

## KENT COUNTY COUNCIL

---

### PENSION BOARD

MINUTES of a meeting of the Pension Board held in the Council Chamber, Sessions House, County Hall, Maidstone on Tuesday, 28 November 2023.

PRESENT: Mr R J Thomas (Chair), Cllr R Carnac, Ms A Hartley, Ms K King, Mr J Parsons (Vice Chair) and Mr G Ward

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

IN ATTENDANCE VIRTUALLY: Mrs A Mings and Mr C Simkins

### UNRESTRICTED ITEMS

#### **55. Apologies and Substitutes**

*(Item 1)*

Apologies for absence were received from Mr Jeffrey.

#### **56. Declarations of Interest**

*(Item 2)*

In relation to item 11 (Employer Risk Review), the Chair declared a non-pecuniary interest that he was a trustee of Active Life Ltd.

#### **57. Minutes of the meeting held on 6 September 2023**

*(Item 3)*

RESOLVED that the minutes of the meeting held on 6 September 2023 are correctly recorded and that they be signed by the Chair.

#### **58. Update from the Chairman of the Pension Fund Committee**

*(Item 4)*

1. Mr Simkins gave a verbal update on the work of the Pension Fund Committee and its most recent meeting on 26 September 2023, highlighting the following:
  - a. The Committee had agreed its new investment strategy which would be implemented over the coming months;
  - b. The Committee agreed the Fund's response to the Department for Levelling Up, Housing & Communities' LGPS: Next steps on investments consultation and continued to work closely with ACCESS to consider the implications of government proposals on pooling;
  - c. The Responsible Investment Working Group continued to meet regularly, with the Fund's Responsible Investment policy to be considered by the Committee in March 2024; and

- d. That the Fund's Net Zero policy would be considered at the Committee's next meeting on 12 December.

RESOLVED to note the update.

## **59. Business Plan, Budget and Governance**

*(Item 5)*

1. Mr Buckland introduced the report which updated the Board on the Fund's 2023/24 and 2024/25 business plan, budget, governance and policy matters. He highlighted the items successfully completed in the business plan since the last meeting and noted that delays to regulation and government guidance were the main factors which had impacted completion of the outstanding actions. He advised that a good governance review was anticipated for Spring 2024. Budget variances were highlighted, with it noted that the greater than expected IT spending was in connection to the costs of implementing and maintaining software for the GMP reconciliation project.
2. Mr Buckland reassured the Board that whilst the Fund was not a separate legal entity to KCC, it was managed separately with balances ringfenced, which would not be directly affected by present local government financial pressures.
3. A Board Member asked whether it was possible for KCC to reduce its employer contribution. Mr Buckland explained that employer contribution rates were set for 3 years and that it was possible but unusual for the rate to be reevaluated within that timeframe. He noted that there had been few representations from major employers in the Fund to reduce the employer contribution rate.

RESOLVED to note and comment on the report.

## **60. Pensions Administration**

*(Item 6)*

1. Mrs Chambers introduced the report which updated the Board on the administration of the Kent Pension Fund from 1 August to 31 October 2023, including: performance; recruitment; breaches of law; complaints, compliments and comments; project updates; overpayment recovery and write off limits; communications and support; technical developments; training; and development. She noted that work to update KPIs was ongoing and incorporated CIPFA guidance, regulations and best practice from across the sector. She confirmed that the Fund had created a LinkedIn page to raise awareness of its work. She advised the Board that despite good progress, SCAPE factor changes continued to impact the workload of the Pensions Administration team.
2. In response to a question from a Board Member, Mrs Chambers reassured the Board that there were few outstanding vacancies, with no more than two vacancies in any team. She advised that whilst some vacancies were in reviewing roles, this would not have a significant impact on the administration of the Fund.

3. Following a question from a Board Member, Mrs Chambers agreed to share further details of the two write offs totalling £18,695.60 which occurred in August 2023 following the meeting.
4. Mrs Chambers acknowledged, following a question from a Board Member, that any backlog at the point that members are connected to the pensions dashboard would impact the state pensions were presented, which would significantly increase member queries.
5. Mrs Chambers confirmed, following a question from the Vice Chair, that the member self-service sign up rate was consistent across active, deferred and retired member groups. She added that member self-service would be further promoted with the new platform.

RESOLVED to note and comment on the report.

## **61. Employer Governance**

*(Item 7)*

1. Mr Graham introduced the report which updated Board Members on Fund employers for the 3 months ending 30 September 2023, employer admissions agreed by the Committee at its last meeting, deemed employer status and actuary procurement. He highlighted the Fund's strong contribution collection performance over the previous 6 months. Regarding deemed employers he noted that it would innovate admission by reducing costs and delays by potentially minimising the involvement of the actuary and need for a legal admission agreement and associated security. He confirmed that the Chairman of the Pension Fund Committee had written to the LGPS Scheme Advisory Board to encourage the Department for Levelling Up, Housing and Communities (DLUHC) to implement the innovation. On procurement of the Fund actuary, he confirmed that the evaluation stage had almost concluded, with the appointment expected no later than Q1 2024.
2. The Vice Chair asked whether parish and town councils were obliged to enrol staff in the LGPS. Mr Tagg confirmed that there was no obligation and that where those councils have no active employee that classifies them as existing employers. He added that exit payments or surpluses could be deferred for up to 3 years to allow for the recruitment of another employee.
3. Mr Tagg confirmed, following a question from a Board Member, that contribution delays varied in time and payroll provider issues were the most common factor. He explained that the Fund were able to charge penalties and interest to employers who's contributions were delayed, though the measures were not standard practice and significant liaison occurred before financial penalties were deployed.

RESOLVED to note the report.

## **62. Member Training**

*(Item 8)*

1. Mrs Green introduced the report which updated the Board on the responses to the October/November 2023 training survey by 23 Members of Kent Pension Board and Pension Committee, as well as the training programme for 2023/24 and 2024/25. She noted that the results confirmed that members had continued to undertake a wide range of training and that the majority had now taken part in training. She reminded Board Members that the next workshop, which had been developed with Barnett Waddingham, was planned for 7 December and covered audit and accounting standards.
2. The Chair asked whether there had been any progress in making training for Pension Fund Committee members mandatory. Mr Buckland confirmed that whilst the Fund had made a commitment that all members would receive training, there was no legal obligation, though attendance by Committee members had been strong.
3. The Vice Chair suggested that members undertake the LGA's Pension Fundamentals training course.

RESOLVED to note the report.

### **63. Investment Update**

*(Item 9)*

1. Mr Graham introduced the report which provided the Board with an update on the Fund's investment activity and performance, responsible investment developments since the Board's last meeting and review of the Fund's investment strategy carried out by the Pension Fund Committee which concluded at its 26 September meeting. He confirmed that as of 30 September 2023, the Fund's value was £7.83bn, an increase of £91m over the quarter, a return of 1.56% against a benchmark of 1.08%. He noted that fixed income markets continued to struggle, though the Fund's two multi asset credit managers exceeded the 1.37% benchmark with returns of 2.76% and 2.56%. It was also noted that property experienced negative capital returns during the quarter, but positive income yields meant overall returns were broadly flat over the quarter, with a -0.25% total return for the MSCI property index. Concerning responsible investment, he confirmed that the Responsible Investment Working Group had met twice with workshops on sustainable development goals and impact investing, with the objective of understanding the relevance of the concepts to the Fund. He explained that the Working Group was reviewing the Fund's responsible investment policy, ahead of consideration by Pension Fund Committee in February 2024. Regarding net zero, he confirmed that Mercer had completed a climate impact analysis, ahead of the Committee considering Net Zero targets at its December meeting.
2. Following a question from the Chair, Mr Graham confirmed that PIRC Ltd, who had recently be commissioned by ACCESS to provide advice and support in respect of the implementation of the responsible investment guidelines, would be utilised by member authorities including Kent to understand commonalities across the pool.

3. In response to a question from the Vice Chair, Mr Buckland agreed to confirm Responsible Investment Working Group membership arrangements with the Board following the meeting.

RESOLVED to note the report.

### **Motion to Exclude the Press and Public**

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

### **EXEMPT ITEMS**

(Open access to minutes)

### **64. ACCESS**

*(Item 10)*

1. Mr Graham introduced the report which summarised the activities of the ACCESS pool since the last meeting of the Board, as well as the Kent Pension Fund's approved response to the Government's 'LGPS: Next steps on investments' consultation.
2. The Chair noted that he and the Vice Chair would be observing the ACCESS Joint Committee's next meeting on 4 December.
3. Following a question from the Chair, Mr Buckland confirmed that no commitment had yet been made by ACCESS on how progress made to address the findings of its third-party review would be monitored.

RESOLVED to note the report.

### **65. Employer Risk Review**

*(Item 11)*

1. Mr Graham gave an overview of the report which updated the Board on the Fund's employer risk management activities, addressing the implications of a specific Fund employer issue and the findings of an employer risk analysis report from the Fund's actuary, Barnett Waddingham.
2. Mr Ward declared that he was a coopted member of Canterbury Christ Church University's Audit Committee.
3. Board Members questioned measures to reduce risk, pass through employer status and the impact of employer insolvency on other employers in the Fund.
4. The Board supported the monitoring of "at risk" employers identified in the report.

RESOLVED to note the report.

## **66. McCloud Judgment**

*(Item 12)*

1. Mrs Green introduced the report which updated the Board on the measures in place and progress made by the Kent Pension Fund in obtaining data from scheme employers, following the McCloud Remedy Regulations which came into effect on 1 October 2023.
2. Board Members asked questions on prioritisation, the cost of the McCloud Remedy work to the Fund and expected percentage of employers who would be reached by the end of November. It was explained that obtaining 100% of data would not be possible because of ceased employers and employers that had already contacted Kent Pension Fund explaining that they did not hold the data requested. It was noted that in these circumstances, guidance from the Scheme Advisory Board would be referred to.
3. Mr Buckland agreed to share the number of employers and approximate number of net scheme members reached following the meeting.

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

## **67. Cyber Security**

*(Item 13)*

1. Mrs Green introduced the report which provided an update on the cyber security work being undertaken by the Fund.
2. Board Members made comments on the impact of artificial intelligence (AI) on cyber security and Kent's AI policy.

RESOVLED to note the report.

## **68. Risk Register**

*(Item 14)*

This agenda item was deferred to the next meeting of Pension Board.

## **AOB**

Mr Buckland gave a presentation on the government response, issued on 22 November, to the LGPS: Next steps on investments consultation.