

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, 12 March 2024.

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

ALSO PRESENT: Mr C Simkins (Chairman of the Pension Fund Committee)

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), Mrs A Jupp (Communication and Support Team Manager) and Mr M Dentten (Democratic Services Officer)

UNRESTRICTED ITEMS

69. Apologies and Substitutes

(Item 1)

Apologies for absence were received from Alison Hartley and Grahame Ward.

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

(Item 2)

No declarations were made.

71. Minutes of the meeting held on 28 November 2023

(Item 3)

RESOLVED that the minutes of the meeting held on 28 November 2023 are correctly recorded and that they be signed by the Chair.

72. Update from the Chairman of the Pension Fund Committee

(Item 5)

1. Mr Simkins gave a verbal update on the work of the Pension Fund Committee and its most recent meeting on 12 December 2023, highlighting the following:
 - a. that the Committee agreed its implementation plan for the revised investment strategy, including the creation of an index-linked gilts portfolio, which would account for 7% of the Fund and which was implemented in February 2024; a revised equity protection mandate; and the movement of assets from UK equity to emerging market equity, with UK equities reducing from 23% to 10% as a result, with implementation of the change ongoing;

- b. that the Committee agreed a 2050 Net Zero target for the Fund's investment portfolio, including a 43% reduction in emissions relating to the equity portfolio by 2030 and a 69% reduction by 2040;
- c. that it had also considered the initial outcomes of the Government's LGPS: Next steps on investments consultation; and
- d. that the Committee would be considering emerging market equities and private equity investment at its 26 March 2024 meeting, to ensure that the strategy is able to deliver the long-term funding goals which have been set out.

RESOLVED to note the verbal update.

73. Governance updates including Draft Business Plan for 2024/25 - 2026/27
(Item 6)

1. Mr Buckland introduced the report which detailed the Fund's draft Business Plan for 2024/25 - 2026/27, updates to key policies and changes in regulation that would impact on the Fund. He explained that following the issue of The Pensions Regulator's General Code, officers and advisers were investigating its implications on the Fund, which would be shared at a future meeting. Concerning the Economic Activities of Public Bodies (Overseas Matters) Bill, he stated that whilst the impact on the Fund was expected to be minimal its full implications would also be assessed.
2. Mr Buckland gave a presentation on the draft Business Plan. The contents of the presentation included:
 - a. that the Fund's vision and long-term plan were unchanged;
 - b. the governance, administration and investment and funding priority tasks, aligned to the Fund's strategies;
 - c. additional pressures, in the form of regulatory changes, continued change and a continued focus on delivery for members; and
 - d. the Fund's draft Budget for 2024/25 - 2026/27.
3. Mr Buckland gave assurance that the Fund's risk register would be reported to the Board's next meeting.
4. Following a question from a Member, Mr Buckland confirmed that the Fund membership would be updated to reflect the latest membership, ahead of consideration and approval by the Committee.
5. In response to a request from a Member, Mr Buckland agreed to provide the Board with a Pensions team structure chart.

RESOLVED to note the report.

74. Communication Policy

(Item 7)

1. Mrs Jupp introduced the report which gave an overview of the changes proposed to the Fund's communication policy, which reflected the Fund's move to "Digital by Default" and would be considered for approval by the Committee on 26 March 2024. It was explained that under the Digital by Default objective the Fund had undertaken a mailing preference exercise to notify active and deferred members that future Annual Benefit Illustrations (ABI) would be published on member self-service as opposed to being sent out as hard copies in the post. She confirmed that active members would receive their 2024 ABI electronically via member self-service and would receive an email notification advising them how to logon or register, whilst deferred members would receive their final digital notification with their 2024 ABI and the 2025 ABI would be issued electronically via member self-service. She explained that employers had been made aware of these proposed changes.
2. Mrs Jupp confirmed, following a question from the Chair, that approximately 60 of the Fund's over 170,000 members had opted out of Digital by Default.
3. Following a question from a Member, Mrs Jupp explained that scheme documents were currently under review and would be available on member self-service shortly.

RESOLVED to note the report.

75. Member Training

(Item 8)

1. Mrs Green introduced the report which detailed proposed changes to the Fund's Training Strategy. She explained that the changes included the incorporation of current practice; clarity on the training expectations of Members of Pension Board and Pension Fund Committee; the potential consequences of persistent non-compliance; and clarification of the approach for reporting individual training attendance. She noted that following endorsement by Pension Board, the Strategy would be presented to the Pension Fund Committee for approval.
2. The Chair commended the Board's use of the training offered and compliance with the existing Strategy.
3. A Member commented that concentrated training following the May 2025 local election should be prioritised, to ensure that new Members have an adequate understanding of the Board and Committee's responsibilities. Mr Buckland gave assurance that the induction programme for new Members would be refreshed to provide the necessary training and support.
4. Following a question from a Member on the impact of The Pensions Regulators General Code and whether its impact would be included in future training, Mr Buckland agreed to provide the Board with an update at the Board's June meeting.

5. In response to a question from a Member, Mr Buckland agreed to continue to make Members aware of future external training options.

RESOLVED to endorse the updated Training Strategy, intended to supersede the current Training Strategy (2022).

76. Pensions Administration

(Item 9)

1. Mrs Chambers introduced the report which updated the Board on the administration of the Kent Pension Fund from 1 November 2023 to 31 January 2024, 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 completed cases were at their highest in a year and that there was the ambition to further improve performance for low priority cases. Regarding the abolition of the lifetime allowance, she confirmed that training had been organised with external providers to ensure that the service understood the change's implications. Technological developments including a new telephony system with new call flow models and member self-service were detailed.
2. Following a question from the Chair, Mrs Chambers confirmed that the internal secondments had been from within the Pensions team and that there had been a 100% success rate of secondees receiving permanent positions.
3. In response to a question from a Member, Mrs Jupp confirmed that member self-service had been promoted through webinars open to scheme members as well as advertising in the newsletter and on Fund's website.

77. Employer Governance

(Item 10)

1. Mr Tagg introduced the report which updated Board Members on Fund employers for the 3 months ending 31 December 2023, employer admissions agreed by the Committee at its last meeting and the actuarial procurement project. He highlighted recent strong performance with the Key Performance Indicator (KPI) for the percentage of contributions received on time by value met every month April to December as well as the KPI for the percentage of contributions received on time by employers met every month April to December 2023, except for May 2023. Regarding the actuarial procurement, he confirmed that Barnett Waddingham, being the Fund actuary since 2009, were reappointed on 1 February 2024 for 6 years with a possible 3-year extension.
2. The Chair asked whether any other proactive measures could be put in place to support the timely admission of new employers. Mr Tagg explained that since a change in regulations in May 2018 backdated admissions to the Fund were permitted, with the intention of improving flexibility. He noted that the change meant that the Fund was often only made aware of required admissions after contracts had begun, which could delay members benefits

until the legal documents are in place. He gave assurance that the Fund continued to work hard with employers to avoid any delays and that the Fund actively engaged employers where issues were identified.

3. A Member asked whether late admissions affected the Fund's ability to earn returns on delayed contributions. Mr Tagg explained that the regulations allowed for the Fund to charge an interest payment on late contributions. He added that in practice interest on employer contributions was sometimes charged but had not been charged on employee contributions.
4. Following a question from the Chair, Mr Buckland explained that the impact of late joiners to the Fund ahead of the triennial evaluation would be neutral.

RESOLVED to note the report.

78. Investment Update

(Item 11)

1. Mr Graham introduced the report which provided the Board with an update on the Fund's investment activity and performance as well as responsible investment developments since the Board's last meeting. He confirmed that as of 31 January 2024, the Fund's value was £7.84bn and had returned 1.42% in the three months to 31 December 2023, compared to the benchmark return of 3.05%, with an annual return at year end of 2.98% against a benchmark of 8.65%. He confirmed that the Committee had approved an updated Investment Strategy Statement, as a result of the investment strategy review and new strategic asset allocation. He noted that the Committee had held an investment strategy development day with the Fund's investment advisor, which was attended by the Chair of Pension Board, and considered responsible investment, including the implications of climate change on risk management and clean energy investment opportunities.
2. In response to a question from a Member on whether the actuary's interim assessment of funding levels would affect employer contribution rates, Mr Buckland explained that it would not and that the review was purely for information ahead of the Fund's next triannual evaluation in September 2025, at which point employer contribution rates would be determined.
3. The Chair asked whether tracking of the Fund's progress against its net zero target had been considered. Mr Graham confirmed that the target had been communicated to the Fund's investment managers as well as the ACCESS pool and that progress would be considered as part of the Committee's review of mandates.

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)

79. CEM Benchmarking
(Item 12)

David Jennings (CEM) and John Simmonds (CEM) were in attendance for this item.

1. Mr Jennings and Mr Simmonds gave a presentation which outlined the findings of CEM's benchmarking assessment of Kent Pension Fund's administration services as at 31 March 2023.
2. Board Members asked questions, which were responded to by officers and CEM, on the adoption of best practice from other high performing funds; importance of considering the benchmarking results during the development of the Fund's next administration strategy; development of online capabilities; and the importance of external assurance.

RESOLVED to note the report and presentation delivered by CEM during the Pension Board meeting on key findings.

80. ACCESS
(Item 13)

1. Mr Graham introduced the report which summarised the activities of the ACCESS pool since the last meeting of the Board, including the business transacted at the Joint Committee's 4 March meeting.

RESOLVED to note the report.

81. McCloud
(Item 14)

1. Mrs Green introduced the report which updated the Board on the measures in place, including the procurement of ITM to support the data rectification project, and progress made by the Kent Pension Fund in obtaining data from scheme employers as well as the challenges faced.
2. Board Members asked questions on support for organisations and individuals submitting their data and measures to increase response rates amongst smaller employers in the Fund.

RESOLVED to note the report.

82. Cyber Security
(Item 15)

1. Mrs Green introduced the report which provided an update on the cyber security work being undertaken by the Fund.

RESOLVED to note the report.