

Kent Pension Fund Report and Accounts

For the year ended 31 March 2022



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If you have any comments on the annual report,

- please call 03000 416 431
- email investments.team@kent.gov.uk, or
- write to: Kent Pension Fund, Treasury and Investments,
Kent County Council, Room 3.08, Sessions House, County
Hall, Maidstone, Kent ME14 1XQ

Highlights

£7.7bn
Pension fund value
(FY21: £7.5bn)

304
Active employers in the scheme
(FY21: 310)

£280m
Received in contributions
(FY21: £268m)

£257m
Benefits paid
(FY21: £247m)

98%
Funded (2019)

£18.41
Scheme cost per member
(£31.95 LA Average)

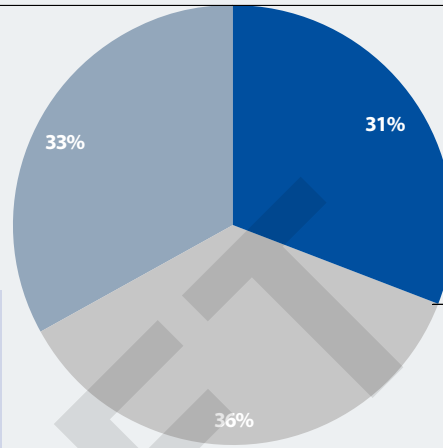
Membership

49,577
Deferred members
(FY21: 47,397)

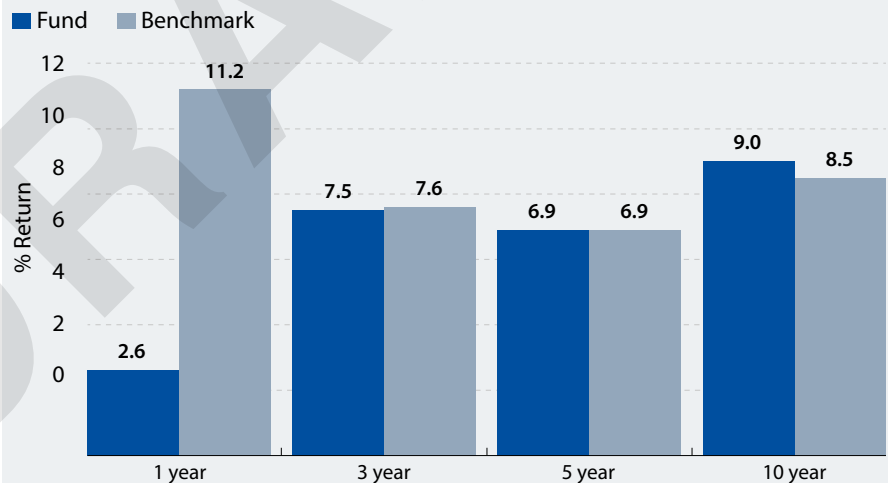
46,706
Pensioners
(FY21: 44,838)

Total membership
149,112
(FY21: 144,960)

52,829
Active members
(FY21: 52,725)

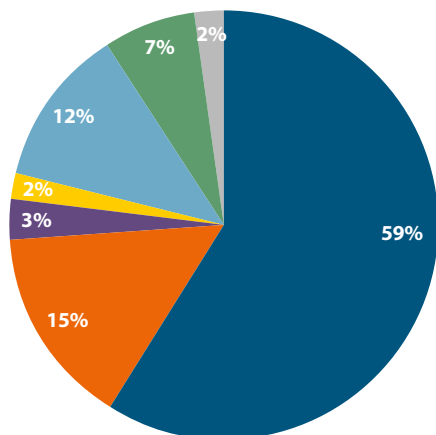


Long term performance



Asset allocation

- Equities
- Fixed Income
- Private equity
- Infrastructure
- Property
- Absolute Return
- Cash



Kent Pension Fund is a member of the ACCESS pool where we work with other local government pension funds to pool investments to significantly reduce costs, while maintaining investment performance.

£3.6m
Current year savings

£11.6m
Cumulative savings

55%
of assets outside
ACCESS pool

45%
of assets inside
ACCESS pool

Chairman's foreword

I am pleased to present the Annual Report and Accounts for the Kent Pension Fund for the year ended 31 March 2022, a year of significant progress for the Fund, and one of profound change globally.

The successful deployment of vaccines has permitted the resumption of day-to-day life for many, and I have been heartened by the return of face-to-face interactions with members and officers here at Kent. Whilst the effects of the Covid-19 pandemic will no doubt continue to shape our lives for some time to come, thankfully the worst of the virus appears to be behind us. Yet any relief we draw from the end of lockdowns is overridden by knowledge of the appalling situation now unfolding in Ukraine. Our thoughts are with the innocent people impacted by the conflict.

The war is one key factor in inflation surging across much of the world right now, as constricted energy imports compound pre-existing supply chain problems resulting from the pandemic. The macroeconomic environment has evolved markedly, with central banks reversing monetary stimulus and raising interest rates to deal with price rises unseen in a generation. Such events serve as stark reminder of the ease with which the investment landscape can change. This is why, in pursuit of the Fund's funding objectives, we seek to diversify our investments across different asset classes, styles and ideas. Such pragmatism is at the bedrock of our risk management approach.

I am therefore encouraged by the continued resilience of the Fund's investment strategy, which generated an overall positive return of 2.6% in 2021-22, amidst heightened volatility. Although this was somewhat lower than the Fund's benchmark (11.2%), it should be noted that it followed an extraordinary return of 31.5% in 2020-21 (where the benchmark only returned 18.9%). The nature of the Fund's investment strategy means that returns can vary considerably from one year to the next, yet such an approach should deliver enhanced rewards in the longer term. Indeed, the Fund has now returned 6.9% per annum over five years, and 9.1% over the last ten.

As a result, the value of the Fund's assets have grown to £7.7bn at 31 March 2022, a gain of £0.2bn from the previous year. Assets valued at £3.4bn, amounting to 45% of the Fund, are now pooled via the ACCESS investment pool. The Fund remains committed to pooling investment assets and I am pleased by the pool's progress over the past twelve months, which you can read more about under the ACCESS Annual Report overleaf. The Kent Fund has continued to be an active participant in the ACCESS project and during the year I represented the Fund on the ACCESS Joint Committee. Kent officers also continue to play a key role in the pool's development and the establishment of new structures for both listed and non-listed assets.

Wherever the Fund's assets are invested, the Pension Fund Committee continues to apply a disciplined approach to asset allocation and rebalancing. During the year, and following a sustained period of outperformance, investment assets were moved from the equity allocation to multi asset credit and to fund the equity protection programme. The equity protection programme itself has added significant downside protection in 2022 as financial markets have endured losses. The Committee has also rebalanced funds between its existing absolute return mandates.

Responsible investment has been at the heart of our investment decision making process throughout the year. The Fund sees itself as an active steward of the investment assets it owns and believes this

approach will enhance real and sustainable returns over the long term. The Committee reviewed its responsible investment beliefs during the year, a critically important exercise given the evolving nature of this area. The Committee has also actively monitored the engagement and voting efforts of its appointed investment managers throughout the year and has increased its collaborative capacity by joining the Local Authority Pension Fund Forum. The responsible investment working group has continued to meet and to advance the Fund's work in this area, particularly around climate change risk.

The Fund's membership has increased, and it now supports some 149,112 scheme members. I commend officers for all their efforts over the last year in ensuring that these members, together with the Fund's 304 active employers, continue to receive an excellent level of service. I am also pleased to report that we have continued to clear the backlog of member queries with support from external parties and rolled out further access to the i-connect web portal enabling employers to upload their data directly to the pensions database. Currently some 70 employers are using the system with more being added each month, thereby achieving significant efficiencies.

Work on a landmark review of the Fund's governance has proceeded at pace during the year. The review has provided an opportunity to ensure our decision-making arrangements and resources remain fit for purpose. This exercise has added considerable value and it leaves the Fund well placed for the future. Indeed, these changes come at a pivotal time for the Fund. The next twelve months, in particular, will be busy as we undertake the Fund's 2022 triennial valuation exercise (which will be used to set future employer contribution rates for 2023-2026) and review the investment strategy. We will also look to strengthen our governance with a brand-new business plan and an administration strategy, in addition to concluding the remaining recommendations of the Fund's governance review.

The administration team have been very busy planning their short-term objectives of reviewing current resourcing levels, assessing whether processes are as efficient as possible, and determining whether they are making the best use of technology. In addition, they have been continuing with ongoing projects such as the GMP Rectification and the roll out of Member Self Service as well as a significant amount of horizon planning currently taking place to ensure that the team are prepared for the upcoming major projects such as McCloud (Regulations due October 2023) and Pensions Dashboard (onboarding date anticipated to be September 2024).

We will need to coordinate this work whilst continuing to provide a first-rate service to scheme members and employers. It is a challenge I relish, and one which I know the rest of the Committee, the Pension Board and officers are excited to meet.

Finally, I want to note my thanks to Members of the Pension Fund Committee and the Pensions Board for their support to me as Chairman of the Committee and for their hard work and commitment during the year. Particular thanks are due to retiring Members for their years of service and I extend a warm welcome to some new faces, including Cllr Robert Thomas as Chair of the Pension Board, as well as the Fund's new senior management team led by Nick Buckland (Head of Pensions and Treasury). With their support I am confident we can meet the challenges of the future successfully.

Charlie Simkins
Chairman



ACCESS Annual Report 2021-2022

Foreword

As Chairman of the ACCESS Joint Committee, I am pleased to introduce the latest Annual Report for our pool.

The COVID-19 pandemic not only shaped the way we all work but also led to significant market volatility. This volatility has continued following the Russian invasion of Ukraine and that cruel and unwarranted event has exacerbated energy and other supply chain issues that have contributed to rampant inflationary pressures.

All in all, a difficult time for investors everywhere.

The development of the ACCESS Pool continues at pace with an additional four sub-funds opened during the year to assist the authorities in achieving diversification within their investment strategies attracting an additional £3.2 billion investment into the Pool.

In January 2022 MJ Hudson were appointed as implementation adviser for the establishment of pool vehicles for illiquid assets, after a competitive call off utilising the National LGPS Frameworks.

As implementation advisor, MJ Hudson will provide support to the Pool in selecting individual investment opportunities and investment managers to build portfolios in a range of illiquid assets including private equity, private debt, infrastructure and initially, real estate.

Another key achievement during the year was the development of updated Responsible Investment guidelines for which the pool was partnered by Minerva Analytics. Once consultation has been completed the guidelines will be formally published.

In addition to its Annual Report, ACCESS also produced a Progress Update report in conjunction with its communication advisers MHP Mischief, to provide an insight to the Pool, key activities and future plans.

In the year ahead we welcome representatives of the Local Pension Boards to observe the future Joint Committee meetings. Two members from each Board will be able to attend a meeting at least once a year.

In closing I would like to thank my fellow ten Joint Committee members, each representing their respective Authorities, along with the officers who support them, and the ACCESS Support Unit.

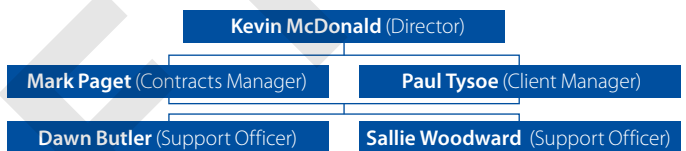
Cllr Mark Kemp-Gee,

Chairman, ACCESS Joint Committee
Chairman of the Hampshire Pension Fund Committee and Board

Introduction

It is my pleasure to introduce an overview of the work by the ACCESS Support Unit.

In 2018, the ACCESS Joint Committee agreed that a unit be established to provide day to day support for the work required to run the Pool, and that Essex County Council act as Host Authority. The ACCESS Support Unit (ASU) facilitates the Joint Committee (JC) and officer groups and has responsibility for programme management, client relationships, contract management/supplier relationships, administration and technical support services. The ASU's structure is set out below:



A business plan is developed and submitted for consideration by the JC ahead of the start of each year, prior to being recommended to each of the ACCESS Authorities. The business plan includes milestones across listed assets (both active and passive), non-listed assets and governance. The JC also determines an annual budget to support the activities within the business plan.

The ASU has responsibility to manage this development and implementation of the business plan, within budget, whilst assessing and managing the risks for the pool.

A central feature of ACCESS is the engagement of each of the eleven Authorities, and therefore the support and facilitation of stakeholder groups is key to the work of the ASU. The governance structure of the Pool ensures that dialogue with, and input from, Local Government Pension Scheme (LGPS) subject matter experts from each Authority, is gathered through the Officer Working Group (OWG) and various sub-groups. In turn, this enables the s151 Officer Group to form the recommendations that are ultimately considered by the JC.

It has long been recognised that considerable expertise exists within the LGPS officer community. The full time ASU staff are therefore supplemented by part-time Technical Leads whose work for ACCESS is part of the Pool's costs. In the last year this saw invaluable contributions from Sharon Tan, Suffolk (reporting); Samantha Andrews, Essex (budgeting) and Rachel Wood and Vickie Hampshire, West Sussex (Governance Manual).

The year ahead will see further sub-fund launches to meet the investment strategies of the Authorities, including emerging market equities, the start of the alternative asset investment platform with advice and guidance from MJ Hudson and the publication of the updated Responsible Investment guidelines.

I would like to thank my ASU colleagues, the technical leads and the officers of the Authorities for their enthusiasm, support and hard work towards the commendable progress of the Pool.

Kevin McDonald,

Director of ACCESS Support Unit

ACCESS Background

ACCESS has its origins in 2016 when 11 Local Government Pension Scheme (LGPS) Authorities agreed to begin working collectively to address the requirements of the Government's agenda for pooling LGPS investments.

The following strategic objectives are in place:

- 1 Enable the Councils to execute their fiduciary responsibilities to LGPS stakeholders, including scheme members and employers, as economically as possible.
- 2 Provide a range of asset types necessary to enable those participating Authorities to execute their locally-determined investment strategies as far as possible.
- 3 Enable the Councils to achieve the benefits of pooling investments, preserve the best aspects of what is currently done locally, and create the desired level of local decision making and control.

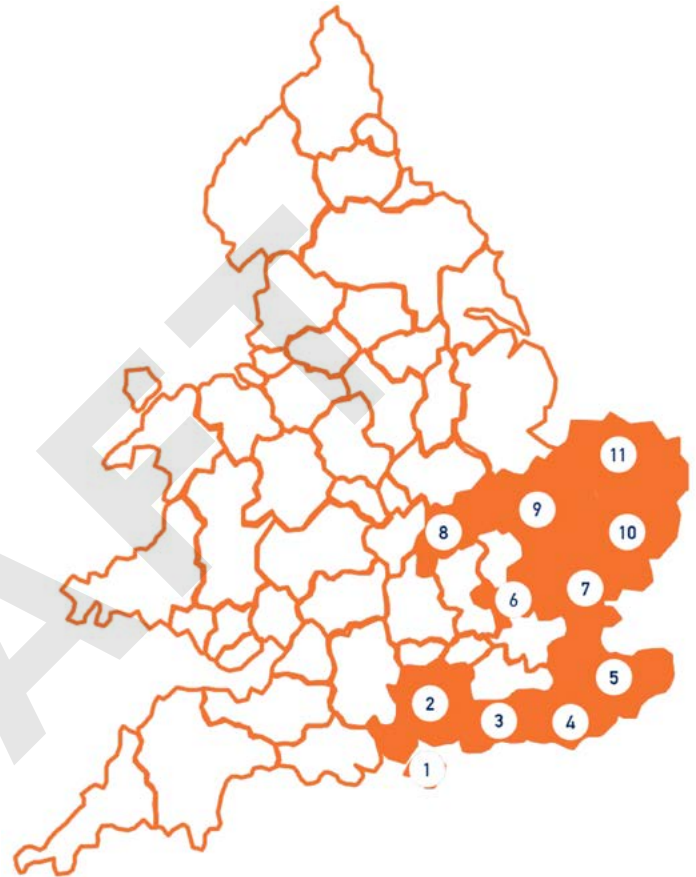
In order to achieve these objectives, the Councils have established a set of governing principles.

The governing principles are summarised below.

- Collaboration
- Objective evidence based decisions
- Professionalism
- No unnecessary complexity
- Value for money
- Risk management
- Equitable voice in governance
- Equitable cost sharing
- Evolution and innovation

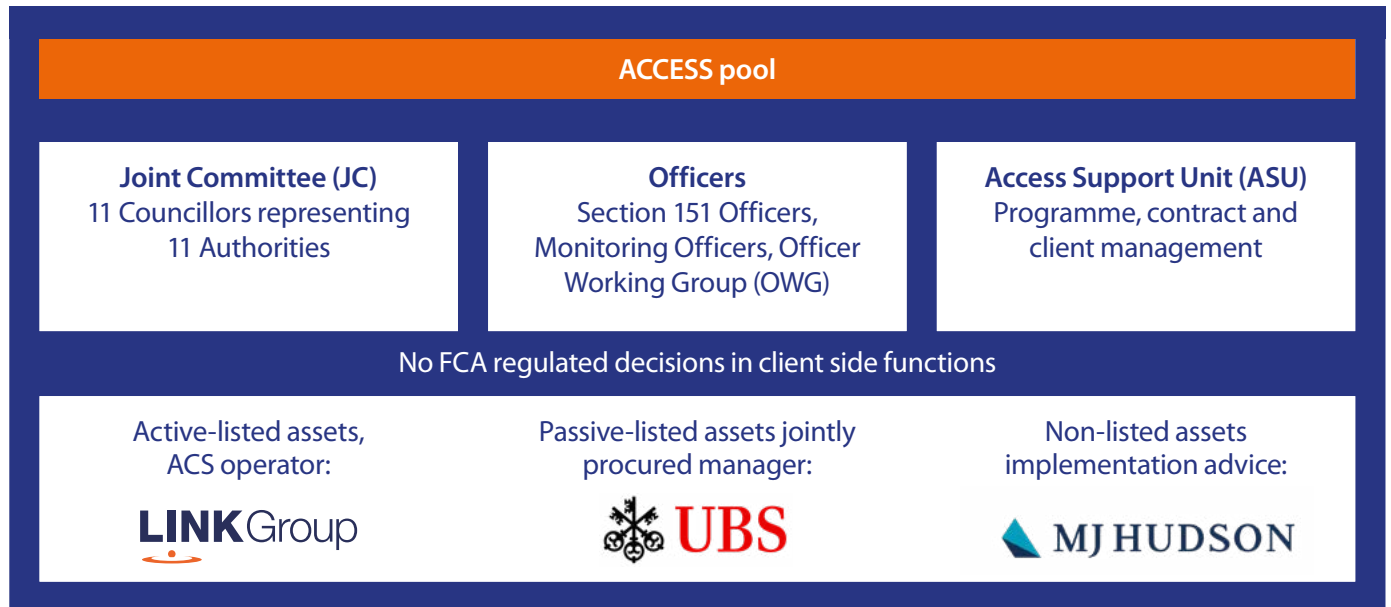
Implicit within the above principles is the democratic accountability and fiduciary duty of the Councils as Administering Authorities.

ACCESS LGPS Authorities



- | | | | |
|---|--|----|--|
| 1 | | 7 | |
| 2 | | 8 | |
| 3 | | 9 | |
| 4 | | 10 | |
| 5 | | 11 | |
| 6 | | | |

An overview of the Pool's governance structure is outlined below.



Key Performance

Pooled Assets

As at March 2022

ACS (26 sub-funds)

£23.9bn

UBS (1 jointly procured provider)

£11.2bn

Pooling Progress

59%

Costs & Savings

As at March 2022

Gross Savings

£70.3m

Costs

£16.9m

Net Savings

£53.4m

Savings

A budget for ongoing operational costs is set by the Joint Committee and is financed equally by each of the eleven Authorities.

2021/22 saw an underspend primarily due to lower than anticipated costs of external advice combined with an underspend in the technical lead recharge costs.

The table below summarises the financial position for 2021/22 along with the cumulative position since the commencement of ACCESS activity in early 2016.

	2021-22		2021-22	
	Actual In Year £'000	Budget In Year £'000	Actual Cumulative to date £'000	Budget Cumulative to date £'000
Set Up Costs	–	–	1,824	1,400
Transition Costs	2,664	4,408	3,338	6,907
Ongoing Operational Costs	1,046	1,247	4,117	4,795
Operator and Depository Costs	4,845	4,787	12,149	11,364
Total Costs	8,555	10,442	21,428	24,466
Pool Fee Savings	28,038	15,700	70,300	47,750
Net Savings Realised	19,483	5,258	48,872	23,284

A budget for ongoing operational costs is set by the Joint Committee and is financed equally by each of the eleven Authorities. 2021/22 saw an underspend primarily due to lower than anticipated costs of external advice combined with an underspend in the technical lead recharge costs.

Operator and depository fees are payable by each Authority in relation to assets invested within the Authorised Contractual Scheme established by Link Fund Solutions as pool operator.

The 2021/22 fee savings have been calculated using the CIPFA price variance methodology and based on the average asset values over the year. This approach highlights the combined level of investment fee savings, across all ACCESS Authorities stemming from reduced charges.

In summary, since inception ACCESS has demonstrated excellent value for money, maintaining expenditure broadly in line with the MHCLG submission whilst delivering an enhanced level of savings ahead of the timeline contained in the original proposal.

2021-2022 Business Plan Milestones

The Business Plan for 2021-22 was proposed by the ACCESS Joint Committee in January 2020 to the 11 LGPS Authorities.

Actively managed listed assets:

Further progress was made in pooling active listed assets within the Authorised Contractual Scheme (ACS) managed by the Pool's appointed Operator, Link Fund Solutions. Between July 2021 and February 2022, a further four sub-funds were launched.

Link's appointment of BlackRock expands the UK Equity capacity within the Pool, the appointment of Macquarie broadens the Global Equity coverage whilst the addition of ACS mandates for Fidelity and M&G extends the Fixed Income offering.

Six Authorities participated as original investors within these sub-funds which totalled £3.2bn.

Alternative/non-listed assets:

In January 2022, following a procurement via National LGPS frameworks, ACCESS announced the appointment of MJ Hudson as implementation adviser for the pooling of illiquid assets including private equity, private debt, infrastructure and real estate.

As implementation advisor, MJ Hudson will provide support to the Pool in selecting individual investment opportunities and investment managers to build portfolios in a range of illiquid assets.

Passive assets:

Ongoing monitoring and engagement continued with jointly procured passive manager, UBS.

Responsible Investment Guidelines:

Last year, following a procurement via National LGPS frameworks, ACCESS appointed Minerva Analytics as Environmental, Social & Governance (ESG) adviser.

Having reviewed the ESG policies of and engaged extensively with officers from each of the 11 ACCESS Authorities, Minerva Analytics drafted revised and updated Responsible Investment (RI) guidelines for the Pool.

2021-2022 Business Plan

The Business Plan for 2022-23 was proposed by the ACCESS Joint Committee on 6th December 2021 to the 11 LGPS Authorities. This plan included:

Actively managed listed assets:

Further pooling active listed assets within the Authorised Contractual Scheme (ACS) managed by the Pool's appointed Operator, Link Fund Solutions which will include emerging market equity and further fixed income sub-funds.

Alternative/non-listed assets:

Launch of the Pool's first illiquid asset investment vehicles. MJ Hudson will be undertaking procurement exercises to appoint a UK Core Manager and a Global Real Estate allocator.

Initial work will commence on the planning for other illiquid asset investment platforms.

Passive assets:

Ongoing monitoring and engagement with jointly procured passive manager, UBS.

Responsible Investment Guidelines:

Following consultation with the ACCESS Authorities the updated Responsible Investment Guidelines will be published.

Work will commence on establishing criteria to develop a matrix to report on key performance indicators to demonstrate how the responsible investment guidelines have been implemented.

Environmental, Social & Governance

The ACCESS Authorities believe in making long term sustainable investments whilst integrating environmental and social risk considerations, promoting good governance and stewardship.

Whilst the participating authorities have an overriding fiduciary and public law duty to act in the best long-term interests of their LGPS stakeholders to achieve the best possible financial returns, with an appropriate level of risk they also recognise the importance of committing to responsible investment alongside financial factors in the investment decision making process.

Responsible Investment:

ACCESS appointed Minerva Analytics as its Environmental, Social & Governance (ESG) adviser. Following a review of the ESG policies, and engagement with officers from each of the authorities Minerva Analytics drafted consolidated Responsible Investment (RI) guidelines for the Pool.

Following a period of consultation, it is expected that finalised Guidelines will be adopted by the Pool during 2022.

Voting:

The ACCESS pool has a set of voting guidelines which seeks to protect and enhance the value of its shareholdings by promoting good practice in the corporate governance and management of those companies.

The guidelines set out the principles of good corporate governance and the means by which ACCESS will seek its influence on companies. The voting activity is reported to the Joint Committee on a quarterly basis.

During the year ACCESS voted at 2,391 meeting on 32,834 resolutions.

Engagement:

Link Fund Solutions arranges regular sessions with the Investment Managers to present to the authorities Pension Fund Officers to demonstrate how they implement environmental, social and governance into their investment strategy and decision-making process.

These also give the investment manager the opportunity to discuss the engagement activities they have undertaken, what constructive dialogue was had and how they have used their influence to encourage the adoption of best practice.

Governance arrangements

The Pension Fund Committee

The Pension Fund Committee exercises all of the powers and duties of the Kent County Council (KCC) in relation to its functions as Administering Authority for the Fund. The Committee is responsible for setting investment strategy, appointing professional fund managers and carrying out regular reviews and monitoring of investments. It also monitors the administration of the Pension Scheme and determines Pension Fund policy in regard to employer admission arrangements.

After the Council elections in May 2021, a new committee was constituted who elected a chair in their first meeting. There were 6 other full Committee meetings during the year, all were held in person with the option to join virtually.

The membership of the Committee during 2021-22 is detailed below.

Committee members

Employer representatives

All elected members (employer representatives) have full voting rights at the committee.



Charlie Simkins
Chairman
Kent County Council



Nick Chard
Vice Chairman
Kent County Council



Dan Daley
Kent County Council



Penny Cole
Kent County Council



Perry Cole
Kent County Council



James McInroy
Kent County Council



John Burden
Gravesham Borough Council



Nick Eden-Green
Canterbury City Council



Paul Clokie
Ashford Borough Council



Paul Bartlett
Kent County Council



Paul Cooper
Kent County Council



John Wright
Kent County Council



Richard Thorne
Medway Council



Mel Dawkins
Kent County Council



Paul Stepto
Kent County Council

Member Representatives

Member representatives do not have a vote but otherwise are treated equally in terms of access to papers, training and opportunity to contribute to the decision making process.

Kent Active Retirement Fellowship Representatives

Vacancy

Vacancy

Union Representative

Joe Parsons

Kent County Council Staff Representative

Vacancy

Local Pensions Board

The Local Pensions Board for Kent was established in April 2015 in accordance with the relevant Government Legislation. After the Council elections in May 2021, a new board was formed who elected a chair in their first meeting. The membership of the Board during 2021-22 is detailed below; there were two full Board meetings during the year.

Kent County Council Officers and Others

The day to day operations and management of the Fund and implementing the decisions of the Pension Fund Committee are delegated to the KCC Section 151 officer and their staff. This includes the power to seek professional advice and devolve day to day handling of the Fund's investments to professional fund managers and advisers within the scope of the regulations. KCC undertakes the monitoring and accounting for the investments of and income due to the Fund.

Board members

Employer Representatives	Representing
Robert Thomas, Chairperson	Kent County Council
Dylan Jeffrey, Vice Chairperson	Kent County Council
Alison Kilpatrick	Kent and Medway Fire
Vacancy	District/Medway Council
Member Representatives	
Joe Parsons, Vice Chairperson	Districts/Medway staff
Vacancy	Kent County Council staff
David Coupland (left Nov. 2021)	Kent Active Retirement Fellowship
Vacancy	Trade Union

Governance 2021-22

During the year the Pension Fund Committee met six times and the Pensions Board met twice. All 6 Committee meetings were held in person with the option to join virtually and all Board meetings were held virtually. Attendance at the Committee and Board meetings was as below:

Pension Fund Committee

Member	Meetings attended
Charlie Simkins	6/6
Nick Chard	6/6
Paul Bartlett	5/6
John Burden	5/6
Paul Clokie	4/6
Penny Cole	5/6
Perry Cole	4/6
Paul Cooper	3/6
Dan Daley	1/6
Mel Dawkins	5/6
Nick Eden-Green	4/6
James McInroy	6/6
Joe Parsons	6/6
Paul Stepto	5/6
Richard Thorne/substitute	3/6
John Wright	5/6

Pensions Board

Member	Quorate meetings attended
Robert Thomas	2/2
Dylan Jeffrey	2/2
Joe Parsons	2/2
Alison Kilpatrick	2/2
David Coupland	0/2
Unison Rep – VACANCY	
KCC Staff – VACANCY	

Committee activity

Items considered by the Committee at its meetings in 2021/22 were as follows:

- Election of Chair and Vice Chair
- Updates on the implementation of the Fund's investment strategy
- Quarterly updates on the Fund's asset allocation and performance
- ACCESS pooling updates
- Updates on Employer matters and governance matters
- Pension administration updates
- The 2020/21 Report and Accounts and External Audit Report
- Updates on the Fund's Risk Register
- Update of the Fund's Training Plan
- The Pension Fund Committee's work programme
- Quarterly updates on the Pension Fund's business plan
- Updates on Responsible Investment
- Updates on Pension Fund cash flow
- Updates on implementation of Internal Audit Review recommendations

- Updates on the implementation of actions following the governance review
- Updates on Fund Managers
- Report from the Pension Board

Board activity

Items considered by the Board at its meetings in 2021/22 were as follows:

- Pension Fund Business Plan
- Fund Employer and Governance Matters
- Pension Fund Report and Accounts and External Audit
- Internal Audit Review update
- Board Member Training
- ACCESS update
- Pension Fund Committee update
- Pension Fund Risk Register

Training update

As an administering authority of the Local Government Pension Scheme, Kent County Council recognises the importance of ensuring that all officers and members charged with financial management and decision making for the pension scheme are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.

The Kent Fund Training Strategy agreed in 2019 reflects the current requirements of frameworks, codes and guidance issued by a range of bodies including CIPFA, the Pensions Regulator and the Scheme Advisory Board and will be updated as these are revised. The Fund has delegated responsibility for the implementation of the Strategy to the Corporate Director of Finance.

Members agreed the Fund Training Plan in February 2021 and it provides an ongoing training programme for Board and Committee members taking account of the results of the 2020 Hymans Robertson (HR) National Knowledge Assessment, and future training needs. It also builds on training provided and suggested to date, including in the 2019 Internal Audit Report of their review of Fund governance. The training plan includes in-house training sessions, external training events, use of online learning tools and background reading as appropriate.

The main training events attended by committee and board members during 2021-22 were as follows:

Date	Topic	Provider
June 2021	LGPS Committee & Local Pension Board Members update	CIPFA/Barnett Waddingham
July 2021	Overview of the LGPS	Barnett Waddingham/KCC
September 2021	Investment Risk & overview of the Pension Fund	Mercer/KCC Officers
October 2021	Overview of the LGPS	Barnett Waddingham/KCC
November 2021	LGPS Administration	KCC Officers
February 2022	Responsible Investment	Mercer/KCC

Committee members have also had an opportunity to gain an understanding of new asset classes and existing investment mandates from investment managers at the following Committee meetings:

Date	Topic	Provider
June 2021	Global equities	M&G
September 2021	Global equities	Baillie Gifford
December 2021	UK equities	Schroder
February 2022	Global equities	Sarasin
March 2022	Global equities	Baillie Gifford

In addition 2 committee members & 1 board member completed the tPR toolkit during the year.

Individual members and officers have also attended training events organised by the Fund's investment managers and other external organisations.

Fund managers

Schroders



DTZ INVESTORS



HARBOURVEST



Further details of the fund manager mandates can be found in the Investment Strategy Statement (ISS).

Other organisations providing services to the Kent Fund

Service	Organisation
Custodian	Northern Trust Company
Bankers	National Westminster Bank
Fund Actuary	Barnett Waddingham
Additional Voluntary Contributions (AVC) Providers	Utmost Life, (earlier Equitable Life Assurance) Prudential Assurance Company Standard Life Assurance
Investment Consultants	Mercer
Auditors	Grant Thornton
Legal Advisors	Invicta Law
Performance Measurers	Northern Trust Company CEM Benchmarking PIRC Limited
Scheme Administrators	Kent County Council
Administration software provider	Aquila Heywood

The Kent Pension Fund maintains the following statutory statements and policies; these are reviewed and updated regularly:

- Funding Strategy Statement.
- Investment Strategy Statement.
- Governance Compliance Statement.
- Communications Policy Statement.
- Responsible Investment Policy.

These documents can be found on the Pension Fund's website <https://www.kentpensionfund.co.uk/local-government/about-us/investment-management-of-the-fund/policies>

Risk Management

Kent County Council as the Administering Authority for the Kent Pension Fund has delegated responsibility for the management of risk to the Pension Fund Committee.

Risk register

The Committee maintains active oversight of the Fund's key risks and maintains a risk register, which is reviewed at regular intervals throughout the year. The key risks currently identified include:

- Investments achieve returns below rate assumed by the actuary.
- Risk to service delivery due to remote working arrangements.
- Increased risk of cyber attacks.
- Implementation of changes necessitated by the McCloud judgement.

Arrangements have been agreed for the management of these risks in order to mitigate their impact on the Fund.

Financial, demographic, regulatory, and employer risks

Details of the counter measures in place for financial, demographic, regulatory, and employer risks are included in the Fund's Funding Strategy Statement (FSS). The FSS is reviewed annually.

Operational risks

Kent County Council's Internal Audit Section conducts risk based audits on the management of risk in the Pension Fund.

Third party risk such as that relating to employers in the Fund is managed through monitoring the timeliness of receipts of contributions as well as the annual review of guarantees/bonds provided by Admitted bodies.

Investment risk management

Further details of the Fund's policy on investment risk management are disclosed in the Fund's Investment Strategy Statement (ISS). The Pension Fund Committee formally considers investment risk at four of its five planned meetings during the year.

Assurance over external service providers operations is provided by investment managers and custodian[s] who are required to provide annual AAF 01/06 reports and ISAE 3402 reports.

Financial Performance

Fund Trends

A summary of the Fund's key trends is shown below:

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Net Assets at 31 March (£'000)	5,828,846	6,218,169	5,716,878	7,513,632	7,702,425
No. of Contributors	52,775	51,345	51,685	52,725	52,829
Contributions (£'000)	232,037	238,331	250,263	267,955	280,431
Number of Pensioners	39,813	41,739	43,441	44,838	46,706
Benefits Paid (£'000)	220,876	235,953	243,832	247,448	257,277

Financial Summary

A brief summary over the last 5 years is shown below:

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Value of Fund at start of year	5,565,175	5,828,846	6,218,169	5,716,878	7,513,632
Revenue account for year					
– Contributions and transfers in	243,299	247,758	259,591	272,972	291,067
– Investment and other income net of expenditure	93,503	84,971	109,358	83,969	98,603
– Benefits and transfers out	(232,373)	(248,538)	(256,540)	(257,505)	(285,391)
Net Revenue	104,429	84,191	112,409	99,436	104,279
Increase (Decrease) in market value of investments in year	159,242	305,132	(613,700)	1,697,318	84,514
Increase (Decrease) in Fund during year	263,671	389,323	(501,291)	1,796,754	188,793
Value of Fund at end of year	5,828,846	6,218,169	5,716,878	7,513,632	7,702,425

Despite an increase in valuation, it has been a difficult year for the Fund as asset values have been subject to significant volatility.

This volatility has been driven by a number of factors, including rising inflation, increasing interest rates and the question of whether a recession lies ahead.

Despite only a slight increase in the number of contributors to the Fund this year, the amount of contributions has increased by almost 7%, mainly due to a continued increase in salary levels of employees.

Number of pensioners has continued to grow and were 17% higher at 31 March 2022 compared to 31 March 2018. Pension payments have also increased by 23% during the same period.

Pension Fund Administration and Governance Costs

The following table compares actual Administration, Governance and Oversight costs against the budget for 2021-22.

	2021-22 Actual £'000	2021-22 Budget £'000
Pensions Administration	3,316.77	3,610.00
Pensions Payroll Services	221.54	226.00
Payment Services	16.40	17.40
Financial Services	64.70	69.00
Legal Fees	36.67	50.00
Miscellaneous	(11.17)	-
Administration Expenses	3,644.92	3,972.40
Actuarial Fee including cost of valuation	261.88	250.00
Direct recovery of actuary, legal fees and admin costs	(232.40)	(225.00)
Subscriptions	48.96	46.00
ACCESS pooling costs	91.41	115.00
Investment Accounting and Oversight costs	447.34	600.00
Performance Measurement and other advice fees	28.01	30.00
Investment Consultancy	282.78	210.00
Other professional advice	6.00	20.00
Governance and Oversight Expenses	933.98	1,046.00
Audit fee	41.00	50.00
Total	4,619.90	5,068.40

The costs of administration of the scheme were lower than budget due to vacancies in the section and lower than expected legal fees due to lower employer related activity.

Whilst there were savings in oversight costs due to vacancies, there were increased costs of investment consultancy for the implementation of the equity protection programme.

Employers

At 31 March 2022 there were 460 Employers in the Fund. During the year 5 organisations joined the Fund as either scheduled or admitted bodies following the transfer of staff from existing fund employers and as schools converted to academy trusts. Academy trusts also consolidated and other employers exited the Fund as their last active members left or retired. During the year 12 employers either ceased to be members of the Fund or merged with other employers.

The following table shows a summary of the number of employers in the Fund analysed by employer type which are active (i.e. with contributing members) and ceased (i.e. with no active members but with some outstanding liabilities).

Number of employers

	Active	Ceased	Total
Scheduled Body	235	75	310
Admitted Body	69	81	150
Total	304	156	460

Amounts due from Employers

In 21-22 KCC monitored the receipt of contributions by two different measures: by value and by number of employers. During 21-22 we collected 99%, (99% in 2020-21) of the total contribution income by value from the employers by the due date of the 19th of the following month and 96%, (95% in 2020-21) of employers paid on time. The lower percentage reflects the difficulties some small employers had with new payment processes as a result of the pandemic and some back dated admissions to the Fund. The option to levy interest on overdue contributions was not exercised. At 31st March 2022, contributions in respect of the March salaries totalling £23.4m (31 March 2021: £21.4m) due by 19 April had not been received.

Member Age Profile

The following table shows that at 31 March 2022 the age profile of the contributing membership was:

Age	Members
Under 20	477
20 – 25	3,843
26 – 30	3,968
31 – 35	4,805
36 – 40	5,747
41 – 45	6,521
46 – 50	7,276
51 – 55	8,142
56 – 60	6,994
61 – 65	4,168
66 – 70	808
Over 70	164

Five-year analysis of pension overpayments, recoveries and write-offs

Overpayments

The overpayments identified over the last 5 years as a result of the Fund's participation in the National Fraud Initiative are:

Year	No.	Value (£)	Action
2017	1	4,946	No next of kin so written-off
	1	537	No response – written-off
2019	2	641	Written-off
	1	207	To be written off as no next of kin
	1	2,135	Being investigated
2021	1	11,500	(est) Assistance sought from KCC's counter fraud team regarding recovery
	2	417	Seeking recovery from next of kin
	1	244	To be written off as no next of kin
Total	10	20,627	

Note: the number of cases has decreased as a mortality screening service is now used on a monthly basis to identify registered deaths.

Pension overpayments write-offs

Details of the write-offs made in the last 5 years:

Year	No. of cases	Value (£)
2017-18	39	53,946 *
2018-19	18	27,717 *
2019-20	3	1,318
2020-21	12	3,133
2021-22	13	3,286

*£71,502 of these amounts refer to historic overpayments that occurred and all possibilities of recovery have been exhausted.

Investments

This report sets out details of the progress made against the Fund's investment strategy during the year.

At its regular meetings during 2021-22 the Committee reviewed the Fund's investment strategy and made recommendations regarding the Fund's asset allocation, agreeing that no changes be made as all actual allocations have fallen within the agreed benchmark.

The Fund's strategic asset allocation as at 1 April 2021 was as follows:

Asset Class	Allocation %	Index
UK Equities	23.5	FTSE All Share
Overseas Equities	32	MSCI World Index NDR
Fixed Income	15	BAML GBP Broad Market
Property	13	IPD All Properties Index
Private Equity & Infrastructure	7.5	GBP 7 Day LIBID
Absolute Return	8	RPI +5%
Cash	1	GBP 7 Day LIBID
Total	100	

Asset Pooling

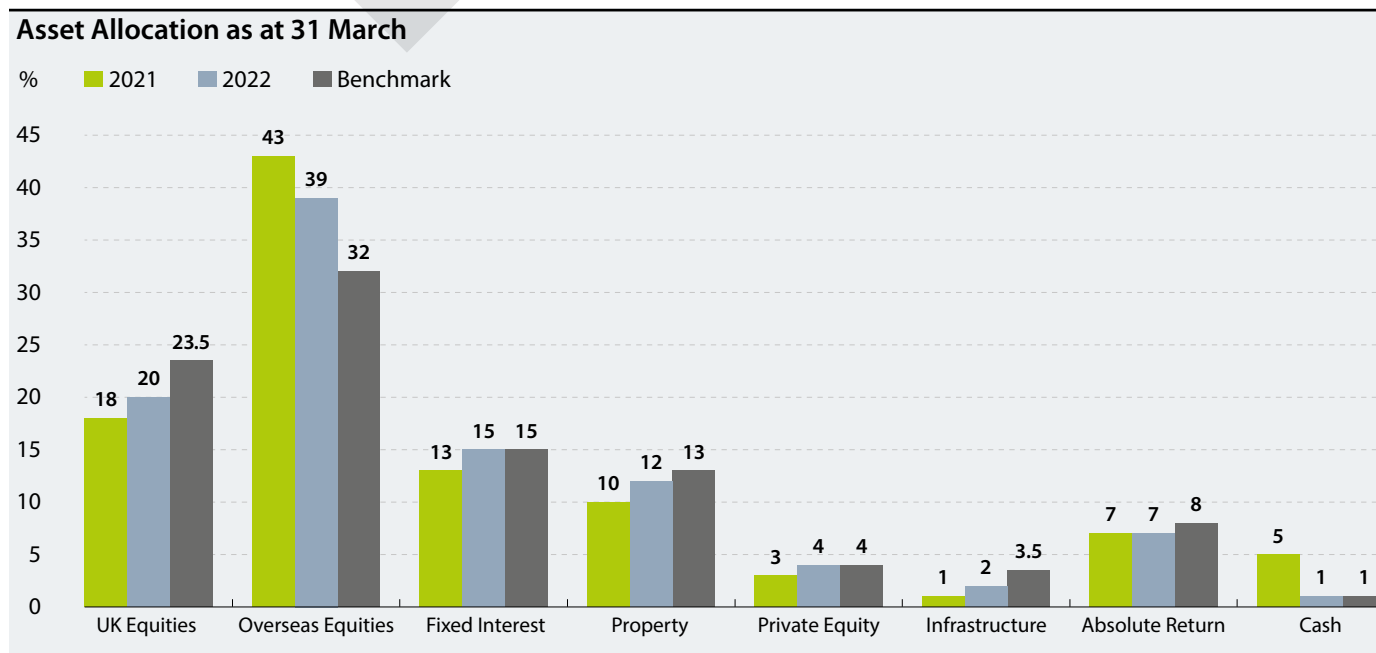
The Kent Pension Fund has made a commitment to pool its assets other than its direct property holdings into the ACCESS Pool. (Please see section on ACCESS for further information about the Pool).

As at 31 March 2022 it had investments of £3.4 billion in four ACCESS sub-funds.

The Kent Fund has achieved £11.6m of savings in pooling initiatives of which £4.4m are in relation to assets awaiting pooling

Portfolio Distribution

The graph shows the Fund's actual portfolio distribution between the main asset-classes as at 31 March 2021 and 31 March 2022 vs the benchmark.

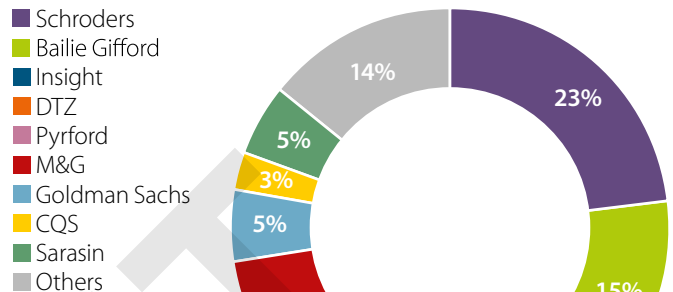


Value of funds under management by Fund Manager

The following graph shows the Assets Under Management (AUM) and the proportion of the Fund under management by fund manager as at 31 March 2022:

Fund Managers	AUM (£m)
Schroders	1,787
Baillie Gifford	1,190
Insight	791
DTZ	633
Pyrford	376
M&G	826
Goldman Sachs	401
CQS	238
Sarasin	381
Others	1,073
Total	7,697

AUM by Fund Manager as a proportion of the Fund



Investment performance 2021-22

The performance of the Fund's investment managers is reported on a quarterly basis to the Pension Fund Committee. The managers submit reports and valuations for this purpose and managers of the larger mandates meet at least annually with the Committee and/or its officers to make presentations and to answer questions.

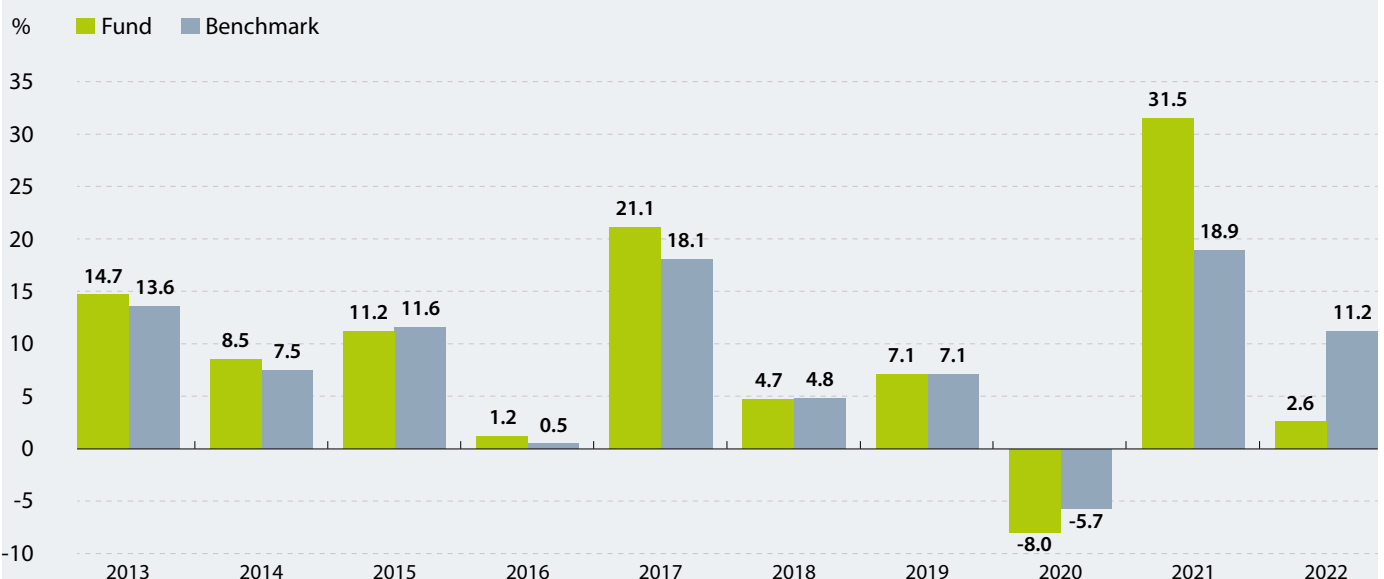
Managers are required to provide valuation information to Northern Trust which assesses the rate of return achieved and provides performance reports for consideration by the Committee.

Total Fund Performance

The graph below shows the relative performance of the investments over the last 10 years. The overall return on the investments for 2021-22 was 2.58% compared to the customised strategic benchmark of 11.19%.

For comparison the PIRC Local Authority Universe average fund return for 2021-22 was 8.6%.

Annual Investment Returns



The graph below shows the long term performance of the Fund's investments compared against its Strategic benchmark.

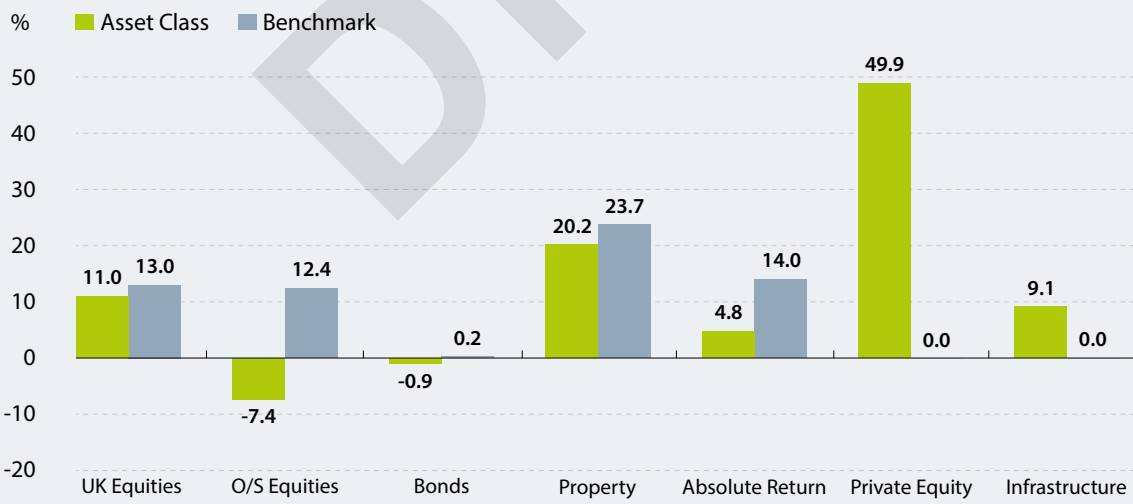
Long Term Performance Summary



Returns by Asset Class

The analysis set out below shows the returns by asset class for 2021-22:

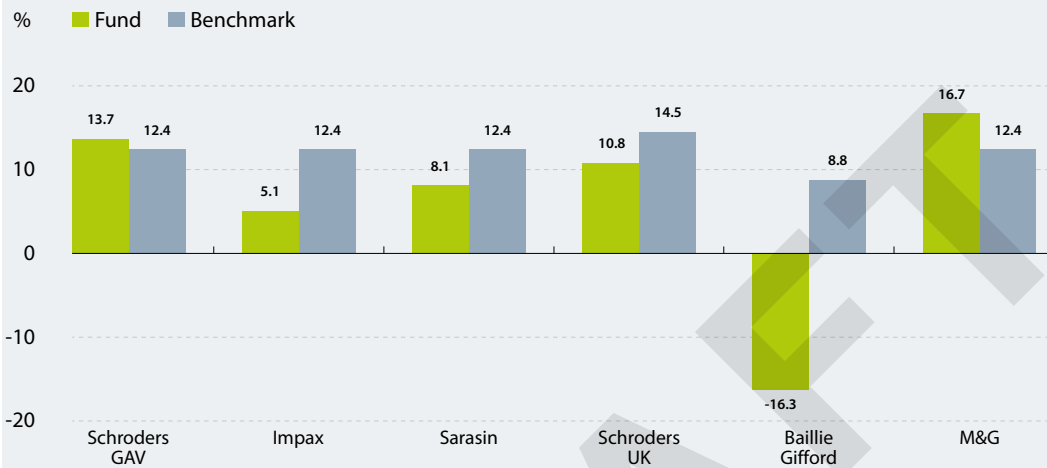
2021-22 Returns by Asset Class



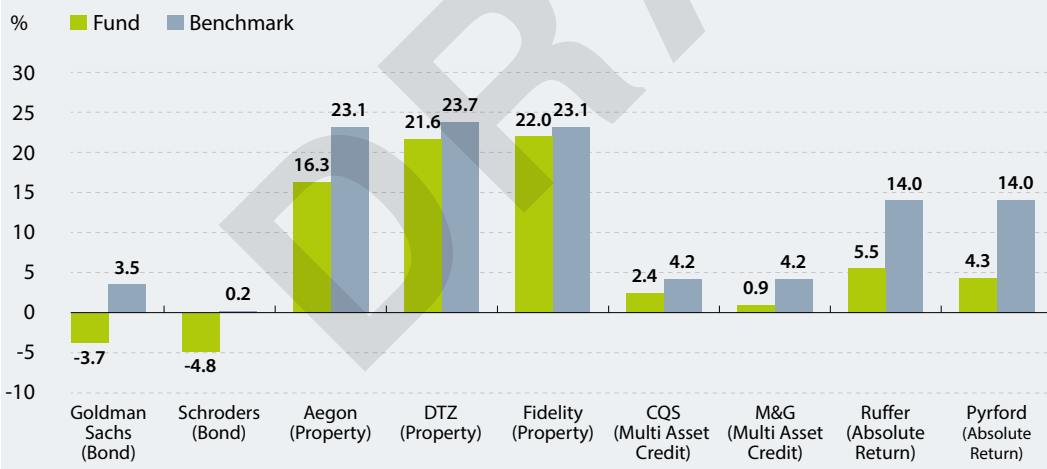
Performance by Fund Manager

The following graphs show the performance of the Equity and other Mandates compared to their benchmarks for the year ended 31 March 2022.

Performance Returns by Fund Manager – Equities



Performance Returns by Fund Manager – Other Mandates



Responsible Investment (RI) Policy

The Fund's RI policy can be viewed [here](#)

The Kent Pension Fund:

- Has a **Responsible investment policy, which is part of its investment strategy** which explains how Environmental, Social and Governance (ESG) factors will be considered when making investment decisions and how the Pension Fund expects its investment managers to engage with companies about ESG issues and take part in shareholder voting.
- Has set up an **RI working group to focus on Responsible Investment**. The group is made up of members of the Pension Fund Committee and makes recommendations to the Committee.
- Is a **signatory to the Principles of Responsible Investment (PRI)** which sets out six principles for responsible investors to follow and a member of the Local Authority Pension Fund Forum (LAPFF), a collaborative initiative that promotes the highest standards of corporate governance to protect the long-term value of local authority pension funds.
- **Expects its investment managers to be signatories to the UK Stewardship Code 2020** which is about how investors should act when making and owning investments.
- **Provides training for the Pension Fund Committee.**

Addressing climate change concerns

The Kent Pension Fund:

- recognises it is consistent with its fiduciary duty to manage Environmental issues including climate change that may be financially material and expects those responsible for managing its investments to comply with the Fund's policy.
- does not believe it should divest from companies involved in fossil fuels as that action of itself will not reduce the impact on the climate. The Fund believes that its policy of engagement with companies to encourage responsible investment behaviour will be more effective in terms of achieving change.
- is actively monitoring and supporting the development of companies' management of environmental issues including those companies traditionally associated with fossil fuels. It is seeking out sustainable investment opportunities and for example holds units in a fund that invests in companies developing alternative sources of energy and cleaner uses of water and waste.
- is a member of the **The Institutional Investors Group on Climate Change (IIGCC)**. The Fund monitors developments on climate change and uses the research undertaken to monitor and challenge our investment managers.

Developing the Fund's approach to ESG issues

The RI working group:

- Considers and progresses the further development of the Fund's RI policy and its implementation taking account of recent ESG initiatives; and
- Works with investment managers to enhance their reporting on ESG issues including regular updates on their engagement with companies on governance matters, and their voting activity.

The Kent Pension Fund:

- is committed to improving its approach to and the processes associated with the implementation of its responsible investment policy and to ensure that these changes are consistent with the Fund's fiduciary duty to its members and local taxpayers.
- will seek to align itself with the recommendations of the Task Force on Climate-Related Financial Disclosures.

Voting by Managers 2021/22

	Number of Resolutions		
	For	Against	Abstain
Baillie Gifford	2,298	56	90
Schroders UK Equity	940	25	1
Schroders GAV	6,532	722	104
M&G Global Dividend	374	33	4
Ruffer	577	104	6
Sarasin	451	184	26
Impax	837	42	1
Pyrford	658	42	20

Administration

Responsibility for the administration of the Kent Pension Fund is undertaken by the Pensions Section, Kent County Council. The Pensions Section uses Altair, an Aquila Heywood system, to provide all aspects of pensions administration, including pensioner payroll.

There are 56.7 full time equivalent members of staff involved in the administration of the scheme, split into two main teams, supported by technical, systems and management staff.

- member services teams responsible for administering all casework and handling all member queries;
- an Employer and Communications team responsible for all employer work, including training and employer support, maintaining the Pension Fund website and for all bulk communications sent to current and former members of the scheme.

The Pension Section administration performance is measured against key performance indicators each month, and is used to improve processes. The key service standards for 4 of the key processes are shown below:

Key Service Standards for Scheme Members

The table below details the Fund's Key Service Standards and performance against these standards.

Type of Case	Target Time	Number Processed	Processed Within Target
Calculation and payment of retirement award	20 days from receipt of paperwork	2,805	70.8%
Calculation and payment of dependants' benefit	15 days from receipt of paperwork	514	38.1%
Provision of estimates	20 days from receipt of paperwork	4,751	85.6%
Correspondence	Full reply within 15 working days	7,325	98.5%

Other projects that were undertaken by the Pensions Section during the year included:

- further roll out of i-Connect, a process for receiving data from employers on a monthly basis
- preparation for roll out of member self service to scheme members
- work involved in dealing with the exit cap legislation which was then rescinded
- preparation for dealing with the impact of the McCloud judgement

The profile of the new retirees during the year was as below: (we don't easily have access to the split of normal/late retirements so have shown the total):

Type of retirement	From Active membership	From Deferred membership	Total Retirements
Redundancy	103	–	103
Ill Health	56	5	61
Early	475	1,079	1,554
Normal	327	412	739
Late			
Flexible	46		46
Total	1,007	1,496	2,503

CIPFA Benchmark Survey

The Kent administration section seeks to demonstrate value for money through its participation annually in the CIPFA Benchmark survey which compares the cost of administration with 88 other local authority administering bodies across the UK. The table below is in respect of the year ending 31 March 2021 which is the most recent survey to be conducted.

	Kent £	All Scheme Average £
Total cost of administration per scheme member	18.41	31.95
LGPS members per FTE staff	3,233	3,198
Membership engagement	1.17	2.44

It is pleasing to note that survey results place Kent 17th of 89 authorities (1st being the lowest) in terms of the cost of administration per member of the scheme.

Communications

The Pension Section communicates with members and employers in a variety of ways: newsletters are sent to pensioners, pension forums are used to communicate with employers, virtual meetings being held this year, and current and former Scheme members have access to the KCC Pensions Section to make written, e-mail or telephone enquiries. Scheme members receive an annual benefit illustration and each pensioner and deferred pensioner is advised annually of the indexation increase to their pension.

The Kent Active Retirement Fellowship (KARF) has been established as a facility of which pensioners can become members and participate in a wide variety of activities. KARF has established groups throughout the County and welcomes new members.

Internal Dispute Procedure

The Kent Pension Fund has a formal Internal Dispute Procedure to consider a member dispute over a decision made either by a scheme employer or Kent County Council acting as the Administering Authority. An independent person is appointed by each employer to consider an appeal made by a scheme member.

2021/22 Disputes considered: 7

2021/22 Appeals upheld: 1

Actuary's Statement as at 31 March 2022

Introduction

The last full triennial valuation of the Kent Pension Fund (the Fund) was carried out as at 31 March 2019 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated 31 March 2020.

Asset value and funding level

The results for the Fund at 31 March 2019 were as follows:

- The value of the Fund's assets as at 31 March 2019 for valuation purposes was £6,193m.
- The Fund had a funding level of 98% i.e. the assets were 98% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a deficit of £129m.

Contribution rates

The employer contribution rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet:

- The annual accrual of benefits allowing for future pay increases and increases to pensions in payment when these fall due;
- plus an amount to reflect each participating employer's notional share of the Fund's assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date.

The primary rate of contribution on a whole Fund level was 18.4% of payroll p.a. The primary rate as defined by Regulation 62(5) is the employer's share of the cost of benefits accruing in each of the three years beginning 1 April 2020.

In addition, further "secondary" contributions were required in order to pay off the Fund's deficit by no more than 14 years with effect from the 2019 valuation. This secondary rate is based on their particular circumstances and so individual adjustments are made for each employer. The total secondary contributions payable by all employers, present in the Fund as at 31 March 2019, over the three years to 31 March 2023 was estimated to be as follows

Secondary Contributions	2020/21	2021/22	2022/23
Total as a % of payroll	2.8%	3.1%	3.5%
Equivalent to total monetary amounts of	£24.93m	£28.68m	£33.57m

In each employer was assessed individually in setting the minimum contributions due from them over the inter-valuation period. Details of each employer's contribution rate are contained in the Rates and Adjustments Certificate in the triennial valuation report.

Assumptions

The assumptions used to value the liabilities at 31 March 2019 are summarised below:

Financial assumptions

Market date	31 March 2019
CPI inflation	2.6% p.a.
Long-term salary increases	3.6% p.a.
Discount rate	4.7% p.a.

Demographic assumptions

Post-retirement mortality	Male/Female
Member base tables	S3PA
Member mortality multiplier (Male/Female)	110%/115%
Dependant base tables (Male/Female)	S3DA
Dependant mortality multiplier (Male/Female)	95%
Projection model	CMI 2018
Long-term rate of improvement	1.25% p.a.
Smoothing parameter	7.5
Initial addition to improvements	0.5% p.a.

The mortality assumptions translate to life expectancies as follows:

Assumed life expectancies at age 65:

Average life expectancy for current pensioners – men currently age 65	21.7 years
Average life expectancy for current pensioners – women currently age 65	23.7 years
Average life expectancy for future pensioners – men currently age 45	23.1 years
Average life expectancy for future pensioners – women currently age 45	25.1 years

Full details of the demographic and other assumptions adopted as well as details of the derivation of the financial assumptions used can be found in the 2019 valuation report.

Updated position since the 2019 valuation

Assets

Returns over the year to 31 March 2022 have been lower than expected which has offset some of the strong returns achieved in the previous year. As at 31 March 2022, in market value terms, the Fund assets are still slightly more than where they were projected to be based on the previous valuation.

Liabilities

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – the higher the real discount rate the lower the value of liabilities. As at 31 March 2022, the real discount rate is estimated to be lower than at the 2019 valuation due to lower future expected returns on assets in excess of CPI inflation.

Please note that we have updated the derivation of the CPI inflation assumption to be 0.8% p.a. below the 20 year point on the Bank of England (BoE) implied inflation curve. The assumption adopted at the 2019 valuation was that CPI would be 1.0% p.a. below the 20 year point on the BoE implied inflation curve. This update was made following the Government's response (on 25 November 2020) to the consultation on the reform of RPI, and the expectation that the UK Statistics Authority will implement the proposed changes to bring RPI in line with CPIH from 2030. This updated approach leads to a small increase in the value of liabilities.

The value of liabilities will also have increased due to the accrual of new benefits net of benefits paid.

It is currently unclear what the impact of the COVID-19 pandemic is on the Fund's funding position. It is expected that COVID-related deaths will not have a material impact on the Fund's current funding level, however, the impact on future mortality rates may be more significant and we will be reviewing the Fund's mortality assumption as part of the 2022 valuation.

There is also uncertainty around future benefits due to the McCloud/Sargeant cases.

Overall position

On balance, we estimate that the funding position has remained broadly the same when compared on a consistent basis to 31 March 2019 (but allowing for the update to the CPI inflation assumption).

The change in the real discount rate since 31 March 2019 is likely to place a higher value on the cost of future accrual which results in a higher primary contribution rate. The impact on secondary contributions will vary by employer.

The next formal valuation will be carried out as at 31 March 2022 with new contribution rates set from 1 April 2023.

Graeme D Muir, FFA
Partner, Barnett Waddingham

Statement of Responsibilities for the Statement of Accounts

Kent County Council's Responsibilities

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Corporate Director of Finance;
- to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets; and
- to approve the Statement of Accounts.

I confirm that these Accounts were approved by the Governance and Audit Committee at its meeting on **XX Month 2022** on behalf of Kent County Council.

Councillor Rosalind Binks
Chairman of the Governance and Audit Committee
XX Month 2022

The Corporate Director of Finance's Responsibilities

The Corporate Director of Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Council Accounting in the United Kingdom (the Code), and is required to give a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended **31 March 2022**.

In preparing this Statement of Accounts the Corporate Director of Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code.

The Corporate Director of Finance has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I confirm that these accounts give a true and fair view of the financial position of the Council at the reporting date and its income and expenditure for the year ended **31 March 2022**.

Certificate of the Corporate Director of Finance

Zena Cooke
Corporate Director of Finance
XX Month 2022

Pension Fund Accounts

The following financial statements are included in the Kent County Council Pension Fund's Annual Report and Accounts 2022 available from the Fund's website at www.kentpensionfund.co.uk.

Fund Account for the year ended 31 March

	Notes	2021-22 £'000	2020-21 £'000
Dealings with members, employers and others directly involved in the Fund			
Contributions	7	280,431	267,955
Transfers in from other pension funds	8	10,636	5,017
		291,067	272,972
Benefits	9	(257,277)	(247,448)
Payments to and on account of leavers	10	(28,114)	(10,057)
		(285,391)	(257,505)
Net additions from dealings with Members		5,676	15,467
Management expenses	11	(34,840)	(27,277)
Net additions/withdrawals including fund management expenses		(-29,164)	(11,810)
Returns on Investments			
Investment Income	13	133,600	111,339
Taxes on Income		(157)	(93)
Profits and losses on disposal of investments and changes in the market value of investments	15a	84,514	1,697,318
Net Return on Investments		217,957	1,808,564
Net increase/(decrease) in the Net Assets available for benefits during the year		188,793	1,796,754

Net Assets Statement as at 31 March

	Notes	2021-22 £'000	2020-21 £'000
Investment Assets		7,711,217	7,512,982
Investment Liabilities		(14,178)	(8,806)
Net Investment Assets	15	7,697,039	7,504,176
Current Assets	21	32,036	34,422
Current Liabilities	22	(26,650)	(24,966)
Net Assets available to fund benefits at the period end		7,702,425	7,513,632

Notes to the Pension Fund Accounts

1. Description of the Fund

General

The Kent Pension Fund is part of the Local Government Pension Scheme (LGPS) and is administered by Kent County Council (KCC) for the purpose of providing pensions and other benefits for the pensionable employees of KCC, Medway Council, the district and borough councils in Kent and a number of other employers within the county area. The Pension Fund is a reporting entity and KCC as the Administering Authority is required to include the Fund's accounts as a note in its Report and Accounts. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The LGPS is a contributory defined benefit pension scheme.

The Scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013 (as amended);
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendments) Regulations 2014 (as amended);
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The Fund is overseen by the Kent Pension Fund Committee (the Scheme Manager). The Local Pension Board assists the Scheme Manager to ensure the effective and efficient governance and administration of the Scheme.

Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join or remain in the Scheme or to make personal arrangements outside the Scheme. Employers in the Fund include Scheduled Bodies which are local authorities and similar entities whose staff are automatically entitled to be members of the Scheme; and Admission Bodies which participate in the Fund by virtue of an admission agreement made between the Authority and the relevant body. Admission bodies include voluntary, charitable and similar entities or private contractors undertaking a local authority function following a specific business transfer to the private sector.

There are 304 employers actively participating in the Fund and the profile of members is as detailed below:

	Kent County Council	Kent County Council	Other Employers	Other Employers	Total	Total
	31 Mar 2022	31 Mar 2021	31 Mar 2022	31 Mar 2021	31 Mar 2022	31 Mar 2021
Contributors	21,041	21,510	31,788	31,215	52,829	52,725
Pensioners	24,090	22,959	22,616	21,879	46,706	44,838
Deferred Pensioners	25,024	24,077	24,553	23,320	49,577	47,397
Total	70,155	68,546	78,957	76,414	149,112	144,960

Funding

Benefits are funded by contributions and investment earnings. The 2019 triennial valuation certified a common contribution rate of 18.4% of pensionable pay to be paid by each employer participating in the Kent Pension Fund for 2021-22. In addition to this, each employer has to pay an individual adjustment to reflect its own particular circumstances and funding position within the Fund. Details of each employer's contribution rate are contained in the Statement to the Rates and Adjustment Certificate in the triennial valuation report.

Benefits

Pension benefits under the LGPS are based on the following:

	Service pre April 2008	Membership from 1 April 2008 to 31 March 2014	Membership from 1 April 2014
Pension	1/80 x final pensionable salary	1/60 x final pensionable salary	1/49 (or 1/98 if opted for 50/50 section) x career average revalued salary
Lump sum	Automatic lump sum of 3/80 x final pensionable salary.	No automatic lump sum	No automatic lump sum.
	In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

There is a range of other benefits provided under the Scheme including early retirement, ill health pensions and death benefits. For more details, please refer to the Kent Pension Fund website: www.kentpensionfund.co.uk

2. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2021-22 financial year and its position at 31 March 2022.

The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021-22 which is based upon International Financial Reporting Standards, as amended for the UK public sector. The accounts are prepared on a going concern basis.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS)19 basis is disclosed at note 20 of these accounts.

3. Summary of Significant Accounting Policies

Fund Account – revenue recognition

a) Contribution income

Normal contributions, both from the members and from the employers, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate. Employers Deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in 'transfers in'. Bulk transfers are accounted for in accordance with the terms of the transfer agreement.

c) Investment income

Dividends, distributions, interest, and stock lending income on securities have been accounted for on an accruals basis and where appropriate from the date quoted as ex-dividend (XD). Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year. Where the Fund's investments are held in income accumulating funds that do not distribute income the accumulated income on such investments is reflected in the unit market price at the end of the year and is included in the realised and unrealised gains and losses during the year. Direct property related income mainly comprises of rental income which is recognised when it becomes due. Rental income is adjusted for provision for rent invoiced but collection of which is assessed as doubtful.

Fund Account – expense items

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the year end. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities providing the payment has been approved.

e) Taxation

The Fund has been accepted by the HM Revenue and Customs as a registered pension scheme in accordance with paragraph 1(1) of Schedule 36 to the Finance Act 2004 and, as such, qualifies for exemption from UK income tax on interest received and from capital gains tax on proceeds of investments sold. Tax is therefore only applicable to dividend income from equity investments. Income arising from overseas investments is subject to deduction of withholding tax unless exemption is permitted by and obtained from the country of origin. Investment income is shown net of tax, and any recoverable tax at the end of the year is included in accrued investment income.

By virtue of Kent County Council being the administering authority, VAT input tax is recoverable on all Fund activities including investment and property expenses.

Notes to the Pension Fund Accounts continued

f) Management expenses

All expenses are accounted for on an accruals basis. Costs relating to Kent County Council staff involved in the administration, governance and oversight of the Fund, and overheads incurred by the County Council and recharged to the Fund at the end of the year. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. Fees incurred include fees directly paid to fund managers as well as fees deducted from the funds by pooled fund managers which is grossed up to increase the income from these investments.

Net Assets Statement

g) Financial assets

Financial assets other than cash and debtors are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. Any purchase or sale of securities is recognised upon trade and any unsettled transactions at the year-end are recorded as amounts receivable for sales and amounts payable for purchases. From the trade date any gains or losses arising from changes in the fair value of the asset are recognised by the Fund. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 and IFRS 9. For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

The values of investments as shown in the Net Assets Statement have been determined as follows:

- Quoted investments are stated at market value based on the closing bid price quoted on the relevant stock exchange on the final day of the accounting period.
- Fixed interest securities are recorded at net market value based on their current yields.
- Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.
- Investments in private equity funds and unquoted listed partnerships are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers. The valuation standards followed by the managers are in accordance with the industry guidelines and the constituent management agreements. Such investments may not always be valued based on year end valuation as information may not be available, and therefore will be valued based on the latest valuation provided by the managers adjusted for cash movements to the year end.
- Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, the change in market value also includes income which is reinvested in the fund.
- Debtors/receivables being short duration receivables with no stated interest rate are measured at original invoice amount. Debtors are adjusted for provision made for doubtful debts relating to rent income.

h) Freehold and Leasehold Properties

The Freehold and Leasehold properties were valued at open market prices in accordance with the valuation standards laid down by the Royal Institution of Chartered Surveyors. The last valuation was undertaken by Colliers International, as at 31 December 2021. The valuer's opinion of market value and existing use value was primarily derived using comparable recent market transactions on arm's length terms. The results of the valuation have then been indexed in line with the MSCI Monthly Index movement to 31 March 2022. The indexation is carried out by DTZ, who are managers of the Fund's direct property portfolio.

i) Derivatives

The Fund uses derivative instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes. At the reporting date the Fund only held forward currency contracts. The future value of the forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract. Under the European Market Infrastructure Regulations the Fund's forward currency contracts are required to be covered by margin cash. These amounts are included in cash or cash equivalents held by the Fund and reflected in a corresponding margin cash liability under investment liabilities.

j) Foreign currency transactions

Assets and liabilities in foreign currency are translated into sterling at spot market exchange rates ruling at the year-end. All foreign currency transactions including income are translated into sterling at spot market exchange rates ruling at the transaction date. All realised currency exchange gains or losses are included in change in market value of assets.

k) Cash and cash equivalents

Cash comprises cash at bank and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value. Cash and cash equivalents managed by fund managers and cash equivalents managed by Kent County Council are included in investments. All other cash is included in Current Assets.

l) Financial Liabilities

The Fund recognises financial liabilities relating to investments at fair value as at the reporting date. A financial liability is recognised in the Net Assets Statement on the date the fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund. Other financial liabilities classed as amortised cost are carried at amortised cost ie the amount carried in the net asset statement is the outstanding principal repayable plus accrued interest. Any interest charged is accounted for on an accruals basis and included in administration costs.

m) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary and the methodology used is in line with accepted guidelines and in accordance with IAS 19. As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 20).

n) Contingent Assets and Liabilities

A contingent asset/liability arises where an event has taken place that gives the Fund a possible right/obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Fund. Contingent assets/liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an inflow/outflow of resources will be required or the amount of the right/obligation cannot be measured reliably. Contingent assets/liabilities are not recognised in the balance sheet but disclosed in a note to the accounts.

o) Pooling Expenses

The Fund is member of the ACCESS pool, a group of 11 LGPS Administering Authorities who, as part of a Government initiative, have agreed to pool their investments to achieve cost and scale benefits. Pooling costs included in the Fund's accounts reflect the Fund's proportion of the cost of the governance arrangements of the Pool.

p) Additional Voluntary Contributions

The Fund provides an additional voluntary contribution (AVC) scheme for its members, assets of which are invested separately from those of the Fund. AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of funds) Regulations 2016 but are disclosed for information in note 23.

4. Critical judgements in applying accounting policy

The fund's investment portfolio includes a number of directly owned properties which are leased commercially to various tenants with rental periods. The fund has determined that these contracts all constitute operating lease arrangements under the classifications permitted by the Code, therefore the properties are retained on the net asset statement at fair value.

Notes to the Pension Fund Accounts continued

5. Assumptions made about future and other major sources of estimation uncertainty

Item	Uncertainties	Effect if actual results differ from assumption
Actuarial present value of promised retirement benefits (Note 20)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £235m. A 0.1% increase in assumed earning inflation would increase the value of liabilities by approx. £21m, and a one year increase to the life expectancy assumptions would increase the liability by approx. £501m.
Private Equity and Infrastructure and other level 3 investments (Note 17)	Valuation of unquoted private equity including infrastructure investments is highly subjective and inherently based on forward looking estimates and judgements involving many factors. They are valued by the investment managers using guidelines set out in the British Venture Capital Association.	The total private equity including infrastructure and other level 3 investments on the financial statements are £473m. Potential change in valuation due to change in these factors is estimated in Note 17.
Freehold and Leasehold Property and Pooled Property Funds (Note 17)	Valuation techniques are used to determine the fair values of directly held property and pooled property funds. Where possible these valuation techniques are based on observable data, but where this is not possible management uses the best available data. Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property.	The affect of 10% variations in the factors supporting the valuation would be an increase or decrease in the value of directly held property and property pooled funds of £90m on a fair value of £902m. Details of potential factors affecting the valuation are in Note 17.

6. Events after the Balance Sheet date

There have been no events since 31 March 2022, up to the date when these accounts were authorised, that require or do not require any adjustment to these accounts.

7. Contributions Receivable

	2021-22 £'000	2020-21 £'000
By Category		
Employees' contributions	63,125	59,348
Employers' contributions		
– normal contributions	182,404	172,479
– deficit recovery contributions	30,445	32,533
– augmentation contributions	4,457	3,595
Total Employers' contributions	217,306	208,607
Total contributions receivable	280,431	267,955
By type of employer		
Kent County Council	104,902	98,024
Scheduled Bodies	161,935	151,255
Admitted Bodies	13,594	18,676
Total	280,431	267,955

8. Transfers in from other pension funds

	2021-22 £'000	2020-21 £'000
Individual	10,636	5,017
Group	0	0
Total	10,636	5,017

9. Benefits Payable

	2021-22 £'000	2020-21 £'000
By Category		
Pensions	216,199	210,886
Retirement Commutation and lump sum benefits	34,572	30,202
Death benefits	6,506	6,360
Total	257,277	247,448
By type of employer		
Kent County Council	115,210	112,653
Scheduled Bodies	126,398	119,813
Admitted Bodies	15,669	14,982
Total	257,277	247,448

10. Payments to and on account of leavers

	2021-22 £'000	2020-21 £'000
Group transfers	11,320	0
Individual transfers	15,364	8,736
Payments/refunds for members joining state scheme	0	0
Refunds of contributions	1,430	1,321
Total	28,114	10,057

11. Management Expenses

	Notes	2021-22 £'000	2020-21 £'000
Administration costs		3,645	3,361
Governance and oversight costs		843	820
Investment management expenses	12	30,220	22,973
Audit fees		41	41
Pooling expenses		91	82
Total		34,840	27,277

Notes to the Pension Fund Accounts continued

12. Investment Management Expenses

	Notes	2021-22 £'000	2020-21 £'000
Investment Managers' fees	12a	29,525	22,207
Transaction costs		652	710
Custody fees		43	56
Total		30,220	22,973

The management fees disclosed above include all investment management fees directly incurred by the fund including those charged on pooled fund investments.

In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. These indirect costs are not separately provided to the Pension Fund.

12a. Investment Management Fees

	2021-22 £'000	2020-21 £'000
Fixed Income	4,004	3,457
Equities	14,755	12,577
Private Equity/Infrastructure	7,243	2,807
Property	3,523	3,366
Total	29,525	22,207

13. Summary of Income from Investments

	Notes	2021-22		2020-2021	
		£'000	%	£'000	%
Bonds		14,423	10.8	15,279	13.8
Equities		4,682	3.5	4,277	3.9
Pooled Investments		84,048	62.9	68,023	61.1
Private Equity / Infrastructure		9,190	6.9	9,879	8.9
Property	14	14,533	10.9	8,228	7.4
Pooled Property Investments		6,449	4.8	5,465	4.9
Cash and cash equivalents		217	0.2	155	0.0
Stock Lending		58	0.0	33	0.0
Total		133,600	100.0	111,339	100.0

Income levels have recovered this year after falling last year due to the effects of the pandemic on rent collection and dividend income.

14. Property Income and Expenditure

	2021-22 £'000	2020-21 £'000
Rental Income from Investment Properties	20,799	12,427
Direct Operating Expenses	(6,266)	(4,199)
Net operating income from Property	14,533	8,228

Rental income for 2021-22 is net of provision for doubtful debts of £4.5m, (2020-21 £6.3m).

15. Investments

	Market Value as at 31 March 2022 £'000	Market Value as at 31 March 2021 £'000
Investment Assets		
Bonds	379,028	401,001
Equities	371,946	348,033
Pooled Investments		
– Fixed Income	721,635	575,551
– Equities	4,125,358	4,227,065
– Absolute Return	567,162	541,108
Private Equity/Infrastructure	464,955	274,023
Property	577,934	493,314
Pooled Property Investments	324,285	281,718
Derivatives – Forward Currency contracts	472	2,920
Investment Cash and cash equivalents	155,306	201,228
Cash held with fund managers pending issue of units	0	150,000
Investment Income due	13,800	15,996
Amounts receivable for sales	788	0
Margin cash	8,548	1,025
Total Investment Assets	7,711,217	7,512,982
Investment Liabilities		
Amounts payable for purchases	(800)	(561)
Margin cash liability	0	0
Provision for Doubtful Debts	(4,544)	(6,287)
Derivatives – Forward Currency contracts	(8,834)	(1,958)
Total Investment Liabilities	(14,178)	(8,806)
Net Investment Assets	7,697,039	7,504,176

Investment income due (debtors) includes a sum of £7.3m for rents and service charges payable by tenants of properties owned by the Pension Fund. Due to continued effects of the pandemic on rent collection, there is a high likelihood that a significant portion will not be fully recovered. A provision of £4.5m has therefore been made for doubtful rent debts.

Notes to the Pension Fund Accounts continued

15a. Reconciliation of movements in investments and derivatives

	Market Value as at 31 March 2021 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Change in Market Value £'000	Market Value as at 31 March 2022 £'000
Bonds	401,001	98,117	(99,920)	(20,171)	379,027
Equities	348,033	100,464	(100,596)	24,045	371,946
Pooled Investments	5,343,724	565,122	(347,421)	(147,270)	5,414,155
Private Equity/Infrastructure	274,023	141,701	(57,219)	106,450	464,955
Property	493,314			84,620	577,934
Pooled Property Investments	281,718	2,031	(6,264)	46,802	324,287
	7,141,813	907,435	(611,420)	94,476	7,532,304
Derivative contracts					
– Forward Currency contracts	962	3,098,406	(3,097,674)	(10,056)	(8,362)
	7,142,775	4,005,841	(3,709,094)	84,420	7,523,942
Other Investment balances					
– Investment Cash and cash equivalents	201,228	0	0	96	155,305
– Cash pending issue of units	150,000	0	0	0	0
– Amounts receivable for sales	0	0	0	0	788
– Amounts payable for purchases	(561)	0	0	0	(800)
– Margin cash liability	1,025	0	0	0	8,548
– Investment Income due	15,996	0	0	0	13,800
– Provision for doubtful debt	(6,287)	0	0	0	(4,544)
Net Investment Assets	7,504,176	0	0	84,516	7,697,039

	Market Value as at 31 March 20 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Change in Market Value £'000	Market Value as at 31 March 2021 £'000
Bonds	339,054	134,314	(73,777)	1,410	401,001
Equities	236,536	155,000	(146,114)	102,611	348,033
Pooled Investments	4,028,528	1,147,986	(1,344,347)	1,511,557	5,343,724
Private Equity/Infrastructure	189,864	72,544	(29,734)	41,349	274,023
Property	478,105	0	0	15,209	493,314
Pooled Property Investments	287,008	2,007	(1,503)	(5,794)	281,718
	5,559,095	1,511,851	(1,595,475)	1,666,342	7,141,813
Derivative contracts					
– Forward Currency contracts	(17,082)	3,512,898	(3,526,105)	31,251	962
	5,542,013	5,024,749	(5,121,580)	1,697,593	7,142,775
Other Investment balances					
– Investment Cash and cash equivalents	131,959	0	0	(275)	201,228
– Cash pending issue of units	0	0	0	0	150,000
– Amounts receivable for sales	724	0	0	0	0
– Amounts payable for purchases	(324)	0	0	0	(561)
– Margin cash liability	16,803	0	0	0	1,025
– Investment Income due	11,975	0	0	0	15,996
– Provision for doubtful debt	0	0	0	0	(6,287)
Net Investment Assets	5,703,150	0	0	1,697,318	7,504,176

15b. Analysis of Derivative Contracts

Objectives and policy for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and the investment manager.

Open forward currency contracts

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant portion of the Fund's fixed income portfolio managed by Goldman Sachs Asset Management is invested in overseas securities. To reduce the volatility associated with fluctuating currency rates, the investment manager hedges the overseas exposure of the portfolio.

Settlement	Currency bought	Local value 000's	Currency sold	Local value 000's	Asset value £'000	Liability value £'000
Up to one month	GBP	88	USD	(116)	0	0
Up to one month	GBP	825	EUR	(975)	1	0
Up to one month	GBP	55	EUR	(65)	0	0
Up to one month	GBP	38	USD	(50)	0	0
Up to one month	GBP	932	USD	(1225)	2	0
Up to one month	USD	116	GBP	(88)	0	0
Up to one month	GBP	442	USD	(579)	3	0
Up to one month	USD	64	GBP	(49)	0	0
Up to one month	USD	1155	GBP	(875)	2	0
Up to one month	GBP	652	USD	(859)	0	(1)
Up to one month	USD	3856	GBP	(2918)	10	0
Up to one month	GBP	1802	USD	(2370)	2	0
Up to one month	USD	2163	GBP	(1645)	0	(2)
Up to one month	GBP	2,092	USD	(2,759)	0	(4)
Up to one month	GBP	658	USD	(859)	5	0
Up to one month	USD	1,761	GBP	(1,343)	0	(6)
Up to one month	USD	1,188	GBP	(912)	0	(9)
Up to one month	USD	2,448	GBP	(1,879)	0	(20)
Up to one month	USD	1,500	GBP	(1,146)	0	(7)
Up to one month	USD	3,949	GBP	(3,014)	0	(15)
Up to one month	USD	2,132	GBP	(1,626)	0	(7)
Up to one month	GBP	2,504	USD	(3,336)	0	(30)
Up to one month	USD	1,440	GBP	(1,074)	20	0
Up to one month	USD	3,067	GBP	(2,291)	39	0
Up to one month	USD	481	GBP	(359)	6	0
Up to one month	USD	5,549	GBP	(4,141)	73	0
Up to one month	USD	3,303	GBP	(2,428)	81	0
Up to one month	USD	1,733	GBP	(1,278)	38	0
Up to one month	GBP	2,882	USD	(3,907)	0	(85)
Up to one month	USD	2,232	GBP	(1,646)	50	0
Up to one month	USD	1,393	GBP	(1,040)	18	0
Up to one month	USD	371	GBP	(277)	5	0
Up to one month	USD	388	GBP	(290)	5	0
Up to one month	GBP	510	USD	(689)	0	(14)
Up to one month	USD	1,236	GBP	(918)	21	0
Up to one month	USD	3,116	GBP	(2,313)	53	0
Up to one month	GBP	122,231	USD	(166,629)	0	(4,325)
Up to one month	GBP	122,273	USD	(166,629)	0	(4,283)
Up to two months	EUR	975	GBP	(826)	0	(1)
Up to two months	EUR	29	GBP	(25)	0	0
Up to two months	EUR	38	GBP	(32)	0	0
Up to two months	EUR	2,568	GBP	(2,135)	38	0
Up to two months	GBP	1,605	EUR	(1,922)	0	(21)
Up to two months	GBP	81,363	EUR	(96,179)	0	(4)
					472	(8,834)
Net forward currency contracts at 31 March 2022						(8,362)
Prior year comparative						
Open forward currency contracts at 31 March 2021					2,921	(1,957)
Net forward currency contracts at 31 March 2021						964

Notes to the Pension Fund Accounts continued

15c. Property Holdings

	Year ending 31 March 2022 £'000	Year ending 31 March 2021 £'000
Opening Balance	493,314	478,105
Additions	0	0
Disposals	0	0
Net increase/decrease in market value	84,620	15,209
Closing Balance	577,934	493,314

There are no restrictions on the realisability of the property or the remittance of income or proceeds on disposal and the Fund is not under any contractual obligation to purchase, construct or develop these properties.

The future minimum lease payments receivable by the Fund are as follows:

	Year ending 31 March 2022 £'000	Year ending 31 March 2021 £'000
Within one year	16,584	16,161
Between one and five years	42,579	36,708
Later than five years	33,268	33,610
Total	92,431	86,479

The above disclosures have been reduced by a credit loss allowance of 0.35% per annum reflecting the Fund's expected loss from late or non-recovery of rents from tenants. This has been based on the Fund's own historic experience but also information on similar properties received from the Fund's property letting agents. The income has also been reduced to take into account the possibility of tenants taking advantage of break clauses in their non cancellable operating lease contracts to terminate tenancies.

15d. Investments analysed by Fund Manager

	Market Value as at 31 March 2022		Market Value as at 31 March 2021	
	£'000	%	£'000	%
Investments managed by Link for the ACCESS Pool				
Baillie Gifford	1,190,077	15.5	1,709,000	22.8
M&G	517,812	6.7	443,546	5.9
Ruffer	191,066	2.5	134,026	1.8
Schroders	1,543,993	20.1	1,384,541	18.5
	3,442,948	44.7	3,671,113	49.0
Investments managed outside the ACCESS Pool				
CQS	238,310	3.1	157,732	2.1
DTZ	633,444	8.2	538,729	7.2
Fidelity	163,219	2.1	133,795	1.8
Goldman Sachs	400,917	5.2	416,621	5.6
HarbourVest	233,070	3.0	149,608	2.0
Impax	74,516	1.0	70,886	0.9
Insight	791,269	10.3	610,989	8.1
Kames	43,723	0.6	43,566	0.6
Kent County Council Investment Team	126,483	1.6	336,574	4.5
M&G	308,336	4.0	227,169	3.0
Partners Group	174,936	2.3	77,133	1.0
Pyrford	376,095	4.9	407,083	5.4
Sarasin	381,253	5.0	352,812	4.7
Schroders	243,353	3.2	254,982	3.4
YFM	56,948	0.7	47,282	0.6
Link Fund Solutions (previously Woodford)	8,219	0.1	8,102	0.1
	4,254,091	55.3	3,833,063	51.0
Total	7,697,039	100	7,504,176	100

All the external fund managers above are registered in the United Kingdom. Movements during the year include: £75m each invested into CQS and M&G Alpha Opportunities Fund.

15e. Single investments exceeding 5% of net assets available for benefits

	31 March 2022	
Investments	£'000	% of net assets
LF ACCESS Global Equity Core Fund	1,189,548	15.5
LF ACCESS UK Equity Fund	1,142,840	14.9
LDI Solutions Plus ICAV Active (Insight)	791,269	10.3
LF ACCESS Global Dividend Fund	517,812	6.7

	31 March 2021	
Investments	£'000	% of net assets
LF ACCESS Global Equity Core Fund	1,709,000	22.8
LF ACCESS UK Equity Fund	1,031,581	13.8
LDI Solutions Plus ICAV Active (Insight)	610,989	8.2
LF ACCESS Global Dividend Fund	443,546	5.9
Pyrford Global Total Return Fund	407,083	5.4

15f. Stock Lending

The Custodians undertake a programme of stock lending to approved UK counterparties against non-cash collateral mainly comprising of Sovereigns and Treasury Bonds. The programme lends directly held global equities and bonds to approved borrowers against a collateral of Government and Supranational fixed interest securities of developed countries, which is marked to market on a daily basis. Securities on loan are included at market value in net assets on the basis that they will be returned to the Fund at the end of the loan term. Net income from securities lending received from the custodian is shown as income from investments in the Fund Account.

The amount of securities on loan at year end, analysed by asset class and a description of the collateral is set out in the table below.

Loan Type	31 March 2022		31 March 2021		Collateral Type
	Market Value £'000	Collateral Value £'000	Market Value £'000	Collateral Value £'000	
Equities	2,762	2,881	8,099	8,458	Treasury Notes and other Government debt
Bonds	33,144	34,560	11,004	11,492	Treasury Notes and other Government debt
Total	35,906	37,441	19,103	19,950	

Notes to the Pension Fund Accounts continued

16. Financial Instruments

16a. Classification of Financial Instruments

The following table analyses the carrying amounts of financial assets and liabilities by category and Net Assets Statement heading..

	31 March 2022			31 March 2021		
	at fair value through profit and loss £'000	Assets at amortised cost £'000	Financial liabilities at amortised cost £'000	Fair value through profit and loss £'000	Assets at amortised cost £'000	Financial liabilities at amortised cost £'000
Financial Assets						
Bonds	379,027			401,001		
Equities	371,946			348,033		
Pooled Investments	5,414,154			5,343,724		
Property Pooled Investments	324,285			281,718		
Private Equity/Infrastructure	464,955			274,023		
Derivative contracts	472			2,921		
Cash & Cash equivalents	144,833	13,151		191,737	164,087	
Other Investment Balances		23,137			17,021	
Debtors/ Receivables		7,942			12,579	
	7,099,672	44,230	0	6,843,157	193,687	0
Financial Liabilities						
Derivative contracts	(8,834)			(1,957)		
Other Investment balances			(5,344)			(6,848)
Creditors			(26,650)			(24,966)
	(8,834)	0	(31,994)	(1,957)	0	(31,814)
Total	7,090,838	44,230	(31,994)	6,841,200	193,687	(31,814)

16b. Net Gains and Losses on Financial Instruments

	31 March 2022 £'000	31 March 2021 £'000
Fair value through profit and loss	(203)	1,682,384
Assets at amortised cost	96	(275)
Total	(107)	1,682,109

17. Valuation of assets and liabilities carried at Fair Value

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets are carried at and have been valued using fair value techniques.

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuation provided
Quoted Equities	1	Bid Market price on last day of accounting period	Not required	Not required
Quoted Bonds	1	Market value on last day of accounting period	Not required	Not required
Quoted Pooled Investments	1	Net Asset Value/Bid prices on last day of accounting period	Net Asset Values	Not required
Cash and Cash Equivalents	1	Carrying value is deemed to be fair value due to short term nature of these instruments	Not required	Not required
Unquoted Pooled Investments including pooled property	2	Net Asset Value/Bid prices on last day of accounting period	Net Asset Values	Not required
Private Equity and Infrastructure Funds	3	Fair values as per International Private equity and venture capital guidelines (2012)	Valuation of underlying investment/assets/companies/EBITDA multiples	Estimation techniques used in valuations, changes in market conditions, industry specific conditions
Property	2	Independent valuation by Colliers using RICS valuation standards	Market values of similar properties, existing lease terms estimated rental growth, estimated vacancies	Not required
Quoted Funds in administration	3	Net Asset Value/Bid prices on last day of accounting period	Net Asset Values/or if the fund holds illiquid assets, valuation of underlying investment/assets/companies/EBITDA multiples	If the fund holds illiquid assets, estimation techniques used in valuations, changes in market conditions, industry specific conditions
Forward exchange contracts	2	Market forward exchange rates on the last day of accounting period	Wide range of deals executed in the currency markets, exchange rate risk	Not required
Bespoke fund for equity protection programme assets	2	Net Asset value of Fund based on valuation of underlying assets with quoted prices for bond holdings and market prices for derivatives	Wide range of deals executed in the bond holdings but limited comparable transactions for specialist equity derivatives	Valuation of derivatives is affected by the equity and foreign exchange market conditions

Note: Quoted Fund in administration refers to the UK equities Fund managed by Link (earlier Woodford). Bespoke Fund for Equity Protection programme assets is managed by Insight.

Notes to the Pension Fund Accounts continued

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation methods described above, are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2022.

	Assessed valuation range (+/-)	Value as at 31 March 2022 £'000	Value on increase £'000	Value on decrease £'000
Private Equity	23.3%	290,018	357,592	222,444
Infrastructure	11.9%	174,936	195,754	154,119
Other Level 3 investments	23.3%	8,219	10,135	6,304
Total		473,173	563,481	382,867

	Assessed valuation range (+/-)	Value as at 31 March 2021 £'000	Value on increase £'000	Value on decrease £'000
Private Equity	23.3%	196,890	242,765	151,015
Infrastructure	11.9%	77,133	86,312	67,954
Other Level 3 investments	23.3%	8,101	9,989	6,213
Total		282,124	339,066	225,182

17a. Fair Value Hierarchy

Level 1

Assets and Liabilities at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Investments include quoted equities, quoted fixed interest securities, quoted index linked securities and quoted unit trusts.

Level 2

Assets and Liabilities at Level 2 are those where quoted market prices are not available or where valuation techniques are used to determine fair value. These techniques use inputs that are based significantly on observable market data. Investments include Derivatives, Direct Property Investments, Property Unit Trusts and investments in Link pooled funds for ACCESS.

Level 3

Assets and Liabilities at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data and are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. They include private equity and infrastructure investments the values of which are based on valuations provided by the General Partners to the funds in which the Pension Fund has invested. Assurances over the valuation are gained from the independent audit of the accounts. These assets also include investments in quoted funds that were in administration as at 31 March 2022 and are invested in illiquid underlying assets.

These valuations are prepared by the fund managers in accordance with generally accepted accounting principles and the requirements of the law where these companies are incorporated. Valuations are usually undertaken periodically by the fund managers, who provide a detailed breakdown of the valuations of underlying assets as well as a reconciliation of movements in fair values. Cash flow adjustments are used to roll forward the valuations where the latest valuation information is not available at the time of reporting.

The following table provides an analysis of the assets and liabilities of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'000
Values at 31 March 2022				
Financial assets at fair value through profit and loss				
Bonds	379,027			379,027
Equities	371,946			371,946
Pooled investments	693,947	4,711,989	8,219	5,414,155
Pooled property investments		324,285		324,285
Private equity and infrastructure			464,955	464,955
Derivatives		472		472
Cash Deposits	157,984			157,984
Other Investment balances	23,137			23,137
Non-Financial assets at fair value through profit and loss				
Property		577,934		577,934
Financial liabilities at fair value through profit and loss				
Derivatives	0	(8,834)		(8,834)
Other investment liabilities	(5,344)			(5,344)
Net Investment Assets	1,620,697	5,605,846	473,174	7,699,717
Values at 31 March 2021				
Financial assets at fair value through profit and loss				
Bonds	401,002			401,002
Equities	348,033			348,033
Pooled investments	732,934	4,602,688	8,101	5,343,723
Pooled property investments		281,717		281,717
Private equity and infrastructure			274,023	274,023
Derivatives		2,921		2,921
Cash Deposits	355,824			355,824
Other Investment balances	17,021			17,021
Non-Financial assets at fair value through profit and loss				
Property		493,314		493,314
Financial liabilities at fair value through profit and loss				
Derivatives		(1,957)		(1,957)
Other investment liabilities	(6,848)			(6,848)
Net Investment Assets	1,847,966	5,378,683	282,124	7,508,773

Notes to the Pension Fund Accounts continued

17b. Reconciliation of Fair Value Measurements within Level 3

	Pvt Equity	Infrastructure	Other	Total £'000
Market Value 1 April 2021	196,890	77,133	8,102	282,125
Transfers into level 3				
Transfers out of level 3				
Purchases during the year	52,198	89,503		141,701
Sales during the year	(54,148)	(3,071)		(57,219)
Unrealised gains/ losses	59,592	10,974	118	70,684
Realised gains/losses	35,486	397		35,883
Market Value 31 March 2022	290,018	174,936	8,220	473,174

18. Nature and extent of Risks Arising From Financial Instruments

Risk and risk management

The Fund's primary long-term risk is that the value of its assets will fall short that of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Council manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Committee. Risk management policies are established to identify and analyse the risks faced by the Council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

18a. Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk. In general, excessive volatility in market risk is managed through diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risks, the Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market. The Fund is exposed to security and derivative price risks. This arises from investments held by the Fund for which the future price is uncertain. All security investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The possible loss from shares sold short is unlimited. The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments and their activity is monitored by the Council to ensure it is within limits specified in the Fund Investment Strategy.

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisors, the Council has determined that the following movements in market price risk are reasonably possible for the 2021-22 reporting period.

Asset Type	Potential Market Movements (+/-)
UK Equities	16.7
Overseas Equities	16.2
Global Pooled Equities inc UK	16.0
Bonds	7.2
Property	9.2
Infrastructure	11.9
Private Equity	23.3

The potential price changes disclosed above are based on predicted volatilities calculated by our fund managers. The analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same. Had the market price of the Fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits would have been as follows (the prior year comparator is shown below):

Asset Type	Value as at 31 March 2022 £'000	Percentage change %	Value on increase £'000	Value on decrease £'000
Cash and cash equivalents	157,984	0.00	157,984	157,984
Investment portfolio assets:				
UK Equities	40,908	16.7	47,739	34,076
Overseas Equities	331,038	16.2	384,666	277,410
Global Pooled Equities inc UK	4,692,519	16.0	5,443,322	3,941,716
Bonds incl Bond Funds	1,100,662	7.2	1,179,910	1,021,415
Property Pooled Funds	324,285	9.2	354,120	294,451
Private Equity	290,018	11.9	324,531	255,506
Infrastructure Funds	174,936	23.3	215,697	134,176
Total	7,112,350		8,107,969	6,116,734

The Fund has an equities downside protection programme which will protect the fund from falls up to 20% in global equity markets and will cap the returns to the actuary's expected return objective of 6.5% for equities over the full valuation cycle. The current programme will run until March 2023. .

Asset Type	Value as at 31 March 2021 £'000	Percentage change %	Value on increase £'000	Value on decrease £'000
Cash and cash equivalents	351,228	0.00	351,228	351,228
Investment portfolio assets:				
UK Equities	29,621	16.7	34,568	24,674
Overseas Equities	318,412	16.2	369,995	266,829
Global Pooled Equities inc UK	4,768,171	16.0	5,531,078	4,005,264
Bonds incl Bond Funds	976,553	7.2	1,046,865	906,241
Property Pooled Funds	281,718	9.2	307,636	255,800
Private Equity	196,890	11.9	230,320	173,460
Infrastructure Funds	77,133	23.3	95,105	59,161
Total	6,999,726		7,966,795	6,042,657

Notes to the Pension Fund Accounts continued

18a. Market risk continued

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest rate risk is routinely monitored by the Council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks. The Fund's direct exposures to interest rate movements as at 31 March 2022 and 31 March 2021 are set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset Type	31 March 2022 £'000	31 March 2021 £'000
Cash and cash equivalents	155,309	351,228
Cash Balances	2,679	4,596
Bonds		
– Directly held securities	379,027	401,001
– Pooled Funds	721,635	575,551
Total	1,258,650	1,332,376

Interest rate risk – sensitivity analysis

The Council recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A one percent movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy. The Fund's investment advisor has advised that long-term average rates are expected to move less than one percent from one year to the next and experience suggests that such movements are likely. The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- one percent change in interest rates:

Asset Type	Carrying amount as at 31 March 2022 £'000	Change in year in the net assets available to pay benefits	
		+1% £'000	(1%) £'000
Cash and cash equivalents	155,309	0	0
Cash Balances	2,679	0	0
Bonds			
– Directly held securities	379,027	(3,790)	3,790
– Pooled Funds	721,635	(7,216)	7,216
Total change in assets available	1,258,650	(11,007)	11,007

Asset Type	Carrying amount as at 31 March 2021 £'000	Change in year in the net assets available to pay benefits	
		+1% £'000	(1%) £'000
Cash and cash equivalents	351,228	0	0
Cash Balances	4,596	0	0
Bonds			
– Directly held securities	401,001	(4,010)	4,010
– Pooled Funds	575,551	(5,756)	5,756
Total change in assets available	1,332,376	(9,766)	9,766

Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits. The analysis demonstrates that a 100 bps increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value and vice versa. Changes in interest rates do not impact on the value of cash/cash equivalent balances but they will affect interest income received on those balances.

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Through their investment managers, the Fund holds both monetary and non-monetary assets denominated in currencies other than GBP, the functional currency of the Fund. Most of these assets are not hedged for currency risk and the Fund is exposed to currency risk on these financial instruments. However, a significant proportion of the investments managed by Goldman Sachs Asset Management and all investments in the CQS Fund are hedged for currency risk through forward currency contracts. The Fund's currency rate risk is routinely monitored by the Council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the range of exposure to current fluctuations. The following table summarises the Fund's currency exposure excluding the hedged investments as at 31 March 2022 and 2021:

Currency exposure – asset type	Asset value 31 March 2022 £'000	Asset value 31 March 2021 £'000
Overseas Equities	331,038	318,412
Overseas Pooled Funds	3,781,449	3,891,344
Overseas Bonds	0	0
Overseas Private Equity, Infrastructure and Property funds	408,007	226,885
Non GBP Cash	2,640	9,981
Total overseas assets	4,523,134	4,446,622

Currency risk – sensitivity analysis

Following analysis of historical data and expected currency movement during the financial year, in consultation with the fund's investment advisors, the Council has determined that the following movements in the values of financial assets denominated in foreign currency are reasonably possible for the 2021-22 reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant. A relevant strengthening/weakening of the pound against various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency exposure – asset type	Asset value as at 31 March 2022	Change to net assets available to pay benefits	
	£'000	+6.6% £'000	(6.6%) £'000
Overseas Equities	331,038	352,887	309,190
Overseas Pooled Funds	3,781,449	4,031,025	3,531,874
Overseas Bonds	0	0	0
Overseas Private Equity, Infrastructure and Property funds	408,007	434,935	381,078
Non GBP Cash	2,640	2,814	2,466
Total change in assets available	4,523,134	4,821,661	4,224,608

Currency exposure – asset type	Asset value as at 31 March 2021	Change to net assets available to pay benefits	
	£'000	+6.6% £'000	(6.6%) £'000
Overseas Equities	318,412	339,427	297,397
Overseas Pooled Funds	3,891,344	4,148,173	3,634,515
Overseas Bonds	0	0	0
Overseas Private Equity, Infrastructure and Property funds	226,885	241,859	211,911
Non GBP Cash	9,981	10,640	9,322
Total change in assets available	4,446,622	4,740,099	4,153,145

Notes to the Pension Fund Accounts continued

18b. Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment of a receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties. Derivative contracts are also covered by margins which provide collateral against risk of default by the counterparties.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's credit criteria. The Council has also set limits as to the maximum amount that may be placed with any one financial institution. The Fund's cash was held with the following institutions:

	Rating	Balance as at 31 March 2022 £'000	Balance as at 31 March 2021 £'000
Money Market Funds			
Northern Trust Sterling Fund	AAAm	8,615	8,004
SSGA Liquidity Fund	AAAm		0
Blackrock ICS	AAAm	2,072	7
Blackrock USD Government Liquidity Fund	AAAm	0	3,417
Aberdeen Sterling Liquidity Fund	AAAm	33,097	74,998
Goldman Sachs Liquid Reserve Government Fund	AAAm	11,246	2,358
Aviva Investors Sterling Liquidity Fund	AAAm	56,926	49,994
Federated (PR) Short-term GBP Prime Fund	AAAm	0	9,998
Deutsche Managed Sterling Fund	AAAm	7	1,184
HSBC Global Liquidity Fund	AAAm	23	2
LGIM Liquidity Fund	AAAm	32,847	41,775
Insight Sterling Liquidity Fund	AAAm	0	0
		144,833	191,737
Bank Deposit Accounts			
NatWest SIBA	A-	1,513	4,627
		1,513	4,627
Bank Current Accounts			
NatWest Current Account	A-	50	50
NatWest Current Account – Euro	A-	192	814
NatWest Current Account – USD	A-	10	468
Northern Trust – Current Accounts	AA-	8,825	6,694
Barclays – DTZ client monies account	A*+	2,561	1,433
		11,638	9,459
			0
Cash with fund managers	n/a	0	150,000
Total cash and cash equivalents		157,984	355,823

Previous year cash held with fund managers comprised of application money transferred to M&G and CQS for subscription of units in their credit funds. The units were subsequently acquired on 1 April 2021.

18c. Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Fund has adequate cash resources to meet its commitments. The Council has immediate access to the Fund's money market fund and current account holdings.

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund investment strategy. All financial liabilities at 31 March 2022 are due within one year.

Refinancing risk

The key risk is that the Council will be bound to replenish a significant proportion of its Pension Fund financial instruments at a time of unfavourable interest rates. The Council does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

19. Funding Arrangements

In line with Local Government Pension Scheme (Administration) Regulations 2013 (as amended), the Fund is required to obtain an actuary's funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019.

The key elements of the funding policy are:

- To ensure the long-term solvency of the Fund and ensure that sufficient funds are available to meet all the benefits as they fall due for payment.
- To ensure employer contribution rates are as stable as possible.
- To minimise the long term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return.
- To reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so.

At the 2019 valuation a maximum deficit recovery period of 14 years (2016-17 years) is used for all employers. Shorter recovery periods have been used where affordable. This will provide a buffer for future adverse experience and reduce the interest cost paid by employers. For Transferee Admission Bodies the deficit recovery period is set equal to the future working life of current employees or the remaining contract period, whichever is the shorter.

In the 2019 triennial valuation, the smoothed value of the Fund's assets at the valuation date was £6,193m and the liabilities were £6,322m. The assets therefore, represented 98% (2016 - 89%) of the Fund's accrued liabilities, allowing for future pay increases.

The contribution rate for the average employer, including payments to target full funding has increased from 20.9% to 21.1% of pensionable salaries in 2020-21 and to 21.2% in 2021-22 and 21.3% in 2022-23. The funding level as a percentage has increased (due to good investment returns and employer contributions) although this has been partly offset by the changes in the financial assumptions used to calculate the liabilities.

The actuarial valuation has been undertaken on the projected unit method. At individual employer level the projected unit funding method has been used where there is an expectation that new employees will be admitted to the Fund. The attained age method has been used for employers who do not allow new entrants. These methods assess the costs of benefits accruing to existing members during the remaining working lifetime, allowing for future salary increases. The resulting contribution rate is adjusted to allow for any differences in the value of accrued liabilities and the market value of assets.

The 2019 actuarial assumptions were as follows:

Valuation of Assets:	assets have been valued at a 6 month smoothed market rate	
Rate of return on investments (discount rate)	4.7% p.a.	
Rate of general pay increases:	Long term	3.6% p.a.
	Short term	N/A
Assumed pension increases	2.6% p.a.	

Notes to the Pension Fund Accounts continued

20. Actuarial Present Value of Promised Retirement Benefits

In addition to the triennial funding valuation, every year the fund's actuary undertakes a valuation of the Fund's liabilities on an IAS 19 basis, using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year.

	31 March 2022 £m	31 March 2021 £m
Actuarial present value of promised retirement benefits		
Present value of promised retirement benefits	(11,778.8)	(11,789.8)
Fair value of scheme assets at bid value	7,702.4	7,513.6
Net liability	(4,076.4)	(4,276.2)

The Fund accounts do not take account of liabilities to pay pensions and other benefits in the future. Based on the latest valuation, the fair value of net assets of the Fund represents 65% of the actuarial valuation of the promised retirement benefits. Future liabilities will be funded from future contributions from employers.

The liability above being calculated on an IAS 19 basis and differs from the results of the 2019 triennial funding valuation because IAS 19 stipulates a discount rate rather than a rate which reflects a market rate.

Assumptions used:	% p.a.
Salary increase rate	3.85%
Inflation/Pensions increase rate	2.85%
Discount rate	2.00%

In December 2018 the Court of Appeal passed the McCloud judgement, which relates to age discrimination in relation to judges and firefighters pensions. Although the case only relates directly to these two schemes it is anticipated that the principles of the outcome could be accepted as applying to all public service schemes. Whilst there is uncertainty of how this judgement may affect LGPS members' past or future service benefits CIPFA has suggested that local authorities should consider the materiality of the impact. Our actuaries have used GAD's analysis to calculate the likely additional costs and have based it on all members who were active at 31 March 2012 until their retirement. This exercise has estimated the additional costs to be 0.7% of the Fund's liabilities and these have been included in the total liabilities of the Fund.

21. Current Assets

	31 March 2022 £'000	31 March 2021 £'000
Debtors		
– Contributions due – Employees	5,039	4,067
– Contributions due – Employers	16,376	13,180
	21,415	17,247
Sundry Debtors	7,942	12,579
Total Debtors	29,357	29,826
Cash	2,679	4,596
Total Current Assets	32,036	34,422

22. Current Liabilities

	31 March 2022 £'000	31 March 2021 £'000
Creditors		
– Benefits Payable	15,631	14,178
– Sundry Creditors	11,019	10,788
Total Current Liabilities	26,650	24,966

23. Additional Voluntary Contributions

Scheme members have the option to make additional voluntary contributions to enhance their pension benefits. In accordance with regulation 4(2)(b) of the LGPS (Management and Investment of Funds) Regulations 2009, these AVC contributions are not included within the Pension Fund Accounts. These contributions are paid to the AVC provider directly by the employer and are invested separately from the Pension Fund, with either Utmost Life, Prudential Assurance Company or Standard Life Assurance Company. These amounts are included within the disclosure note figures below.

	Prudential	Prudential	Standard Life	Standard Life	Utmost Life	Utmost Life
	2021–2022	2020–2021	2021–2022	2020–2021	2021–2022	2020–2021
	£'000	£'000	£'000	£'000	£'000	£'000
Value at 1 April	8,416	8,416	2,032	1,736	404	423
Value at 31 March	9,711	9,711	2,043	2,032	330	404
Contributions paid	1,345	1,345	120	108	1	1

Prudential were unable to provide us with updated figures for 2021-22 because figures are not yet available, therefore 2020-21 figures have been used.

24. Related Party Transactions

The Kent Pension Fund is required to disclose material transactions with related parties, not disclosed elsewhere, in a note to the financial statements. During the year each member of the Kent Pension Fund Committee is required to declare their interests at each meeting. None of the members of the Committee or senior officers undertook any material transactions with the Kent Pension Fund.

	2021–2022	2020–2021
	£'000	£'000
Kent County Council is the largest single employer of members of the Pension Fund and during the year contributed:	79,585	75,522
A list of all contributing employers and amount of contributions received is included in the Fund's annual report available on the pension fund website		
Charges from Kent County Council to the Kent Pension Fund in respect of pension administration, governance arrangements, investment monitoring, legal and other services.	3,910	3,797
Year end balance due to Kent County Council arising out of transactions between Kent County Council and the Pension Fund	(6,181)	(6,089)

The year end credit balance due to KCC mainly comprises of recharges and of VAT payable to KCC.

Key management personnel

The employees of Kent County Council who held key positions in the financial management of the Kent Pension Fund during 2021-22 were the Director of Finance and the newly appointed Head of Pensions and Treasury (from 1st February 2022). Total remuneration payable to key management personnel is set out below:

	31 March 2022	31 March 2021
	£'000	£'000
Salary	164	147
Allowances	9	7
Other	0	1
Employer's pension contributions	37	33
Total	210	188

25. Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) as at 31 March 2022 totalled £495.41m (31 March 2021: £514.92m)

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over the life of each fund.

26. Contingent Assets

46 admitted body employers in the Kent Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Fund and payment will only be triggered in the event of employer default.

Post Pool Reporting

The Pension Fund transitioned one mandate into the ACCESS pool during the year. The Fund's assets pooled and non-pooled are as under:

Pooled (ACCESS)		
Fund Manager	Asset Class	£'000
Baillie Gifford	Global Equities	1,190,076
Schroders	UK Equities	1,142,841
Schroders	Global Equity	401,152
M&G	Global Equities	517,812
Ruffer	Absolute Return	191,066
Total Pooled		3,442,947
Non-Pooled		
Fund Manager	Asset Class	£'000
Schroders	Fixed Income	243,353
DTZ	Property	633,444
Goldman Sachs	Fixed Interest	400,917
Woodford	UK Equities	8,219
BMO (Pyrford)	Absolute Return	376,095
CQS	Fixed Income	238,310
Sarasin	Global Equities	381,253
Fidelity	Pooled Property	163,219
Kames	Pooled Property	43,723
Impax	Global Equities	74,516
Insight	Equity Protection	791,269
Partners Group	Infrastructure	174,936
Harbourvest	Private Equity	233,070
M&G	Pooled Property	68,025
M&G Alpha Opportunities	Fixed Income	240,310
YFM	Private Equity	56,948
Kent County Council Investment Team	Cash	126,483
Total Non-Pooled		4,254,092
Grand Total		7,697,039

For 2021-22 the ongoing costs of the investments broken down between pooled and non-pooled assets are detailed below:

Pool Set up Costs	2021-2022 £'000	Cumulative £'000	ACCESS
Strategic & Technical Advice	0	56	614
Legal	0	37	409
Project Management	0	53	588
ACCESS Support Unit	0	0	3
Other	0	19	210
Total	0	166	1,824
Transition costs		363	

The Pooled ACS was operational in 2017-18 and all set up costs were incurred prior to that, so no costs attributable to set up for 2021-22.

The fund's costs and net fee savings since inception of the pooling project are as follows:

	2015–2016 £'000	2016–2017 £'000	2017–2018 £'000	2018–2019 £'000	2019–2020 £'000	2020–2021 £'000	2021–2022 £'000	Cumulative £'000
Set up costs	6	80	80	–	–	–	–	166
Pooling ongoing costs				137	87	82	91	397
Transition costs	–	–		363	–	245	–	608
Fee savings	26	242	776	1,436	1,596	3,968	4,774	12,766
Net savings	32	162	696	936	1,509	3,641	4,683	11,596*

*Of the above total savings of £11.60m, £4.39m relates to investments awaiting pooling.

The investment managers are paid ad valorem fees on the assets under their management. As a result, the fees in absolute terms goes up as the investments appreciate in value.

For 2021-22, the ongoing costs of the investments broken down between pooled and non-pooled assets are detailed below. These costs have been compiled from information provided by the fund managers who have signed up to the LGA cost transparency code.

	Asset Pool			Non Asset Pool		
	Direct £'000	Indirect £'000	Total £'000	Direct £'000	Indirect £'000	Total £'000
FM Fees	–	10,453.74	10,453.74	4,707.06	14,867.68	30,028.48
Pool shared (ASU)	91.41	–	91.41	–	–	91.41
Transaction costs	–	2,847.56	2,847.56	651.99	50.72	3,550.27
Custody	–	–	–	43.47	–	43.47
Other – pooled fund costs		517.87	517.87	–	4,822.37	5,340.24
Total	91.41	13,819.17	13,910.58	5,402.52	19,740.77	39,053.87

The fund's performance broken down into pooled and non-pooled assets is as below:

Asset Category	Opening Value		Closing Value		1 Yr Performance %	Benchmark %
	£'000	% of total fund	£'000	% of total fund		
ACCESS Pooled Investments						
UK Equity	1,032	13.8	1,143	14.8	10.79	14.51
Global Equity	2,506	33.4	2,109	27.4	(5.35)	12.42
Absolute Return	134	1.8	191	2.5	5.45	14.01
Total Pooled Assets	3,672	48.9	3,442	44.7	N/A	N/A
Under Pooled Governance						
UK Passive Equity	–	0.0	–	0.0	0.0	0.0
Global Passive Equity	–	0.0	–	0.0	0.0	0.0
Total Under Pooled Governance	–	–	–	–		
Assets Outside of the ACCESS Pool						
UK Equity	8	0.1	8	0.1	1.45	13.03
Global Equity	424	5.7	456	5.9	7.56	12.42
Equity Protection	611	8.1	791	10.3	(23.53)	12.42
Property	780	10.4	908	11.8	20.21	23.72
Infrastructure	77	1.0	175	2.3	9.06	0.04
Private Equity	197	2.6	290	3.8	49.65	0.04
Cash	336	4.5	127	1.6	0.07	0.04
Absolute Return	407	5.4	376	4.9	4.31	14.01
Fixed Income	992	13.2	1,123	14.6	(1.74)	3.05
Total Non-Pooled Assets	3,833	51.1	4,255	55.3	N/A	N/A
Grand Total	7,504	100.0	7,697	100.0	2.58	11.19

Independent Auditor's report

Independent auditor's report to the members of Kent County Council on the consistency of the pension fund financial statements of the Kent Superannuation Fund included in the Pension Fund Annual Report

Opinion

The pension fund financial statements of the Kent Superannuation Fund (the 'pension fund') administered by Kent County Council (the 'Authority') for the year ended 31 March 2021 which comprise the Fund Account, the Net Assets Statement and the notes to the pension fund financial statements, including a summary of significant accounting policies are derived from the audited pension fund financial statements for the year ended 31 March 2021 included in the Authority's Statement of Accounts (the 'Statement of Accounts').

In our opinion, the accompanying pension fund financial statements are consistent, in all material respects, with the audited financial statements, in accordance with proper practices as defined in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 and applicable law.

Pension Fund Annual Report – Pension fund financial statements

The Pension Fund Annual Report and the pension fund financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the Statement of Accounts. Reading the pension fund financial statements and the auditor's report thereon is not a substitute for reading the audited Statement of Accounts and the auditor's report thereon.

The audited financial statements and our Report thereon

We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated 13 December 2021.

Corporate Director of Finance's responsibilities for the pension fund financial statements in the Pension Fund Annual Report

Under the Local Government Pension Scheme Regulations 2013 the Corporate Director of Finance of the Authority is responsible for the preparation of the pension fund financial statements, which must include the Fund Account, the Net Asset Statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension fund financial statements in both the Statement of Accounts and the Pension Fund Annual Report are set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

Auditor's responsibility

Our responsibility is to express an opinion on whether the pension fund financial statements in the Pension Fund Annual Report are consistent, in all material respects, with the audited pension fund financial statements in the Statement of Accounts based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), Engagements to Report on Summary Financial Statements.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Dossett

Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor
13 December 2021

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Kent Pension Fund Report and Accounts

For the year ended 31 March 2022

