

KENT COUNTY COUNCIL

PENSION BOARD

MINUTES of a meeting of the Pension Board held online on Tuesday, 14 March 2023.

PRESENT: Mr R J Thomas (Chair), Cllr R Carnac, Mr D Jeffrey, Mrs A Mings and Mr J Parsons (Vice Chair)

IN ATTENDANCE: Mr N Buckland (Head of Pensions and Treasury), Mr J Graham (Pension Fund Treasury and Investments Manager), Mrs C Chambers (Pensions Administration Manager), Mr S Tagg (Senior Accountant - Employer Governance and Compliance), Mrs E Green (Senior Pensions Programme Manager) and Mr M Dentten (Democratic Services Officer)

UNRESTRICTED ITEMS

15. Apologies and Substitutes

(Item 1)

Apologies for absence were received from Alison Kilpatrick and Kelly King.

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

(Item 2)

No declarations were made.

17. Membership

(Item 3)

It was noted that Kelly King had joined the Board as an Active Scheme Member Representative, and that Alison Mings and Grahame Ward had joined the Board as Pensioner Representatives.

18. Minutes of the meeting held on 24 November 2022

(Item 4)

RESOLVED that the minutes of the meeting held on 24 November 2022 were an accurate record and that they be signed by the Chair.

19. Update from the Chairman of the Pension Fund Committee

(Item 6)

1. Mr Simkins gave a verbal update on the work of the Pension Fund Committee and its most recent meeting on 8 December 2022, highlighting the following:
 - that the Fund's triennial valuation had been presented to the Committee;
 - on investment performance, that exposure to the British market had provided defensive performance;

- a Fund investment strategy training day, hosted by DTZ, had taken place on 2 March, with the Pension Board's Chair in attendance; and
- consideration of the Fund's new investment strategy would be the Committee's main priority over the next year.

RESOLVED to note the update.

20. Pensions Administration Update

(Item 7)

1. Mrs Chambers introduced the report which provided the Board with an overview of matters concerning the administration of the Kent Pension Fund from 1 November 2022 to 31 January 2023. She provided additional information on staffing levels, recruitment and service focus, noting that there were 13 vacancies which were being actively recruited, that 2 dedicated training officers were in place to support new staff and that Death Grant cases had been prioritised. She added that bulk automation for refunds; transfers and deferred benefits; as well as member self-service had all been investigated. She updated the Board on the progress of the third-party printing and postage exercise which aimed to streamline the response process. Members were reminded that a new Pension Administration System contract would be considered by Pension Fund Committee for approval at its 29 March meeting, with view to the new system being in place from 1 May. Concerning the pensions administration communications policy, she confirmed that a draft was in development, with the aim of being digital by default and increasing scheme member engagement. She informed members that an internal audit was underway, with a draft of their report expected for late March 2023 and agreed to provide an update on the report's findings at the next Board meeting.
2. A member asked whether the new system would impact self-service arrangements for members and employers. Mrs Chambers confirmed that the role out of the iConnect system would be finalised until 2025 and allowed employers to submitted information on a monthly basis through payroll providers. She reassured the Board that the new administration system would not impact member and employer engagement.
3. Members noted that the increase in pension payments by 10.1%, as set out in statute by LPGS regulations, which aligned the uprate with the rate of inflation as of September 2022, could impact future Fund resilience. Mr Buckland reassured the Board that a cost management plan was in place and that investment and employee income were the only changeable factors as employer contributions were fixed.
4. Regarding the cost control mechanism, a member asked whether Fund employers would need to increase their contributions should the cost cap be altered. Mr Buckland advised that the cost cap rates had been agreed for the next three years and that action would be required if inflation remained high.

5. Mrs Chambers clarified, following a question from a member, that the future benefits to be paid to members of the scheme included deferments, and several tracing mechanisms were in use such as mortality screening and national fraud initiative screening. She noted that the pensions dashboard would help members to connect with lost pensions. It was explained that approximately 6,000 members of the scheme had no known address. She made the Board aware of a letter forwarding programme organised through the Department for Work and Pensions, which enabled the scheme to contact members without a known address to the scheme.

RESOLVED to note the report.

21. Employer Matters

(Item 8)

Graeme Muir (Barnett Waddingham) was in attendance for this item.

1. Mr Tagg gave a verbal overview of the report which provided an update on Fund employers to 31 December 2022, the Funding Strategy Statement and the 31 March 2022 actuarial valuation results. Concerning the Funding Strategy Statement he explained that Fund employers had been consulted and that the Statement would be considered by Pension Fund Committee, for approval, on 29 March.
2. A member asked whether the Board should be made aware of any significant changes in the proposed Funding Strategy Statement. Mr Tagg explained that employer self-insurance, which would not be applicable to all employers was a new inclusion in the Statement and would help to mitigate risk to employers who experience deaths in service and ill health. He added that the methodology for calculating exit liability payment had also been altered and no discount would be offered in exchange for early payment of either primary or secondary employer contributions.
3. Mr Tagg confirmed, following a question from the Chair, that parish and town councils were not required to enrol into the LGPS and that some, but not all, in Kent were.
4. Concerning late payments, Mr Tagg reassured the Board that contributions were monitored closely and there had not been a significant issue, with no increase in late payments witnessed over recent years.
5. Mr Muir gave presentation on the Kent Pension Fund's 2022 actuarial valuation. The content of the presentation included: whole fund results; regulatory uncertainties; key outcomes, including the funding position and contributions rate; valuation project timescales; key assumptions, including financial assumptions and future mortality improvements; and whole fund results, with 2022 witnessing a £181m surplus and improvement on £-129m deficit in 2019. He concluded by noting that the Kent Fund had experienced a favourable previous three years, with strong investment returns, though warned the Board that regulatory and climate uncertainties remained considerable ongoing risks.

6. A member asked whether there was a risk that employers would look to reduce their contributions due to public sector financial pressures. Mr Muir explained that current contribution rates would influence whether Funds would consider a reduction. He explained that the Kent Fund was in line with the national average on contribution rates and that Funds with higher rates were looking to make a reduction. He assured the Board that he did not advise reducing Kent's contribution rate and noted that the rate had increased from 98% in 2019 to 102% in 2022.

RESOLVED to note the report.

22. Governance and Policies Update

(Item 9)

1. Mr Buckland presented a report which updated the Board on the progress made with the implementation of the recommendations arising from the Barnett Waddingham review of the Kent Pension Fund's governance. He informed members that 46 of the 48 recommendations from the review had been implemented or were in progress. He introduced Mrs Emma Green who had been appointed as the senior programme manager responsible for leading on governance review implementation, including Board and Committee member training. He added that it was a positive governance development that the Board now had a full membership. He addressed the areas highlighted for improvement in the Hymans Robertson 2022 LGPS National Knowledge Assessment, which included a need to expand members' understanding of pensions administration and performance monitoring.
2. The importance of a comprehensive member training programme was emphasised by Board members.

RESOLVED to note the report.

23. Fund Position Statement

(Item 10)

1. Mr Graham introduced the report and advised that the Fund had increased by £94m over the previous quarter, which equated to an approximate 1% increase. He noted that performance had been in line with the annual benchmark of 4.6%, with a 5.3% annual return achieved over the previous three years. He reminded the Board that markets remained particularly sensitive to central bank policy.

RESOLVED to note the Fund's asset allocation and performance as of 31 December 2022.

Motion to exclude the press and public for exempt business

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

EXEMPT BUSINESS
Open access to minute

24. ACCESS Update
(Item 11)

1. Mr Graham provided an overview of the report which gave an update on the work undertaken by the ACCESS pool and decisions taken at its Joint Committee on 5 December 2022. A further verbal summary of the Joint Committee's most recent 6 March 2023 meeting was given. He reminded members that the Board's Chair and Vice Chair had attended the March meeting as observers, as part of an agreement that representatives of member Pension Boards observe Joint Committee meetings on a rotational basis.
2. The Chair and Vice Chair commented that the opportunity to observe the Joint Committee meeting had been useful and provided a valuable insight into the pool's decision-making process. The Chair agreed to discuss Board representation at future ACCESS meetings with members following the meeting.

RESOLVED to note the report.

25. Business Plan and Budget
(Item 12)

1. Mr Buckland introduced the 2022/23-2024/25 Fund Business Plan and Budget, and updated the Board on the completed activity. He informed the Board that the Business Plan would be considered for approval at Pension Fund Committee on 29 March.
2. Board members made comments in relation to pension administration resourcing; cash management; and the training budget.

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

26. Pension Fund Risk Register
(Item 13)

1. Mr Buckland introduced the report. He agreed to include a comparison of current and future risks in forthcoming risk registers.

RESOLVED to review and comment on the updated Risk Register.