes paced commitments to private markets investments to reduce cash flow challenges.
Custody risk	Custody risk is the risk that the investments might not be held and transacted securely and efficiently for the benefit for the Fund. The Fund must maintain its beneficial ownership of Fund assets when held in custody or trading and it does this through its global custodian. Counterparty risk is mitigated through a robust selection and legal contracting process. Direct custody risk is reducing as the Fund moves its investments into pooled funds. Indirect custody risk is mitigated by careful selection of funds.
Transition risk	Transition risk is the risk that trading and opportunity costs are higher than anticipated when moving assets between investment managers. The risk of incurring additional costs in relation to the transitioning of assets between external managers is managed through the use of professional advisers and experienced in house staff undertaking establishing transition risk management techniques.
Stock lending risk	Stock lending risk is the risk that assets lent are not recovered in full or partially. The Fund has agreed a stock lending policy for its segregated mandates as well as for its investments in the ACCESS pool. This is a limited programme of stock lending and risk is mitigated by lending to approved counterparties against non-cash collateral mainly comprising of Sovereigns, Treasury Bonds and Treasury Notes.
Regulatory risk	Regulatory risk is the risk that the Fund will be in breach of a regulatory requirement. A significant portion of regulatory risk is transferred to the externally appointed (regulated) investment managers. The Fund ensures internal staff have the requisite knowledge and skills, as well as access to appropriate external advice, to ensure compliance with LGPS Regulations. The ISS is reviewed on a periodic basis (at least every three years and sooner in the event of a significant change in the Fund's circumstances or the regulatory environment).
Investment advice risk	Investment advice risk is the risk that the Fund receives



	inappropriate or poor-quality investment advice. The Fund has engaged Mercer as its Investment Consultant a proper procurement process. Consistent with the CMA Order 2019 and upcoming revised guidance for the LGPS, the Committee has set strategic objectives for the Investment Consultant and regularly considers the effectiveness of the advice given against these objectives.
Unmatched liability risk	Unmatched liability risk is the risk that the growth of the Fund’s assets is less than the growth of the Fund’s pension liabilities (and therefore the Fund does not have sufficient assets to meet its long-term liabilities). The Fund manages this risk by ensuring its funding and investment strategies are mutually consistent and through periodic reviews of the growth of its liabilities (triennial valuations) and its investment strategy.
ESG Risk	The Fund recognises that environmental, social and governance (ESG) factors pose material financial and non-financial risks to the Fund. The Fund is particularly cognisant of the risks that climate change, and the transition to a low carbon economy, pose to the value of the Fund’s assets over the long term.

The Fund assesses risk both qualitatively and quantitatively, with the starting point being the triennial strategy review. Risks are considered, understood, and then prioritised accordingly. Investment risks are not the only risks that impact the Fund’s funding level e.g. longevity risk is also a significant component. The Fund maintains a full risk register which is reported to every meeting of the Committee. This covers the full range of risks faced and not just investment risks.

Approach to Pooling

The Fund is part of the ACCESS (A Collaboration of Central, Eastern and Southern Shires) pool which was established in 2015 and now oversees assets totalling £35.4bn (as at 30 June 2023). The ACCESS member authorities retain authority to determine their strategic asset allocation policies in the exercise of their fiduciary responsibility and seek to implement the local strategy through the pool.

Waystone is currently the ACCESS pool’s contracted pool operator and is responsible for operating an Authorised Contractual Scheme (ACS) along with the creation of investment sub-funds to meet the collective needs of the ACCESS member authorities.

The Fund has made a commitment to pool its investments other than its direct property holdings but will rigorously apply the value for money test before moving assets into the pool. There are various challenges and complications in pooling directly held properties, including transition (re-registration) costs, lack of liquidity, and determining fair transfer values that make it unviable to pool direct property.

As at 30 June 2023 the total value of the Kent Fund’s investments in the ACCESS pool was £3.4bn, being 44% of the total assets of the Fund. ACCESS now has a range of



Kent Pension Fund

sub funds for equity and fixed income asset classes and the Fund will continue to look for opportunities to pool their remaining liquid assets within the existing sub funds where suitable as well as collaborate for the development of further pooled solutions.

The Fund will also participate in the pooling of alternative assets (other than direct property) through the structures being developed in the ACCESS pool.

On 22 November 2023, the Government published the outcome of the *Local Government Pension Scheme (England and Wales): Next Steps on Investments* consultation, which details the Government's proposals for the future of asset pooling within the scheme. The Fund expects to update its ISS once associated regulation and statutory guidance is made available to ensure its investment arrangements remain compliant, and make optimal use of the regulatory context in which the Fund invests on behalf of its beneficiaries.

Environmental, Governance and Social Considerations

The Fund has an overriding fiduciary duty to maximise investment returns for the benefit of the Fund's beneficiaries. The Fund recognises that it is consistent with its fiduciary duty to manage Environmental, Social and Governance (ESG) issues including climate risk, that may be financially material. It also understands that in seeking to deliver long-term returns, taking a sustainable investment view is more likely to create and preserve and enhance capital over the long term.

The Fund is committed to being a responsible investor and a good long-term steward of the assets in which it invests. The Fund's [Responsible Investment Policy](#) sets out the Fund's approach to responsible investment and details the actions the Fund and its external providers take on its behalf, to protect the Fund and its assets from ESG and reputational risk. The Committee expects those responsible for managing the Fund's investments to comply with the Fund's policy.

The Fund is a signatory to the PRI and is a member of collaborative investor networks including the IIGCC, LAPFF and Pensions for Purpose to benefit from a collective approach to engagement as well as ensuring it can access expertise and best practice in the field of responsible investment.

The Committee has established the Responsible Investment Working Group to support the implementation of the Fund's Responsible Investment Policy and to further develop the Fund's approach in this area.

Exercise of Voting Rights

The ACCESS pool has agreed voting guidelines that it expects each of the underlying investment managers managing sub funds on its behalf to comply with or, when this is not the case, to provide an explanation.

The Fund has instructed its other investment managers to vote in accordance with their in-house policies and practices and expects them to apply these policies responsibly and in the best interest of the Fund. It also seeks to inform the managers' voting activity



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with alerts from the LAPFF and require them to provide rationale for any divergence with the alerts.

The Fund supports the UK Stewardship Code and expects the investment managers who hold shares on its behalf to be signatories of the UK Stewardship Code 2020 and to fully participate in voting at company annual general meetings. It expects its investment managers to carry out all voting decisions on behalf of the Fund and to provide feedback information on voting decisions on a quarterly basis. The majority of the Fund's investment managers are signatories to the UK Stewardship Code.

Stock lending

The Fund has agreed a programme of stock lending with the custodians of its segregated investments. With regard to the Fund's pooled investments stock lending is undertaken at the discretion of the pooled fund manager. The Fund also participates in the ACCESS stock lending programme for investments under ACCESS Pool governance.

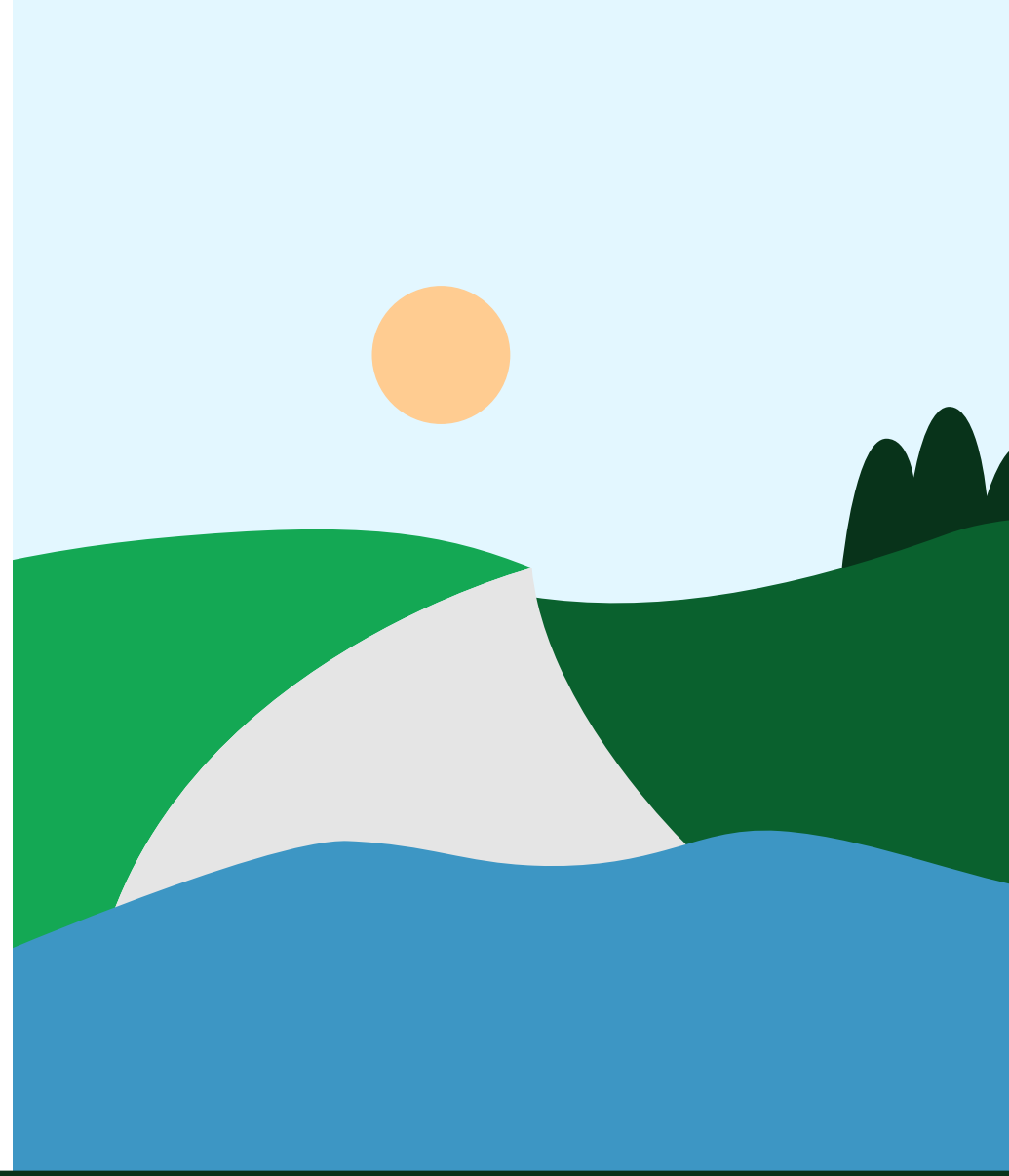


APPENDIX 1 – CURRENT INVESTMENT MANAGEMENT ARRANGEMENTS

Asset Class / Mandate	Performance Target	Description
UK Equities		
Waystone/ACCESS (Schroders)	Customised UK equity + 1.5%	Active equity
Insight	FTSE All Share	Synthetic passive equity
Global Equities		
Waystone/ACCESS (Baillie Gifford)	Customised regional equity + 1.5%	Fixed regional weight growth equity
Sarasin	MSCI AC World + 2.5%	Thematic
Waystone/ACCESS (M&G)	MSCI AC World + 3%	Dividend growth
Waystone/ACCESS (Schroders)	MSCI AC World + 3-4%	Quantitative value
Impax	MSCI AC World + 2%	Environmental themed
Insight	MSCI World	Synthetic passive equity
Insight	Blended index returns	Equity options structure
Fixed Income		
Schroders	ICE BOFA STG 3 Month Govt Bill	Active strategic bond fund
Goldman Sachs	+3.5-6%	Target return, buy and hold
CQS	SONIA+4%	Multi asset credit
M&G	SONIA+4%	Multi asset credit
Insight	SONIA + 2%	Asset backed securities and cash (collateral manager)
Absolute Return		
Pyrford	RPI + 5%	Diversified growth fund
Waystone/ACCESS (Ruffer)	RPI	Diversified growth fund
Infrastructure		
Partners Group	SONIA	Global infrastructure fund of funds
Private Equity		
HarbourVest	SONIA	Global private equity fund of funds
YFM	SONIA	UK growth and buyout
Property		
DTZ	MSCI Customised Pension Fund Index	Direct UK property
DTZ	MSCI UK PF All Balanced Property Fund Index	Pooled UK property fund close ended
Fidelity	MSCI UK PF All Balanced Property Fund Index	Pooled UK property fund open ended
M&G	MSCI UK PF All Balanced Property Fund Index	Pooled UK residential property fund open ended

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Kent Pension Fund **Q3 2023 Fund Performance**



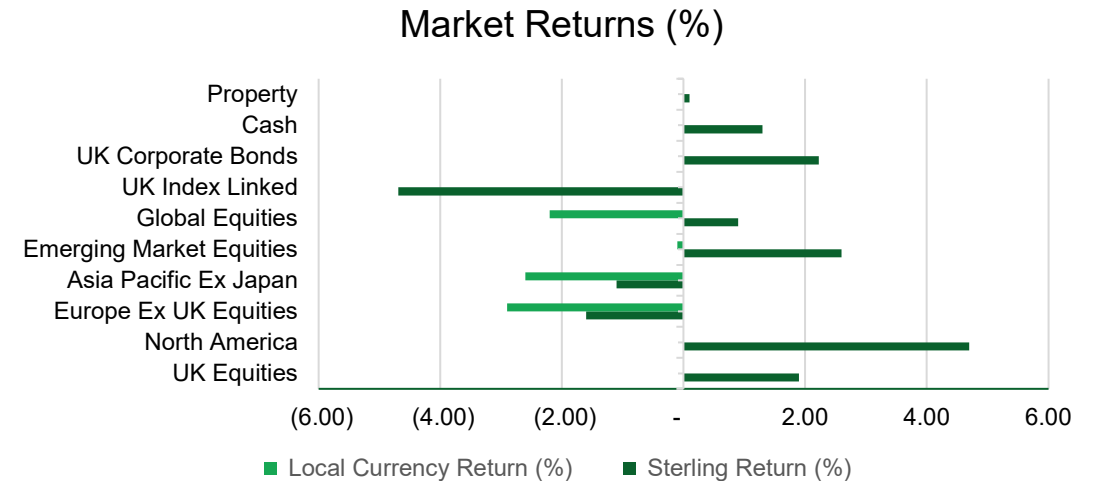
Market Commentary

- Developed market central bank actions were mixed over the quarter, with some deciding to pause hiking interest rates, and others continuing to increase policy rates. Headline inflation continued to slow and core inflation fell in most regions. Inflation expectations also continued to decline over the quarter. During the quarter, equities were broadly negative and came under pressure amid some hawkish central bank announcements especially by the US Federal Reserve.
- US GDP growth estimates appear to have accelerated in the second quarter of 2023, with the economy growing at an annualised rate of 2.1%, primarily driven by upward revisions in business investment growth. Consumer spending, however, grew at its weakest pace since the first quarter of 2022 but still remained relatively resilient. Headline US CPI rose over the quarter increasing to 3.7% in August from 3.0% at the end of June. Core US inflation has been declining in recent months. The Federal Reserve at its September meeting decided to maintain policy rates at 5.25% to 5.50%. As at quarter end, the Fed economic forecasts show short term rates peaking at 5.625% in 2023, which implies at least one more 25bps increase this year.
- China's economy grew at 6.3% on an annual basis in Q2, largely due to favourable base effects but overall, the momentum has been weak, indicating subdued demand. Purchasing Managers' Index (PMI) surveys indicate some signs of stabilisation after policy efforts, but the property sector, employment and exports growth decline continue to weigh on demand. China's central bank reduced the key interest rate from 3.55% to 3.45% amid concerns about the post-pandemic recovery.

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- The Japanese economy grew at an annualised rate of 6% in Q2 2023, the strongest growth since the last quarter of 2020, on the back of strong exports growth.
- GDP growth has been modest for the Eurozone in Q2 2023 expanding by 0.3% q/q. The economies of both France and Ireland have been relatively resilient. Spain also performed well. Germany and Italy, however, have been weaker during the quarter. Despite, an increase in GDP growth, the situation remains relatively weak. Higher interest rates to curb inflation are reducing both household and business capacity to borrow and spend. The European Central Bank raised its key interest rate to a record high of 4%, signaling that its interest rate hikes could come to an end.
- UK GDP is estimated to have increased to 0.2% in the second quarter of 2023. Headline inflation in the UK fell to 6.7% in August from 7.9% in June. The Bank of England maintained interest rates at 5.25%.

Source: Mercer LLC

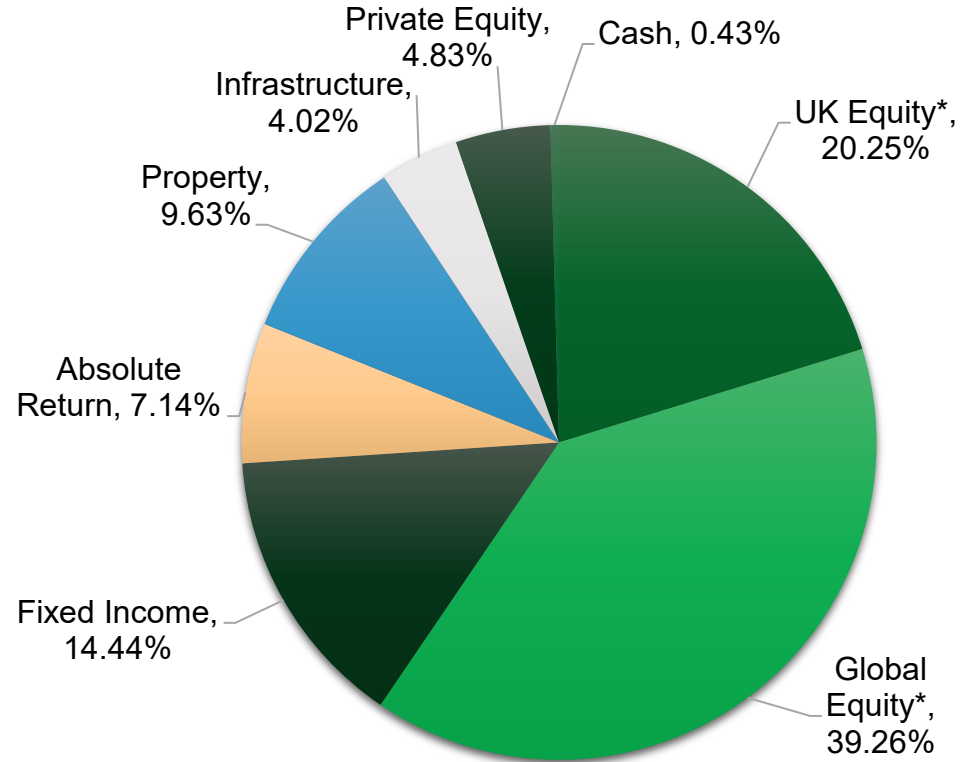


Source: Mercer LLC and Refinitiv



Asset Allocation

Current Asset Allocation (%)



*Synthetic Equity exposure with Insight is included within UK and Global Equity.

Source: Northern Trust, RADAR Reporting

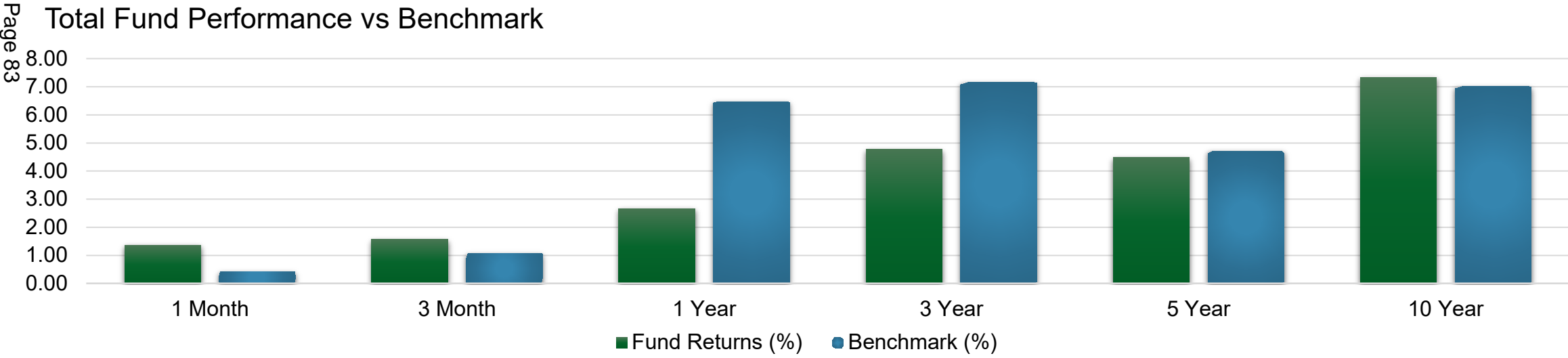
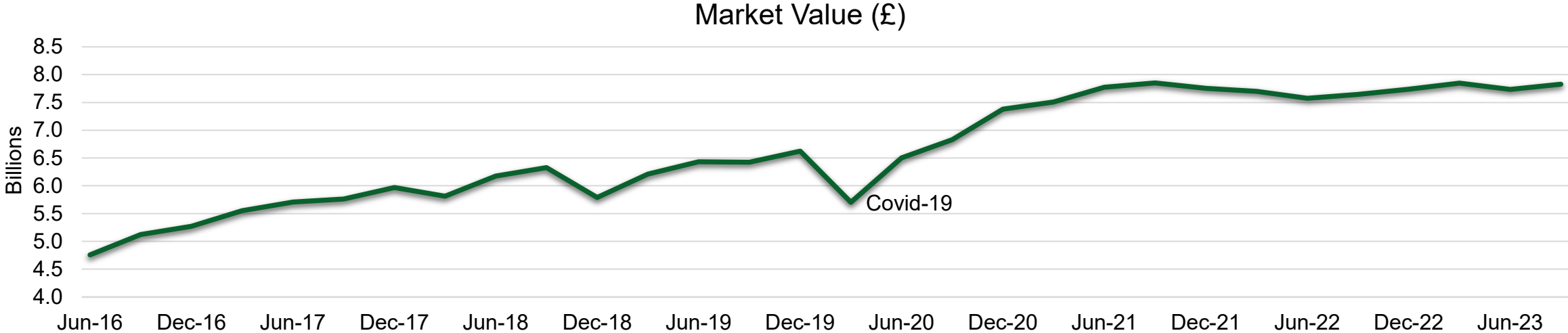


Fund Manager Summary

Asset Class	Fund Manager	Market Value as at 30 September 2023 (£m)	Market Value as at 30 June 2023 (£m)	Change in MV (£m)	% of Total
UK Equity	Schroders UK Equity	1,189	1,178	11	15.19
	Woodford Equity	2	2	0	0.03
Global Equity	Impax	67	72	-5	0.86
	Sarasin	372	384	-12	4.75
	Baillie Gifford	1,042	1,091	-50	13.31
	Schroders Global Active Value	422	410	12	5.40
	M&G Global Dividend Fund	523	536	-13	6.68
	Insight	1,039	914	126	13.28
Equity Protection	CQS	239	233	6	3.05
	Goldman Sachs	391	388	3	5.00
	Schroders Strategic Bond Fund	241	240	1	3.08
	M&G Alpha Opportunities	259	252	7	3.31
Fixed Income	Ruffer	177	179	-2	2.27
	Pyrford	381	376	6	4.87
Absolute Return	DTZ	474	501	-27	6.06
	DTZ Pooled Property	39	39	-0	0.50
	DTZ (previously Aegon)	29	32	-3	0.37
	M&G Residential Property	69	69	0	0.89
	Fidelity	142	142	-0	1.81
	Partners Group	315	287	27	4.02
Infrastructure	HarbourVest	286	266	20	3.65
	YFM	92	86	6	1.17
Private Equity	Internal Cash	34	55	-21	0.43
Cash					
Total		7,825.71	7,733.47	92.24	100.00



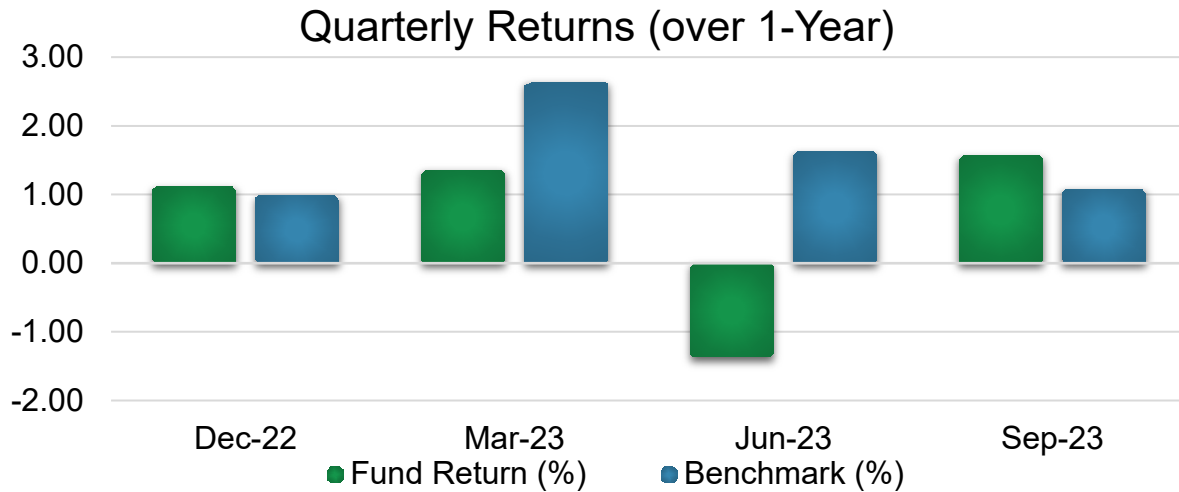
Historical Performance



Source: Northern Trust, RADAR Reporting



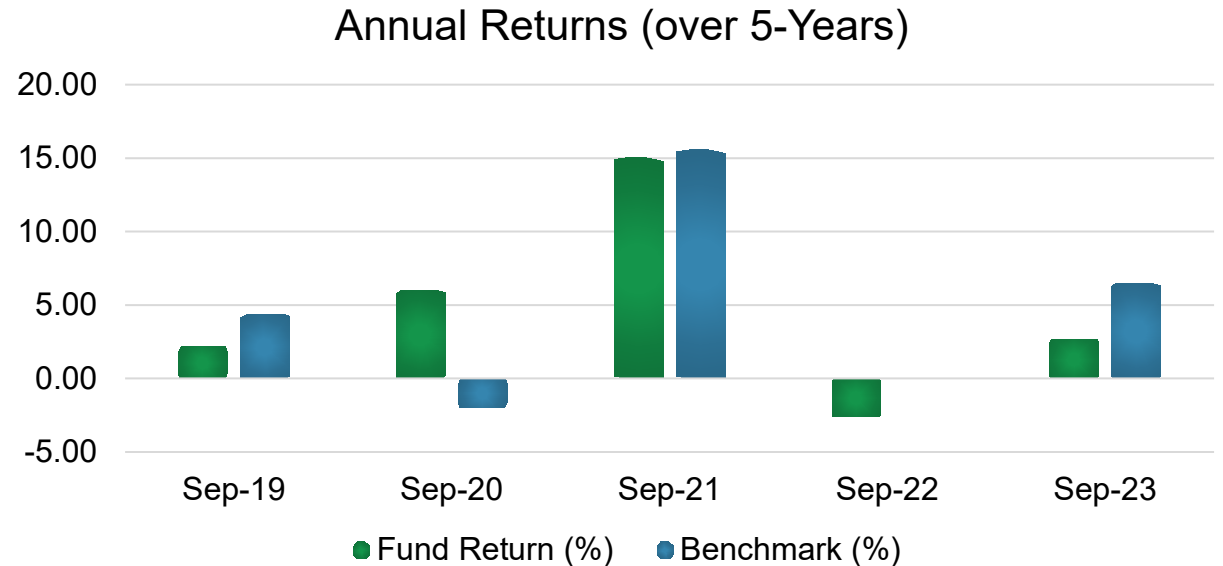
Discrete Performance



- Despite a positive end to 2022, the Fund has showed varying performance in the year to date, with underperformance caused by several factors, including an underweight holding to the “Magnificent 7”.
- The Fund has performed well in the quarter to September 2023, outperforming the benchmark by 0.48%.

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- Over the past 5 years, the Fund has not performed well against the benchmark, only outperforming in the year to September 2020.
- A bounce back in global markets led to a strong performance of the Fund in the year to September 2020, resulting in an outperformance against the benchmark of 7.96%.

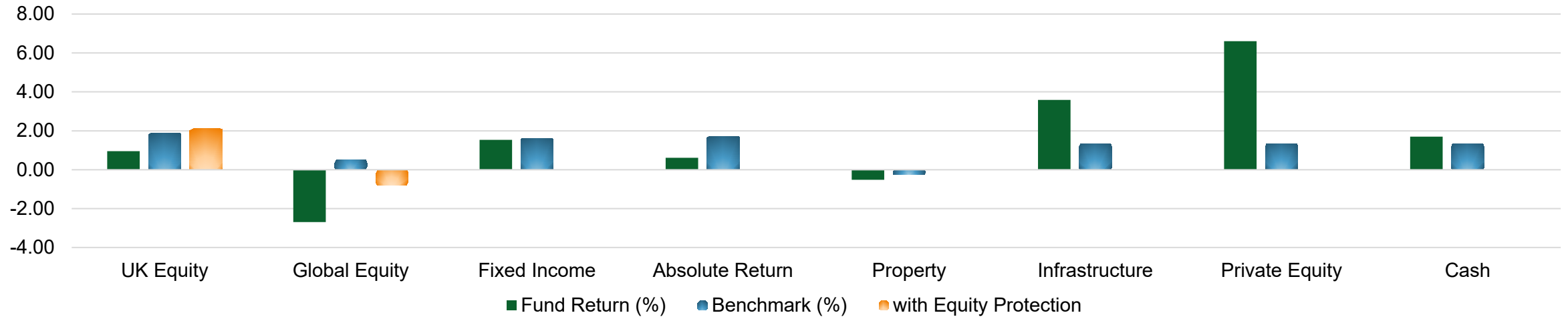


Source: Northern Trust, RADAR Reporting



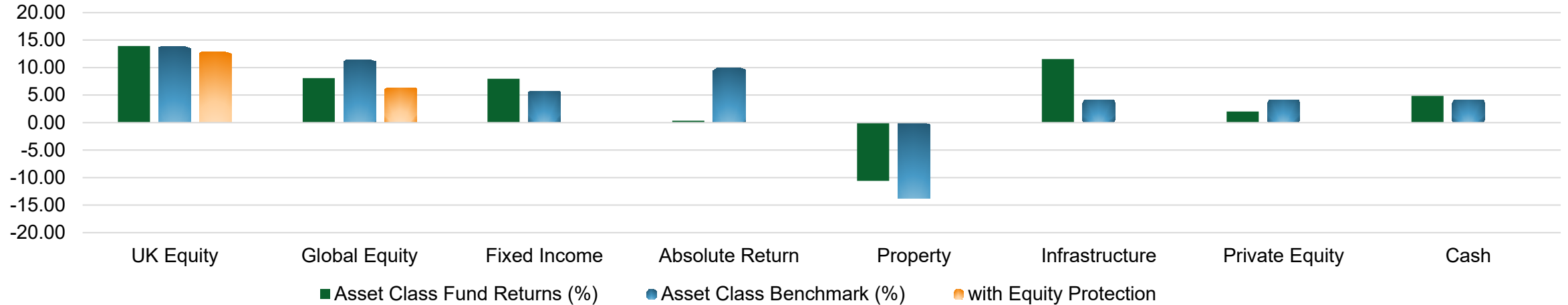
Asset Class Performance

Quarterly Performance



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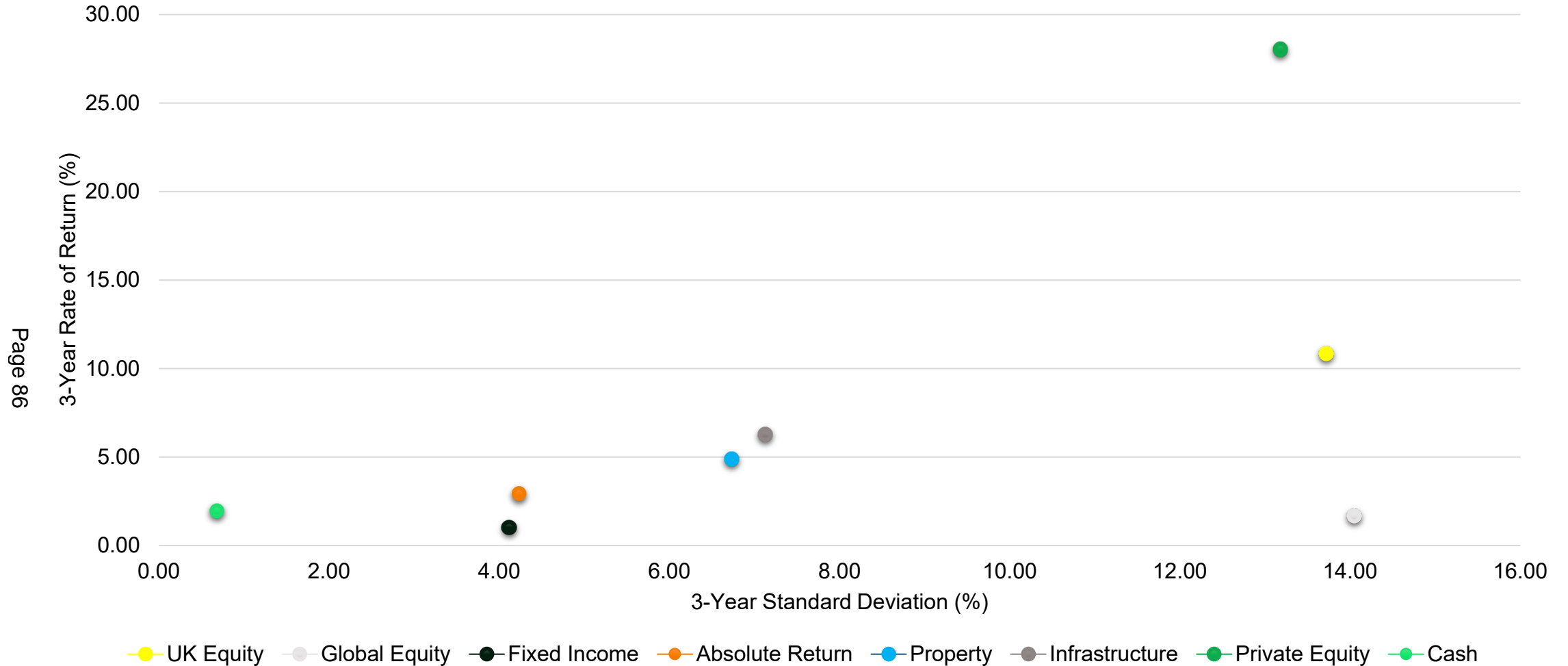
Annual Performance



Source: Northern Trust, RADAR Reporting



Risk vs Return – Asset Class Level



Source: Northern Trust, RADAR Reporting

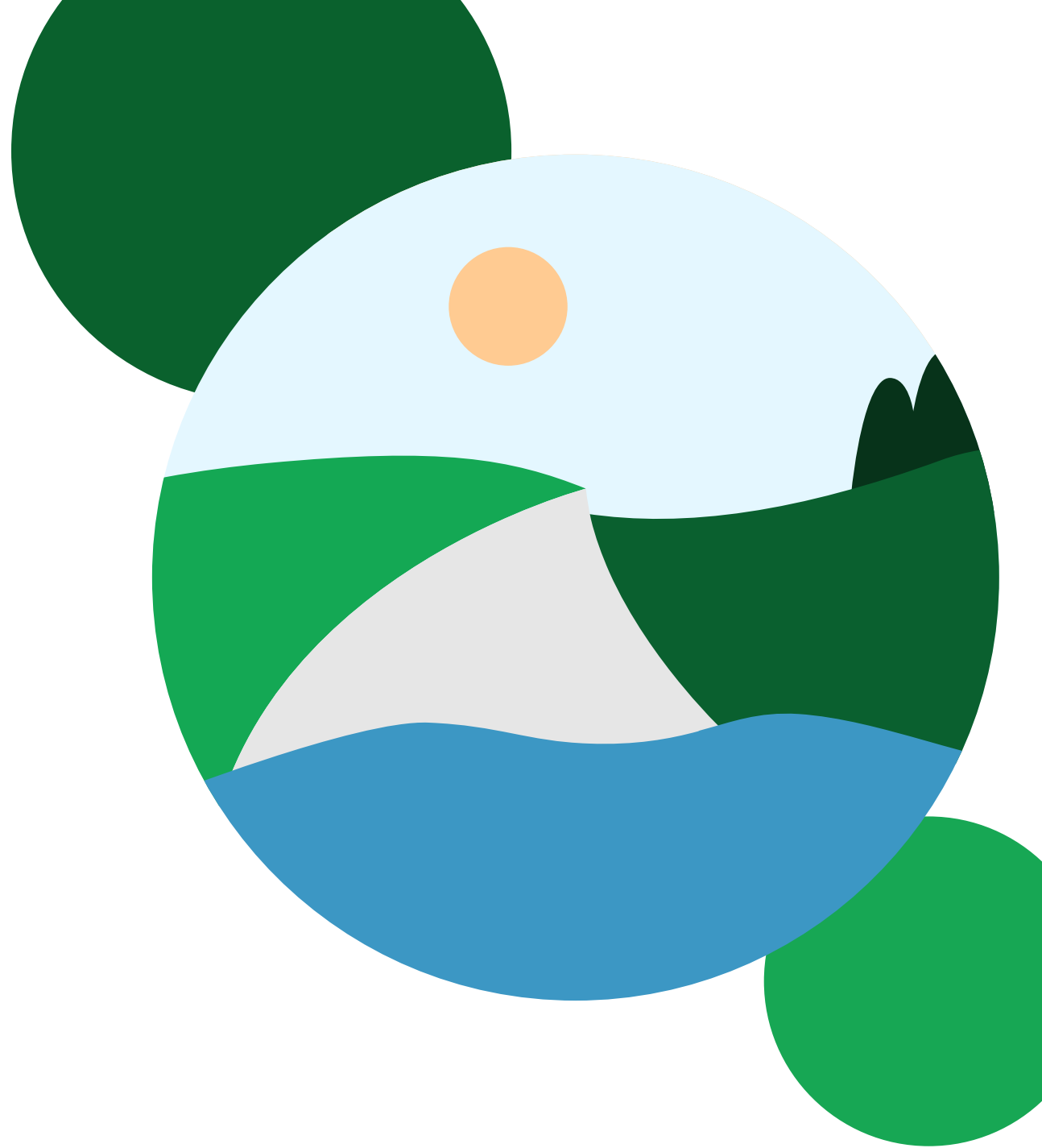


Detailed Performance by Manager

	Quarter		1 Year		3 Year (p.a.)	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
Total Fund	1.56	1.08	2.67	6.47	4.78	7.16
UK Equity						
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
Global Equity						
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	0.00	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
Fixed Income						
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
Property						
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
Private Equity						
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
Infrastructure						
Partners Group	3.59	1.31	11.56	4.12	6.28	1.56
Absolute Return						
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



Appendix



Benchmarks and Targets

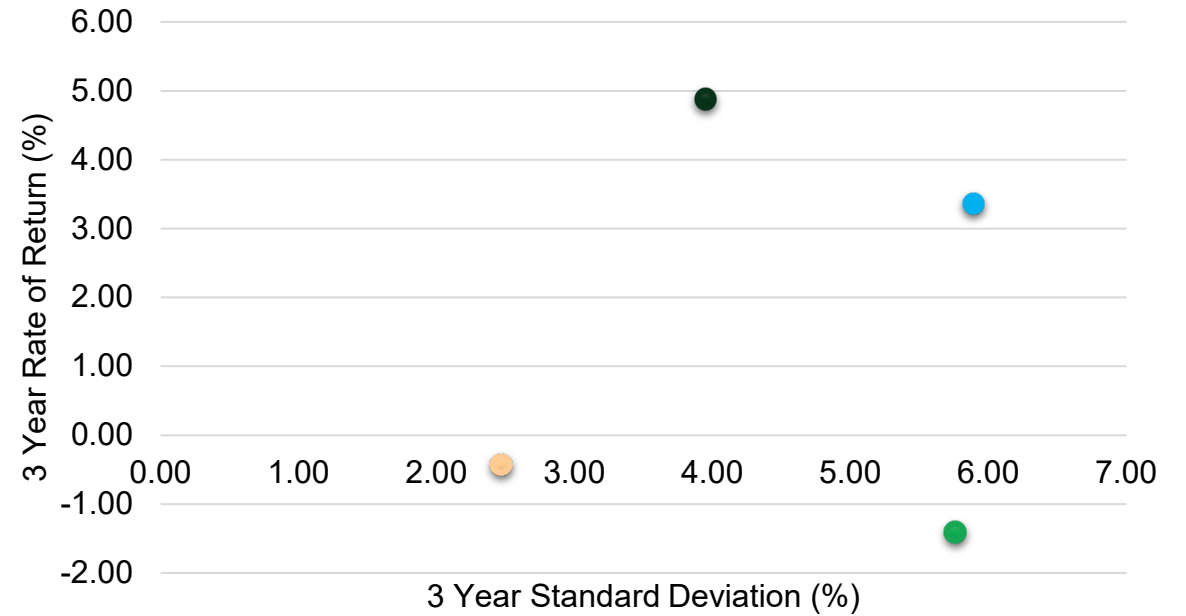
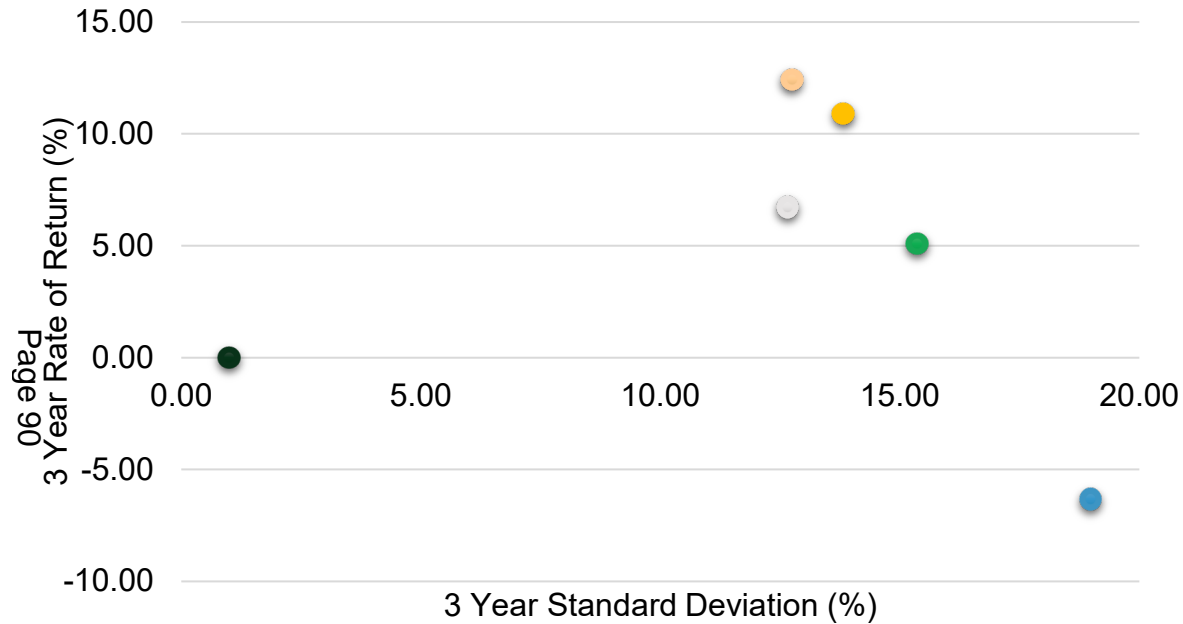
Appendix A

Asset Class / Manager	Performance Benchmark	Performance Target
UK Equities:		
Schroders - LF ACCESS UK Equity Fund	Customised	+1.5% pa over rolling 3 years
Woodford	FTSE All Share	Unconstrained
Global Equities:		
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
Fixed Income:		
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 Opprtunities	ICE BofA Sterling 3-month Gov Bill Index	ICE BofA Sterling 3-month Gov Bill Index + 4%
Property:		
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	
Alternatives: (Cash / Other Assets)		
Private Equity – YFM	SONIA	
Private Equity – HarbourVest	SONIA	
Infrastructure – Partners Group	SONIA	
Absolute Return – Pырford	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	



Risk vs Return – Equities and Fixed Income

Appendix B



- Schroders UK Equity
- IMPAX Funds
- Schroders Global Active Value
- M&G Global Dividend Fund
- Baillie Gifford Global Equity Core
- Sarasin

- CQS Investment
- Goldman Sachs
- M&G Alpha Opp Fund

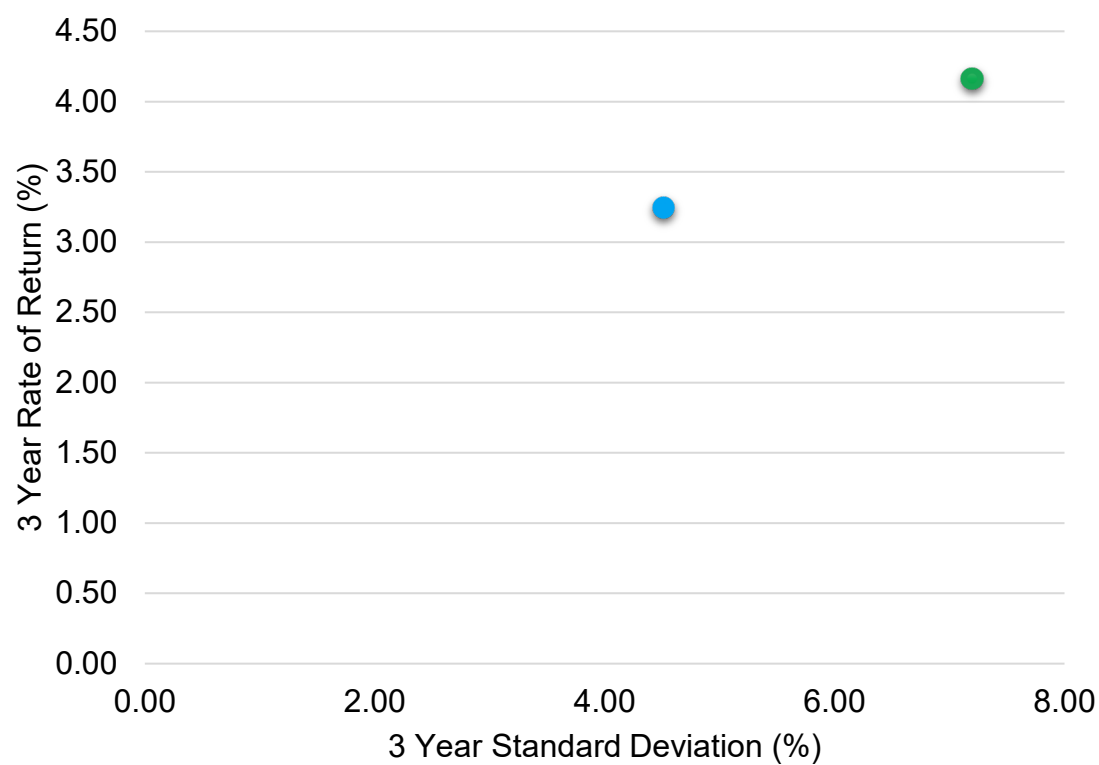
Source: Northern Trust, RADAR Reporting



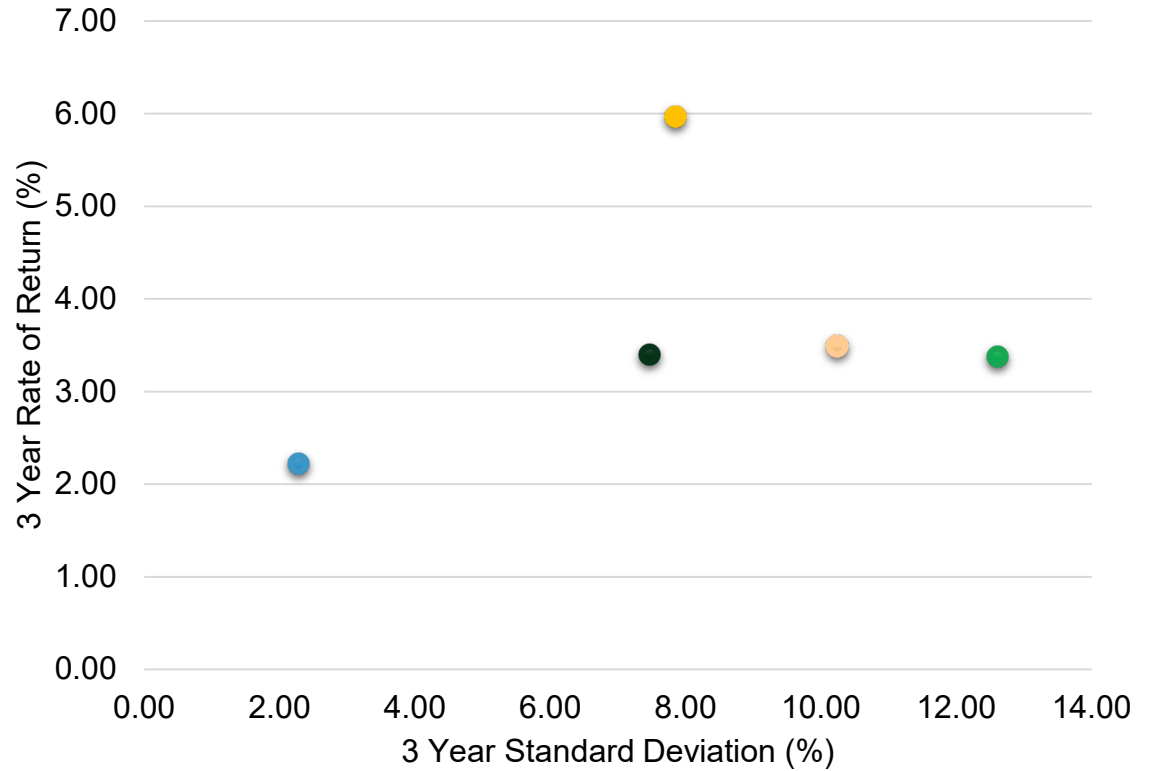
Risk vs Return – Absolute Return and Property

Appendix C

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● Pyrford International ● Ruffer Absolute Return



● DTZ ● DTZ Pooled Property ● Fidelity International
● Kames Capital ● M&G Property

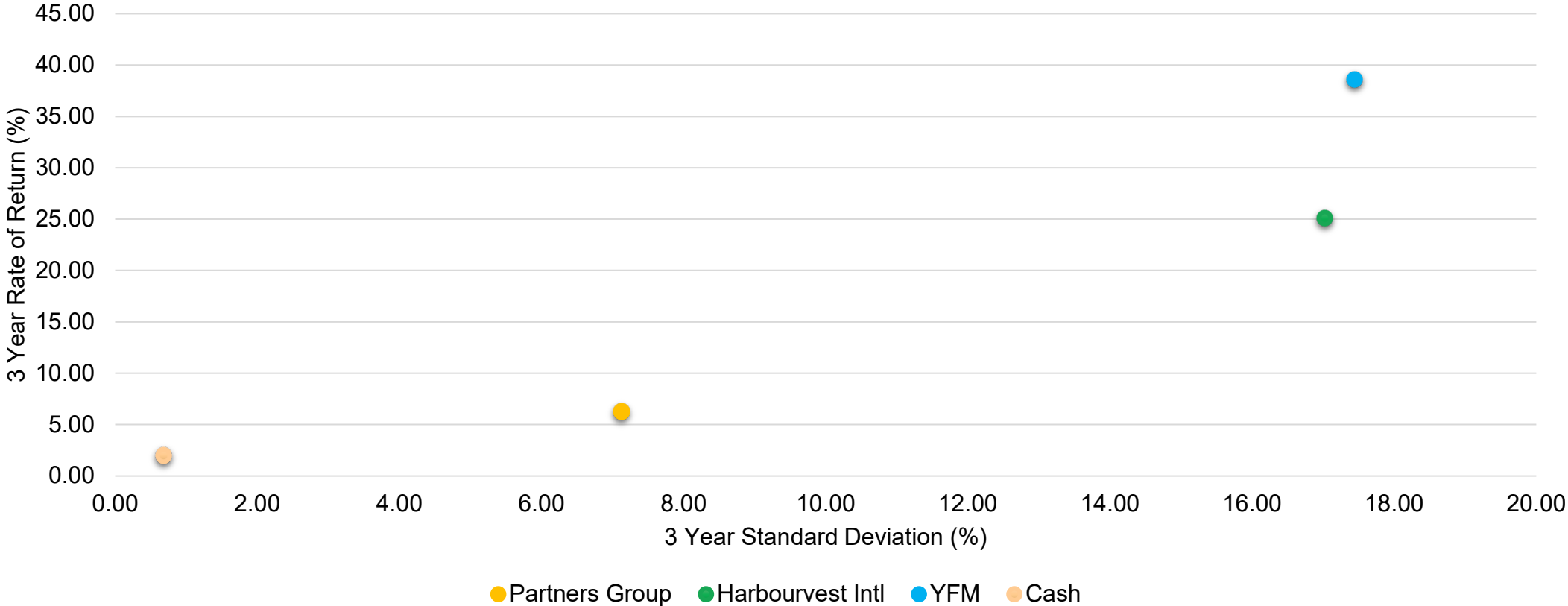
Source: Northern Trust, RADAR Reporting



Risk vs Return - Alternatives

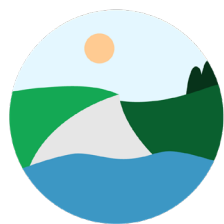
Appendix D

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Source: Northern Trust, RADAR Reporting





Kent Pension Fund

Thank you.

For more information, please visit

www.kentpensionfund.co.uk

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Agenda Item 12

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