

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 March 2024.

PRESENT: Mr C Simkins (Chairman), Mr P Bartlett, Cllr J Burden, Miss S J Carey, Mr P C Cooper, Mr D Crow-Brown, Mr P Doust, Mr P M Hill, OBE, Cllr M Jones, Ms J Meade, Mr J P McInroy, Mr C Passmore, Mr S Sim, Mr P Stepto and Mr J Wright.

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

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

UNRESTRICTED ITEMS

1. Apologies and Substitutes

(Item 2)

Apologies for absence were received from Cllr Beer, Cllr Yates, Mr Chard who was substituted by Mr Crow-Brown, Ms Dawkins who was substituted by Ms Meade, Mrs Prendergast who was substituted by Miss Carey and Cllr Prenter who was substituted by Cllr Jones.

2. Declarations of Interest

(Item 3)

Mr Bartlett declared that he was employed by the Bank of New York Mellon and would leave the meeting during any discussion related to Insight Investment who were an affiliate.

3. Minutes of the meeting held on 12 December 2023

(Item 4)

RESOLVED that the minutes of the meeting held on 12 December 2023 are correctly recorded and that they be signed by the Chairman.

4. Work Programme and Action Log

(Item 5)

1. Mr Buckland introduced the report and highlighted that the four actions added to the Action Log at the last meeting had all received a response.
2. In response to a question from a Member, Mr Buckland advised that the fee's charged by fund managers could be reported as part of the annual benchmarking process, and it also formed part of the Investment Strategy implementation and Intra Asset Class Review, that would be considered later in the agenda.

3. RESOLVED to note the work programme and updated action log.

5. Employer Governance

(Item 6)

1. Mr Tagg introduced the item highlighting the proposal of four employer admissions, and the update on the Actuarial Procurement Project. Mr Tagg noted that the key performance indicators (KPI) were met during the three months up to the end of the year. He added that in May 2018, the regulations were amended to allow admission applications to be given backdated legal effect. The number of backdated applications had increased, and Members could be provided with an update at the next meeting.

2. During consideration of the item the following points were noted:

- Employers were reported to the Pension Regulator for late payment. Normally they were small employers.
- The KPI target for the percentage of contributions received on time by value was 95% and was repeatedly achieved. It could be increased to 97% as the target was set internally.

3. RESOLVED to agree:

- a) to the admission to the Kent Pension Fund of Compass Contract Services UK Ltd (re The Thinking Schools Academy Trust);
- b) to the admission to the Kent Pension Fund of Kent Gurkha Company Ltd (re Valley Invicta Academies Trust);
- c) to the admission to the Kent Pension Fund of Principal Catering Consultants Ltd (re KCC schools);
- d) to the continued admission to the Kent Pension Fund of Fusion Lifestyle on the basis of a guarantee from Tunbridge Wells Borough Council;
- e) that once legal agreements have been prepared for matters a) to d) the Kent County Council seal can be affixed to the legal documents.

6. Pensions Administration

(Item 7)

1. Mr Buckland introduced the report which updated the Committee on the administration of the Kent Pension Fund from 1 November 2023 to 31 January 2024. During the presentation Mr Buckland covered the following points:

- Work had continued to process new cases and address the backlog of cases. Actions to address the backlog would be considered in more detail later in the agenda.
- CEM provided some administration benchmarking that had been useful in providing comparisons with peers. The benchmarking showed that the cost of administration per member was lower than that of peers, but there were some areas for improvement. Benchmarking would take place again in the future to assess if improvements had been made.

- A new members self-service platform would soon become live. There would be an extensive programme of promotion to let users know it was available.
2. During consideration of the item the following points were noted:
 - The move to a more digital service was expected to generate efficiencies and result in lower costs per member in the long term; however, there was likely to be a small increase in costs in the short term while the system was set up.
 - Accessibility was taken very seriously. A paper based option would still be available for people who did not wish to access services online.
 - A case was created every time there was an interaction or engagement with a scheme member, therefore, the time taken to resolve a case could vary significantly.
 - There had been a small increase in the number of people employed in managing the Scheme, the Committee would receive a structure chart and more detail at a future meeting. Thanks were offered to the team for their work which was recognised as a core function of the Scheme.
 3. RESOLVED to note the report.

7. Pension Board Update (Item 8)

1. Mr Thomas, Chairman of the Pension Board, presented his report which summarised proceedings of the Pension Board meeting on 12 March. During the update Mr Thomas covered the following points:
 - The benchmarking assessment carried out by CEM of the Fund's administration services found that the service performed well and provided good value for money. It also highlighting areas for further improvement and the assessment would be repeated later in the year.
 - The Board looked at the issue of backdated admission agreements and employers' governance. Mr Thomas would like to look further into the matter to see what could be done to minimise backdating, and the risks associated with it.
 - The Risk Register had been unavailable for a number of meetings but was expected to be included for consideration at the next meeting.
 - Mr Thomas attended the Strategy Development Day hosted by Mercer, along with the Chairman of the Pension Fund Committee. The event was very informative and well received.
 - Thanks were offered to the Mr Simkins for his ongoing support of the Board.
2. RESOLVED to note the update from the Board.

8. Member Training (Item 9)

1. Ms Green introduced the report that gave an overview of the key updates to the Training Strategy. She highlighted that by agreeing the Strategy, all Members were implicitly committing to participate in the training and abide by the training requirements.
2. In response to a question regarding online training, Ms Green advised that the last training survey was completed six months ago. The survey showed that some Members had started the online training, but had not completed it. The next survey would be conducted in April.

3. RESOLVED to agree the updated Training Strategy

9. Communication Policy

(Item 10)

1. Ms Jupp introduced the report that detailed the review of the Communication Policy, initially introduced in 2023, to specify methods of communication with the Fund's stakeholders. She highlighted that the biggest update was the move to make digital communication the default method of communication with Fund members.
2. RESOLVED to agree the Communication Policy.

10. Investment Performance and Asset Allocation

(Item 11)

1. Mr Graham introduced the report that provided an update on the Fund's asset allocation, performance and cashflow position. Mr Graham highlighted that balancing movements had taken place in accordance with the Implementation Plan, that had been agreed by the Committee in December 2023. It was felt that no further rebalancing was required. Mr Graham also noted that operational cash flow had remained largely neutral when viewed over the medium term. He added that following the completion of the transition to the new Equity Protection Programme, the collateral requirement would need review and would be brought before the Committee for consideration.
2. Mr English (Mercer) provided the Committee with an overview of the world markets. He noted that it had been a strong quarter for world equity markets, with Japan rising 15% to an all-time high, while the FTSE 100 only rose 1% over the last year. He added that the Magnificent Seven stocks, had seen mixed results, and that the purchase of index-linked gilts in February had been well timed.
3. The chairman noted that one of the factors that had led to lower foreign investment in UK stocks, was the comparative strength of the Pound Sterling against the Yen and US Dollar during the year.
4. RESOLVED to note the report and agree that no rebalancing was to be undertaken.

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

EXEMPT ITEMS

(Open access minutes)

11. Exempt minutes of the meeting held on 12 December 2023

(Item 12)

RESOLVED that the exempt minutes of the meeting held on 12 December 2023 are correctly recorded and that they be signed by the Chairman.

12. Governance, Business Plan and Budget

(Item 13)

1. Mr Buckland introduced the report and noted that the Pensions Regulator had issued the General Code in January that was expected to come into force on 27 March 2024. Further details about the code would be provided to the Committee in due course. Mr Buckland advised that he did not expect the Economic Activities of Public Bodies (Overseas Matters) Bill, that was approaching the final stages of approval, to have a significant impact upon the Fund.
2. Mr Buckland provided a presentation that detailed the Three Year Business Plan and Budget. He noted that there would be a review of fees as part of the investment strategy implementation process.
3. During consideration of the item the following points were noted:
 - If the Fund was impacted by the Economic Activities of Public Bodies (Overseas Matters) Bill, a public statement would need to be released that detailed the reasoning behind the investment. This process could be triggered as a result of inquiries by commercial organisations.
 - An external rectification supplier had been successfully appointed who would be tasked with ensuring that the Fund's data was as accurate as possible.
4. RESOLVED to approve the Fund's Business Plan and accompanying budget for the three-year period 2024/25 – 2026/27.

13. Funding Update

(Item 14)

1. The Chairman noted the re-appointment of Barnett Waddingham as the Fund actuary.
2. Mr Muir (Barnet Waddington) provided the Committee with a presentation that covered the changes since March 2022; what was and was not allowed in funding; changes in funding levels; and asset returns.
3. During consideration of the item it was noted that:
 - The Committee was reassured that the lower funding rate was not a cause for concern at this time.
 - Stable employer contributions were very important, and data showed that the Fund had kept contribution rates stable over the period. This helped to provide employers with some certainty when budget setting and planning for the future.
 - Thanks were offered to Mr Muir and his colleagues from Barnet Waddington for their work.
4. RESOLVED to note the report.

14. Investment Strategy Implementation

(Item 15)

1. Mr Graham provided a progress update on the Implementation Strategy and suggested that the proposed decisions be split, firstly to look at the proposals relating to emerging markets, then to consider proposals relating to private equity.

2. During consideration of the item it was noted that:
 - Since December 2023, market movements had bought the Global Equity investments into balance.
 - The Risk Management Framework had seen the continuation of the new Systematic Equity Protection Model, the last tranche of which would be completed in April 2024. The next step would be to implement stage two and further details would be bought before the Committee for consideration.
 - A 50% split of Emerging Market Equities between Columbia Threadneedle and Robeco would help spread risk, and was in line with recommendations from Mercia.
 - Thanks were offered to colleagues at Mercer who had provided the Fund with advice regarding the Investment Strategy and equity protection.

3. RESOLVED to agree recommendations a to c from the report, namely:
 - a) to invest 50% of the Fund's target allocation to Emerging Markets Equities (indicatively £200m with the final amount subject to change) in the WS ACCESS Emerging Markets Equity Fund – Columbia Threadneedle;

 - b) to invest 50% of the Fund's target allocation to Emerging Markets Equities (indicatively £200m with the final amount subject to change) in the WS ACCESS Emerging Markets Equity Fund – Robeco;

 - c) to delegate authority to manage all associated transition arrangements arising from recommendations a) and b) to the Head of Pensions and Treasury, in consultation with the Chairman;

4. Ms Surana provided an update regarding Private Equity Investments, noting that the cashflow and commitment analysis indicated that additional Private Equity commitments were required to maintain alignment with the target allocation size. This had led to recommendation (d) of the report which was an interim measure and would result in a drawdown of the money over time. Ms Surana added that an infrastructure update would be bought to a future meeting once further work had been completed.

5. RESOLVED to agree recommendations d and e from the report, namely:
 - d) that the Fund commits \$160million to the HarbourVest Global Fund 2024, subject to further supportive advice from the Investment Consultant; and

 - e) to delegate authority to manage all associated documentation arrangements arising from recommendation d) to the Head of Pensions and Treasury, in consultation with the Chairman.

15. Responsible Investment

(Item 16)

1. Mr Graham introduced the report that provided the Committee with an update on the Fund's responsible investment (RI) activities. He noted that Officers were working to update the RI Policy to reflect the core values that Members had identified during the workshop held in February. The values were climate and nature, clean energy, affordable housing and responsible consumption.

2. During consideration of the item, the following points were noted:

- The RI Working Group met during March and received the results of a benchmarking survey of other LGPS Funds' RI policies. The RI Policy would be updated in consultation with the Working Group.
 - PIRC were working with ACCESS to help prepare for the Stewardship Code submission in October 2024.
 - There had been an operational failure by one investment manager to report their voting decisions between August 2023 and January 2024. The manager had advised that measures had been put in place to enhance reporting following this period of omission. Officers would monitor the situation and report any concerns to the Committee.
3. RESOLVED to approve the Responsible Investment Workplan for 2024/25 shown at Appendix 1 of the Report.

16. McCloud

(Item 17)

1. Mrs Green introduced the report that detailed the continued work on the McCloud remedy.
2. RESOLVED that:
 - a) the Committee approve the entering into required contracts with Independent Transition Management Ltd (ITM) for Data Rectification services; and
 - b) Delegate authority to the Interim Corporate Director for Finance to take relevant actions including but not limited to finalising and entering required contracts or other legal agreements, as necessary to implement the decision. There are contract extension options available, if required.
 - c) Interim Corporate Director of Finance to sign the data rectification contract with Independent Transition Management Ltd (ITM).

17. ACCESS

(Item 18)

1. Mr Graham introduced the report and highlighted the business transacted at the ACCESS Joint Committee meeting in March.
2. The Chairman had held an informal meeting to look at the development of the ACCESS pool since 2016 and to consider if it had met its objectives. He added that he awaited the release of a government white paper about pooling that would follow recent consultation.
3. Mr Buckland added that, at a recent conference, the Minister for Local Government had praised the progress of pools and affirmed the further pooling of assets. The Minister wished to see more investment in UK equities.
4. RESOLVED to note the report.

18. Cyber Security

(Item 19)

1. Ms Green introduced the report which provided an update on the cyber security work being undertaken by the Fund. She noted that work was continuing at a fast pace and that Officers had been working with specialist consultants. She added that an Incident Response Plan was under development that would support the Cyber Security Policy.
2. RESOLVED to note the report.