

KENT COUNTY COUNCIL

PENSION FUND COMMITTEE

MINUTES of a meeting of the Pension Fund Committee held in the Council Chamber, Sessions House, County Hall, Maidstone on Thursday, 27 June 2024.

PRESENT: Mr C Simkins (Chairman), Mr N J D Chard (Vice-Chairman), Mr P Bartlett, Cllr J Burden, Mr P C Cooper, Ms M Dawkins, Mr P Doust, Mr P M Hill, OBE, Cllr M Jones, Mr J P McInroy, Mr C Passmore, Mrs S Prendergast, Mr S Sim, Mr P Stepto and Mr J Wright.

ALSO PRESENT: Mr R J Thomas

IN ATTENDANCE: Mr N Buckland (Head of Pensions and Treasury), Ms S Surana (Investments, Accounting and Pooling Manager), Mrs E Green (Senior Pensions Programme Manager), Mr S Tagg (Senior Accountant - Employer Governance and Compliance), Mr J Graham (Pension Fund Treasury and Investments Manager), Mr G Wookey (Team Manager) and James Clapson (Democratic Services).

UNRESTRICTED ITEMS

1. Membership

(Item 1)

It was noted that Councillor Jones replaced Councillor Prenter as the Medway Council representative, and Councillor Blair replaced Councillor Beer as the Dover Council representative on the Committee.

2. Apologies and Substitutes

(Item 2)

Apologies for absence were received from Councillor Yates.

3. Declarations of interest by Members in items on the agenda for this meeting.

(Item 3)

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

4. Minutes of the meeting held on 26 March 2024

(Item 4)

RESOLVED that the minutes of the meeting held on 26 March 2024 were correctly recorded and that they be signed by the Chairman.

5. Committee Work Plan/Action Log

(Item 6)

1. Mr Buckland introduced the report that provided an update on the work programme and actions from previous meetings. He advised that there would be engagement with Barnett Waddingham and the Committee towards the end of the year, in preparation for the 2025 actuarial valuation.
2. RESOLVED to note the work programme and updated action log.

6. Pensions Administration

(Item 7)

1. Ms Green introduced the report that provided an update on various administration matters relating to the Pension Scheme.
2. During consideration of the item the following points were noted:
 - Case work performance had improved from 79% to 89%. The performance percentage figure was drawn from a number of different key performance indicators that combined to provide a single percentage.
 - Newly recruited colleagues were settling well into their roles.
 - 6500 people had already signed up to the MyPension Online service. It allowed scheme members to access more services online.
 - Adoption of the new telephony system was progressing rapidly and was expected to go live in mid-July. This system would improve analysis of the type of contacts received.
 - With reference to the overseas proof of life verification project so far, approximately 80 % of the verifications were completed via digital authentication. The remaining 20% were completed via the return of paper forms.
 - The year end process was well underway and the majority of the 562 end of year returns had been received.
 - The transition from the Lifetime Allowance to a new pension tax regime had been a complex process. It took effect from 6 April 24.
3. RESOLVED to agree:
 - a) To note the contents of the report.
 - b) To approve the new Pension Overpayment and Write Off policy.

7. Update from the Pension Board

(Item 8)

1. Mr Thomas, Chairman of the Pension Board, presented his report that summarised proceedings of the Pension Board meeting on 11 June 2024. During the update Mr Thomas highlighted the following areas:
 - The Board received a governance update that detailed recent legislative changes.
 - An update was received on the 2023/24 accounts that showed an underspend against the budget.
 - The Audit Plan was presented by Mr Williams (Grant Thornton), and it was noted that Grant Thornton had been appointed as auditors for the next five years.

- A lot of work had taken place to prepare for the roll out of the Pension Dashboard.
- The Overpayment and Write-off's policy was considered and recommended to the Committee for approval.
- The Board nominated Mr Parsons to be their representative on the Responsible Investment Working Group (RIWG).
- A presentation on Cyber Security was received from Mr Perea (Mercer), and the Board considered mitigation measures and how incidents would be responded to.
- The Risk Register was considered
- There would be an update on employer governance matters at the next Board meeting, and an update on the McCloud rectification.

2. RESOLVED to note the update from the Board.

8. Responsible Investment Update

(Item 9)

1. Mr Graham introduced the report that gave an update on the Fund's responsible investment activities since the last meeting. He highlighted that the Responsible Investment Policy had been updated with input from the RIWG, and following a peer review against other LGPS funds that identified some areas for improvement.
2. During consideration of the item the following points were noted:
 - The Responsible Investment policy would be subject to annual review.
 - Thanks were offered to Mr Chard for his work as Chairman of the RIWG.
 - Mr Doust queried if the net earning total detailed in the table at paragraph 5.2 was correct, Mr Graham offered to confirm to total and respond to Mr Doust following the meeting.
3. RESOLVED to note the report and to approve the revised Responsible Investment Policy at Appendix 1 of the report.

9. Investment Performance and Asset Allocation Update

(Item 10)

1. Mr Graham introduced the report noting that the portfolio was in line with asset allocation weights following the implementation of the new strategic asset allocation. He added that while performance had seen positive results, these results were not as good as benchmarked expectations. This was largely because the market rally was generated through a disproportionately high performance of a very limited number of stocks.
2. Ms Surana noted that it was expected that there would be a further reduction in the Fund's operational cash balance, and the Committee would have the opportunity to consider a liquidity analysis at the September meeting.
3. RESOLVED to note the report and agree that no rebalancing is undertaken

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)

10. Investment Strategy Implementation

(Item 11)

- .1. Mr Graham introduced the report and provided an update on the Investment Strategy Implementation. Mr Page provided an update on the Equity Protection Strategy and Mr English (Mercer) presented the findings of the equity review.
2. During consideration of the item the following was noted in response to points raised by the Committee:
 - The Fund did not have an immediate requirement to increase liquidity, therefore it was recommended that the Committee agree to the requested one year extensions. It was felt that this would provide Partners Group and YFM with an opportunity to maximise the remaining value to be realised from the residual investments. The investment consultants were also supportive of the extensions.
 - In the past, the Fund had benefited from active investment. The active managers had performed very well.
 - Consideration could be given to having more UK fund managers.
 - Implementation of the new Systematic Equity Protection Strategy had progressed in line with expectations, a further update would be provided to the Committee at the next meeting.
 - The equity review provided by Mercer did not specifically try to predict market impacts following geopolitical events; however, it was felt that geopolitical events would not significantly impact the advice issued by Mercer because the Fund's investments were actively managed. Active managers would consider company specific risks for each investment, and these should incorporate changes to geopolitical situation.
 - Feedback on the equity review was welcome. The Committee would consider a paper in September about the Equity Portfolio.
 - It was good that the members of ACCESS had the opportunity to choose their investment managers.
 - Following monitoring by DTZ, the Fund had taken action to mitigate the risk to its investment in the Fidelity Property Fund. An update regarding this investment would be brought the next Committee meeting.
 - Stock selection was carried out by fund managers, but exposure to US equities could be increased if the aim was to invest more in the US Magnificent Seven companies.
 - The Currency Strategy was reviewed every three years and was scheduled for review in 2025.
3. RESOLVED to note the report and agree:
 - a) A one-year extension to the Partners Group Global Infrastructure 2009 fund;
 - b) A one-year extension to the Partners Group Direct Infrastructure 2011 fund;

- c) A one-year extension to the YFM Growth Fund I subject to a satisfactory legal review of associated documentation; and
- d) To delegate the execution arrangements for recommendations a) to c) to the Head of Pensions and Treasury in consultation with the Chairman of the Committee

11. Governance Update

(Item 12)

1. Mr Buckland introduced the report that provided a progress update on the three year Business Plan that was agreed at the last Committee meeting. Mr Buckland noted that there was currently an underspend on the budget of around £3million. This was largely because investment management costs had been lower than expected. Mr Buckland also highlighted the letter that had been received from Local Government Minister Simon Hoare regarding the management, governance and administration of Local Government Pension Schemes.
2. During consideration of the item the following points were noted:
 - Although overall the budget was underspent there were some areas of overspend, these related to:
 - Administration expenses, largely due to additional IT costs in connection to the GMP rectification, and pension administration software costs.
 - External consultation fees for the development of the Investment Strategy, carbon net zero work and equity protection work.
 - A correction of £200,000 for an erroneous accrual of income that that took place in the 2022/23 year.
 - The costs of running the Fund were charged to the employers within the fund. Contributions from these employers were calculated every three years.
 - The response to the Minister's letter would demonstrate how the Fund had benefited from pooling. The Chairman would discuss the response with officers, and a paragraph of the response would be drafted with input from ACCESS colleagues.
 - Some of the language used within the Minister's letter could be construed as inflammatory.
3. RESOLVED to note the report and agree to delegate authority to the Head of Pensions and Treasury in consultation with the Chairman to respond to the letter from the Local Government Minister.

12. Employer Governance Matters

(Item 13)

1. Mr Tagg introduced the report that looked at the final quarter of 2023/24.
2. During consideration of the item it was noted that:
 - The number of Fund employers had increased by four.
 - Receipt of contributions from employers had been consistent throughout the year.
 - Backdated legal agreements offered some flexibility but could also make processing applications significantly more complicated. This could lead to delays in payment and was a challenge faced by all authorities.
 - A practical approach, within the constraints of the regulations, was taken to try and support individuals impacted by delays in completion of the legal process.

- The Board and Committee would receive an update on the administration of backdated legal agreements.
3. RESOLVED to note the report and agree:
 - a) to the change in security from bond to guarantee for previously agreed admission of Birkin Cleaning Services Limited.
 - b) that the Chairman may add recommendation a) to the Record of Decision at the end of today's meeting; and
 - c) that once legal agreements have been prepared for matter a) the Kent County Council seal can be affixed to the legal documents

13. Pension Fund Risk Register

(Item 14)

1. Mr Buckland presented the report noting that the risk register had been moved on to KCC's risk system. He highlighted that there were 29 risks on the register. 22 of these had a green rating, seven had an amber rating and there were none with a red rating. He added that some of the amber risks would achieve a green rating following decisions made by the Committee during the meeting.
2. During consideration of the item it was noted that:
 - KCC were the administrating authority and the largest contributor to the Fund. If an employer became bankrupt the employer's guarantee or bond arrangements would be triggered to ensure that pension payments continued to be made.
3. RESOLVED to note the Pension Fund Risk Register.

14. McCloud & Data Rectification Update

(Item 15)

1. Ms Green introduced the report and highlighted that a tender exercise was underway to find a provider to undertake clearance of the backlog. ITM were unable to carry out the work because they did not have access to the Altair system which was owned by Heywood.
2. RESOLVED to note the report and agree:
 - a) to undertake a tendering exercise for backlog clearance and to enter into required contracts.
 - b) To delegate appropriate actions to the Corporate Director of Finance and the Head of Pensions and Treasury relating to contracts and sign off.

15. ACCESS Pooling Update

(Item 16)

1. Mr Graham introduced the report and advised that the ACCESS Joint Committee (AJC) last met on 10 June. He noted that the report detailed the items considered at the meeting and the decisions that were made.
2. During consideration of the item the following points were noted:

- The AJC received a very good presentation from Tavistock who were employed as communications consultants. Tavistock were well placed to engage with Government about the future of the ACCESS Pool following the General Election.
- There would be a sub-fund consolidation review to ensure that the investments matched the strategies of the 11 ACCESS members. An update would be provided at the AJC meeting in September.
- KCC officers worked very closely with ACCESS colleagues and thanks were offered to all involved for their efforts.

3. RESOLVED to note the report.

16. Cyber Security Update

(Item 17)

1. Ms Green introduced the report that presented the Cyber Security Policy and Incident Response Plan.
2. During consideration of the item the following points were noted:
 - The Response Plan would be tested.
 - Consideration would be given to the inclusion of a secondary form of contact for key response officers that was not computer based, such as telephone numbers.
 - The Pension Board would receive updates on the implementation of the Policy and Plan.
 - KCC's Technology Team had provided specialist advice.
 - In the event of an attack, there would be business continuity for employers. If the system was to become inoperable, payments would be based upon the amounts paid in the previous month.
3. RESOLVED to approve the:
 - a) Kent Pension Fund's Cyber Security Policy
 - b) Kent Pension Fund's Incident Response Plan