

Kent Pension Fund Report and Accounts

For the year ended 31 March 2024



Kent Pension Fund

Delivering an outstanding service to our customers

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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

£8.1bn
Pension fund value
(FY23: £7.8bn)

284
Active employers in the scheme
(FY23: 301)

£321m
Received in contributions
(FY23: £298m)

£303m
Benefits paid
(FY23: £271m)

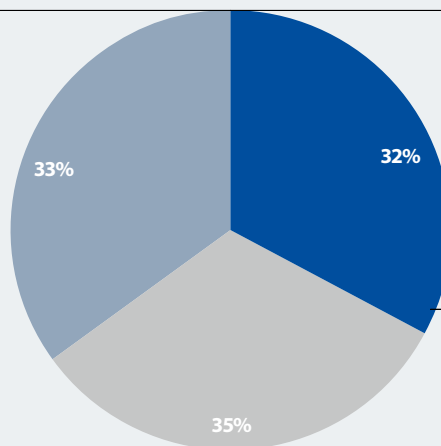
102%
Funded (2022)

Membership

50,645
Deferred members
(FY23: 49,902)

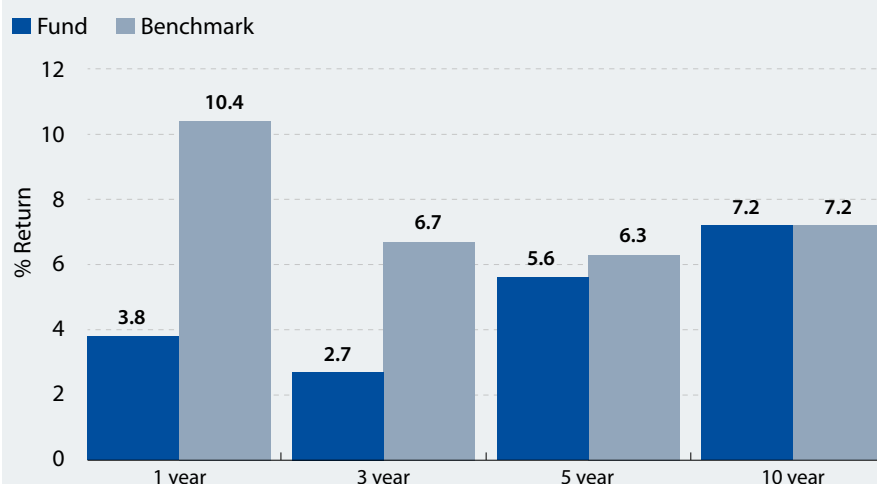
50,408
Pensioners
(FY23: 48,583)

Total membership
156,344
(FY23: 151,838)



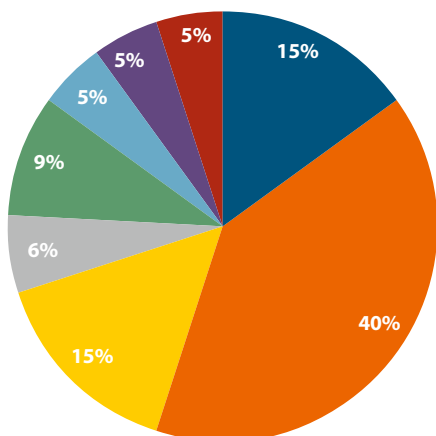
55,291
Active members
(FY23: 53,353)

Long term performance



Asset allocation

- UK Equities
- Overseas Equities
- Fixed Interest
- RMF (ILGs)
- Property
- Private Equity
- Infrastructure
- Absolute Return
- Cash 0%



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.

£5.4m
Current year savings

£21.6m
Cumulative savings

54.5%
of assets outside
ACCESS pool

45.5%
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 2024.

It has been a busy year for the Fund, and one in which we have made progress on many fronts: we have further strengthened our risk management capabilities with a new cybersecurity policy; carried out a planned review of the Fund's investment strategy; and established a net zero strategy to manage climate risk. At the same time, we have continued to innovate our administration of the LGPS to achieve the highest standards of service delivery for the Fund's members and employers.

The Fund's membership has continued to increase, and it now supports some 156,344 scheme members. I thank officers for all their efforts over the last year in ensuring that these members, together with the Fund's 284 active employers, continue to receive an excellent level of service.

The administration service is focused on enhancing the engagement experience of our members and employers and the administration report starting at page 25 details the breadth of work undertaken this year. To highlight just a few examples: the team has implemented a new telephony system this year and completed the Guaranteed Minimum Pension Rectification project. We have also continued the roll out of the i-connect web portal enabling employers to upload their data directly to the pensions database, which delivers efficiencies and simplifies the process for employers. I am also delighted that the Committee has successfully reprocured the contract for its pensions administration system this year. Having a modern administration system is essential to the effective management of the scheme.

Good governance is critical to the Fund's long term success and I have been pleased by the significant progress the Fund has made in this area. The Fund has updated a number of key policies over the year, including the Investment Strategy Statement and Fund's training strategy, as well as creating a new data quality policy. A further key workstream this year has been cybersecurity, and ensuring we have the right tools and resources in place to manage an emergent and evolving risk. Together, these tools help us to maintain high standards of service delivery, transparency and accountability.

The Fund's investment portfolio returned 3.8% over the year. 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. The Fund has achieved an annualised return of 7.2% over the past 10 years, meeting the benchmark. As a result, the value of the Fund's assets has grown to £8.1bn at 31 March 2024, a gain of £0.3bn from the previous year.

Assets valued at £3.7bn, amounting to 45% of the Fund, are now pooled via the ACCESS investment pool. The Fund is 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 Pension 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.

Following the outcome of the latest triennial valuation, a key focus for the Committee this year has been undertaking a review of the Fund's investment strategy. It is important for long term investors like the Kent Pension Fund to periodically reassess their strategic asset allocation choices and this year's exercise has enabled us to ensure the portfolio remains aligned with the Fund's funding strategy as well as to take account of changes in the investment outlook for the major asset classes that the Fund utilises to achieve its investment goals.

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. It is important that our responsible investment approach remains aligned with our investment objectives and as such the Committee reviewed its responsible investment priorities using the UN Sustainable Development Goals framework this year. The Committee has also actively monitored the engagement and voting efforts of its appointed investment managers throughout the year, including via participation in the Local Authority Pension Fund Forum.

Climate risk has occupied a particularly important place within the Committee's work this year, a year in which the Committee established a formal strategy for managing climate risk centred around a commitment to reach net zero by 2050. The results of the Fund's climate scenario analysis demonstrate that the potential financial impact of climate change, as well the risks surrounding the transition to a low carbon economy, are significant for long term institutional investors like the Kent Pension Fund. A net zero target of 2050 provides the opportunity to effect real world change whilst also ensuring the policy is investable today and without sacrificing the Fund's capacity to achieve sufficient diversification within its portfolio.

I am looking forward to the work we have planned for the year ahead. With the investment strategy review completed, the Committee will now review the underlying composition of its portfolio to ensure the Fund's investment arrangements continue to be well-aligned to its investment objectives. Implementing the McCloud remedy, alongside other public sector pension schemes will continue to be a core focus too, as will preparing for Pensions Dashboard. We will also assess the implications of the Pension Regulator's new Single Code of Practice and we will continue to actively participate in discussions around the future of the scheme in the interests of the Fund's members and employers.

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.

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 on both the Board and Committee, together with all new members of the officer team who started during the year.

Charlie Simkins
Chairman

Governance arrangements

The Pension Fund Committee

The Pension Fund Committee exercises all 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.

There were four formal Committee meetings during the year, all were held in person with the option to join virtually. The Committee also held an informal meeting focused on strategy development during the year.

The membership of the Committee during 2023-24 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



Michael Hill
Kent County Council
from Sep 2023



Chris Passmore
Kent County Council
from Jul 2023



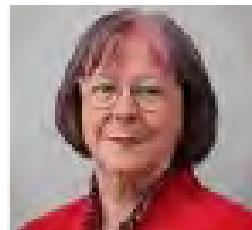
James McInroy
Kent County Council



Mark Prenter
Medway Council



John Burden
Gravesham Borough
Council



Susan Beer
Dover District Council
between Sep 2023 and
Mar 2024



Rob Yates
Thanet District Council
from Sep 2023



Paul Bartlett
Kent County Council



Paul Cooper
Kent County Council



John Wright
Kent County Council



Paul Stepto
Kent County Council



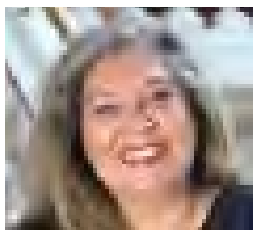
Mel Dawkins
Kent County Council



Perry Cole
Kent County Council
up to Aug 2023



Simon Webb
Kent County Council
up to July 2023



Shellina Prendergast
Kent County Council
from Feb 2024

Simon Sim
(Non-voting)
Staff representative

Paul Doust
(Non-voting)
Kent Active Retirement
Representative

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

Paul Doust

Union Representative

Vacancy

Kent County Council Staff Representative

Simon Sim

Local Pensions Board

The Board's role is to ensure effective and efficient governance and administration of the LGPS scheme including ensuring compliance with scheme regulations and other applicable legislation. The membership of the Board during 2023-24 is detailed below; there were four 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.

Key Personnel

| | |
|---------------------------------------|---|
| Zena Cooke (until Jan 2024) | Corporate Director, Finance and S151 Officer |
| John Betts (from Jan 2024) | Interim Corporate Director Finance and S151 Officer |
| Nick Buckland | Head of Pensions and Treasury |

Board members

| Employer Representatives | Representing |
|---|----------------------------------|
| Robert Thomas, Chairperson | Kent County Council |
| Dylan Jeffrey, Vice Chairperson | Kent County Council |
| Alison Kilpatrick | Kent and Medway Fire Authority |
| Cllr Rachel Carnac | District/Canterbury City Council |
| Member Representatives | |
| Joe Parsons | District/Medway Council staff |
| Kelly King | Kent County Council staff |
| Alison Mings | Pensioners Representative |
| Grahame Ward | Pensioners Representative |

Governance 2023-24

During the year both the Pension Fund Committee and Pensions Board met four times. All Committee and Board meetings were held in person with the option to join virtually. Attendance at the Committee and Board meetings can be found below:

Pension Fund Committee

| Member | Meetings attended |
|-------------------------------------|-------------------|
| Charlie Simkins | 4/4 |
| Nick Chard/and substitute | 4/4 |
| Paul Bartlett | 4/4 |
| John Burden | 4/4 |
| Michael Hill | 3/3 |
| Chris Passmore | 2/3 |
| Rob Yates | 2/3 |
| Paul Cooper/and substitute | 2/4 |
| Susan Beer/and substitute | 2/3 |
| Mel Dawkins/and substitute | 4/4 |
| Paul Doust | 3/4 |
| Mark Prenter/and substitute | 4/4 |
| James McInroy | 4/4 |
| John Wright | 4/4 |
| Simon Sim | 4/4 |
| Paul Stepto | 4/4 |
| Simon Webb | 1/1 |
| Perry Cole | 1/1 |
| Harry Rayner/and substitute | 1/2 |
| Shellina Prendergast/and substitute | 1/1 |

Pensions Board

| Member | Meetings attended |
|--------------------|-------------------|
| Robert Thomas | 3/4 |
| Dylan Jeffrey | 2/4 |
| Joe Parsons | 4/4 |
| Alison Hartley | 3/4 |
| Cllr Rachel Carnac | 4/4 |
| Grahame Ward | 3/4 |
| Kelly King | 3/4 |
| Alison Mings | 3/4 |

Committee activity

Items considered by the Committee at its meetings in 2023/24 were as follows:

| 22/06/2023 | 26/09/2023 | 12/12/2023 | 26/03/2024 |
|------------------------------------|------------------------------------|--------------------------------------|--------------------------------------|
| Committee Work Plan and Action log | Committee Work Plan and Action Log | Committee work Plan and Action Log | Committee Work Plan and Action Log |
| Funding and Employer Matters | Funding and Employer Matters | Fund Employer and Governance Matters | Employer Governance Matters |
| Pensions Administration | Pensions Administration | Pensions Administration | Pensions Administration |
| McCloud Remedy update | McCloud Remedy update | Report from the Pensions Board | Pensions Board update |
| Pensions Administration Audit | Pension Board update | Responsible Investments update | Governance, Business Plan and Budget |
| Fund Position and investments | Investment update | Governance, Business Plan and Budget | Training |
| Governance and Policies | Responsible Investments update | Training update | Comms Policy |
| Training Plan | Governance and Policies | Investments update | Investment update |
| Investment Strategy | Training update | Investment Strategy | Investments Strategy |
| Woodford Review | Annual Report | Employer Risk Review | Responsible Investments update |
| Responsible Investments update | Investment Strategy | Cyber Security | Cyber Security |
| GMP Rectification | ACCESS update | McCloud update | McCloud update |
| | Governance Review | ACCESS update | ACCESS update |
| | LGPS Investment Consultation | | Risk Register |

Board activity

Items considered by the Board at its meetings in 2023/24 were as follows:

| 06/03/2023 | 06/09/2023 | 28/11/2023 | 12/03/2024 |
|---------------------------------|--|--------------------------------|--|
| Business Plan and Risk Register | Pension Fund Committee update | Business Plan and Budget | Pension Fund Committee update |
| Pensions Administration update | Fund Business Plan and Risk Register | Pensions Administration | Governance update including business plan and budget |
| McCloud update | Pensions Administration | Employer Governance Matters | Pensions Administration |
| Funding matters | McCloud update | Governance and Policies update | Employer Governance matters |
| Governance and Policies update | Fund Employer and GovernanceMatters | Training update | Investment update |
| Training plan | Governance and Policies update Fund position | Investment update | CEM Benchmarking |
| Training update | Pensions | ACCESS update | ACCESS update |
| Administration Audit | Funding position | McCloud Judgement | McCloud judgement |
| ACCESS update | Pensions Fund Annual report | Cyber Security update | Cyber security |
| | ACCESS update | Risk Register | Risk Register |
| | Cyber Security update | | |
| | LGPS Investment Consultation | | |

Training

As an administering authority of the Local Government Pension Scheme, Kent County Council recognizes 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.

Training is undertaken, recorded and monitored as per the Kent Pension Fund Training Strategy (updated and approved at Pension Fund Committee March 2023). The Strategy sets out the Fund's strategic training objectives and training vision. It recognizes CIPFA's 'Code of Practice on Public Sector Pensions Finance, Knowledge & Skills' and CIPFA's 'Knowledge & Skills Framework'. Kent Pension Fund's Training Strategy outlines the requirement for those on Pensions Board and Pensions Fund Committee to have sufficient skills and knowledge to undertake their role.

During 23/24, new members attended an induction session to help them undertake their role on the Fund's Board or Committee. Training and industry updates were given at Pension Board, Pension Fund Committee, the Fund's Employer Forum meetings and in-between meetings (via email) throughout the year. Members took personal responsibility to maintain their pensions knowledge by accessing relevant literature and information, or by completing formal qualifications.

Kent Pension Fund has a structured training plan which covers the items on CIPFA's 'Knowledge and Skills Framework'. Other training options were made available to Members throughout the year relevant to their roles. Overall, a wide range of topics were studied by members of the Fund's Board and Committee in 2023-20224.

The main training events attended by Committee and Board members during 2023-24 were as follows:

| Date and approx. duration | Topic/Provider | Attendees |
|---------------------------|----------------------------------|--|
| May 2023 1 hour | Global Equities (Bailey Gifford) | Charlie Simkins, James McInroy, John Burden, John Wright, Mel Dawkins, Nick Chard, Paul Bartlett, Paul Cooper, Paul Doust, Paul Stepto |
| May 2023 1.5 hours | Net Zero (Mercer) | James McInroy, Mark Prenter, Mel Dawkins, Nick Chard, Paul Bartlett, Paul Cooper, Rob Thomas, Simon Sim |
| June 2023 1 hour | Global Equities (Sarasin) | Charlie Simkins, James McInroy, John Burden, John Wright, Mel Dawkins, Nick Chard, Paul Bartlett, Paul Cooper, Paul Stepto, Simon Sim |

| Date and approx. duration | Topic/Provider | Attendees |
|-------------------------------|--|---|
| Sept 2023 1 hour | Property (DTZ) | Charlie Simkins, Chris Passmore, John Burden, John Wright, Mark Prenter, Mel Dawkins, Mike Hill, Nick Chard, Paul Bartlett, Paul Doust, Paul Stepto, Simon Sim |
| Sept 2023 2 hours | Cyber Security (Mercer) | Charlie Simkins, Chris Passmore, Joe Parsons, John Wright, Mel Dawkins, Nick Chard, Paul Bartlett, Paul Stepto, Rachel Carnac, Rob Thomas |
| Oct 2023 1.5 hours | UN's Sustainable Development Goals (Mercer) | Charlie Simkins, Chris Passmore, Joe Parsons, Paul Cooper, Paul Stepto, Rob Yates, Simon Sim, Susan Beer |
| Oct 2023 1 hour | UK Equities (Schroders) | Charlie Simkins, Chris Passmore, James McInroy, John Burden, John Wright, Mark Prenter, Mel Dawkins, Mike Hill, Paul Bartlett, Paul Cooper, Paul Doust, Paul Stepto, Rob Yates, Simon Sim, Susan Beer |
| October/ Nov/Dec 3 days | Fundamentals Training (Local Government Authority) | Joe Parsons, Kelly King, Nick Chard, Paul Bartlett, Paul Doust (partial), Paul Stepto, Simon Sim (partial) |
| Nov 2023 3 hours | Local Pension Board Training (CIPFA) | Alison Hartley |
| Nov 2023 All day | Pensions for Purpose Introduction (PfP) | Nick Chard, Paul Doust |
| Nov 2023 All day | Investor Day (Link) | Charlie Simkins, Kelly King, Paul Stepto, Rob Yates, |
| Dec 2023 2 hours | ACCESS Joint Committee Observer (ACCESS) | Joe Parsons, Rob Thomas |
| Dec 2023 2 hours | Pensions Accounting & Audit Standards (Barnett Waddingham) | Alison Hartley, Alison Mings, Charlie Simkins, Chris Passmore, Dylan Jeffery, Graeme Ward, James McInroy, Joe Parsons, John Wright, Kelly King, Mark Prenter, Mike Hill, Paul Cooper, Paul Doust, Paul Stepto, Rachel Carnac, Rob Thomas, Rob Yates |
| Jan 2024 2 days | LGA Governance York Conference (PLSA) | Charlie Simkins, Mel Dawkins, Nick Chard |

Training continued

| Date and approx. duration | Topic/Provider | Attendees |
|----------------------------------|---|--|
| Feb 2024 All day | Investment Away Day (Mercer) | Charlie Simkins, Chris Passmore, James McInroy, John Wright, Mel Dawkins, Mike Hill, Nick Chard, Paul Doust, Paul Stepto, Rob Thomas, Rob Yates, Simon Sim, Susan Beer |
| March 2024 2 hours | Pensions Administration Training (Barnett Waddingham) | Alison Hartley, Alison Mings, Charlie Simkins, Chris Passmore, Dylan Jeffery, Jackie Meade, James McInroy, Joe Parsons, John Burden, John Wright, Mike Hill, John Bartlett, Paul Cooper, Paul Stepto, Rob Thomas, Rob Yates, Simon Sim |

Completion of the Pension Regulator's E-toolkit for Public Service Pensions was as follows:

| Fully completed | Working Towards Completion |
|------------------------|-----------------------------------|
| Alison Mings | Charlie Simkins |
| Chris Passmore | Susan Beer |
| Dylan Jeffery | Mike Hill |
| James McInroy | Simon Sim |
| John Wright | Alison Hartley |
| Kelly King | John Burden |
| Paul Doust | Mark Prenter |
| Paul Stepto | Mel Dawkins |
| Rachel Carnac | Nick Chard |
| Rob Thomas | Paul Bartlett |
| Joe Parsons | Paul Cooper |
| | Rob Yates |
| | Shellina Prendergast |
| | Grahame Ward |

Individual members and officers have also attended training events organized by other external organizations in areas such as finance, pensions, investments, digital systems, governance and scrutiny.

Fund managers

Click the logo to go to the managers website



















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 |
| Asset Pool | ACCESS Pool |
| Asset Pool Operator | Waystone Group |
| 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
- Administration Strategy
- Communications Policy Statement
- Responsible Investment Policy
- Conflicts of Interest Policy
- Contributions Review Policy
- Deferred Debt and Debt Spreading Agreement Policies
- Raising Strategy
- Recording and Reporting Breaches of the Law Policy
- Data Quality Policy

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

A copy of the latest triennial valuation can be found on the Pension Fund's website:

https://www.kentpensionfund.co.uk/_data/assets/pdf/file/0003/149016/Valuation-report-March-2022.pdf

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.

Objectives of Risk Management

The Fund's primary objective is to ensure that over the long term it will have sufficient assets to meet pension liabilities as they fall due. The Fund is exposed to operational and financial risks that might affect its ability to achieve its objectives. The risks need to be monitored and managed on a regular basis.

Risk register

The Committee and Board maintains active oversight of the Fund's key risks and maintains a risk register. Risks are classified into Governance, Investment & Funding and Administration risks. All risks are scored and assigned a target level and mitigations are put in place and for risks measured at higher than target level. Risks scored at or below target level are monitored. Risk is a regular agenda item at Pension Fund Committee and Board and members receive regular training on general and specific risks.

The key risks and actions currently identified include the following:

| Key risk | Key Actions |
|--|--|
| Governance arrangements (implementation of changes due to recent and proposed regulatory changes) | <p>A Technical and Compliance Lead Manager is to be recruited in 2024-2025.</p> <p>A Reverse Gap Analysis is being undertaken in 2024-2025 to assess the Fund's compliance with the new General Code.</p> |
| Increased risk of cyber attacks | <p>Member training on cyber security was undertaken September 2023.</p> <p>There is ongoing cyber security assessments of systems shared with third party suppliers.</p> <p>A Cyber Security Policy and Incident Response Plan are to be approved by Committee in June 2024.</p> |
| Risk of increased funding deficit (investment strategy/ management and market risks) | <p>Investment and funding items are regular agenda items at both Committee and Board where recommendations are reviewed and discussed.</p> |
| Scheme member data missing / inaccurate (risk of lack of readiness for national dashboard go-live, Oct 2025) | <p>A data rectification programme began in 2023 – 2024, with various workstreams including address tracing, mortality screening and backlog clearance. Work will continue throughout 2024- 2025.</p> |

Governance risks

These risks arise from the regulatory environment and control environment at the strategic level of the fund. Members and officers are guided, and supported by Kent County Council's governance framework, policies and procedures. The Committee has access to appropriate expert governance, technical and investment advice to enable them to fulfill their role.

Investment and Funding risks

Details of the countermeasures in place for financial, demographic, regulatory, and employer risks are included in the Fund's Funding Strategy Statement (FSS). Further details of the Fund's policy on investment risk management are disclosed in the Fund's Investment Strategy Statement (ISS). These are reviewed regularly. The Fund has a well diversified portfolio of different asset classes and investment strategies managed by different managers.

The Fund has a high exposure to equities which have high growth potential but are also exposed to higher risk. The Fund has implemented a risk management framework to manage equity risk. The Fund also operates an asset rebalancing policy to ensure that the actual asset allocation remains within tolerance of the Fund's target strategic asset allocation.

The Fund reviews its investment strategy on a regular basis and at least every three years to ensure the strategy remains suitable given the Fund's circumstances.

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.

Administration risks

Administration risks are operational risks that relate to the maintenance of member data and processing of contributions and payments for members. Comprehensive policies and procedures supported by training and effective communication with staff as well as employers are put in place to mitigate these risks. Regular monitoring of KPIs and participation in benchmarking exercise is employed to monitor the risks and effectiveness of the processes.

Kent County Council's Internal Audit Section completed a risk-based audit on the management of risk in the Pension Fund during 2022 - 2023. The final report was released in April 2023. The audit opinion was 'adequate' with 'good' prospects for improvement. During 2023 - 2024, management actions were completed and have been in progress as per the agreed action plan which focused on six key areas:

- i) governance and oversight arrangements;
- ii) policies, procedures and staff training;
- iii) system access, data security and data quality;
- iv) pension scheme administration;
- v) compliance with scheme rules and regulations; and
- vi) capacity and resourcing of the pension scheme administration team.

Financial Performance

Fund Trends

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

| | 2019/20 £'000 | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 |
|---------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Net Assets at 31 March (£'000) | 5,716,878 | 7,513,632 | 7,702,425 | 7,847,952 | 8,142,551 |
| No. of Contributors | 51,685 | 52,725 | 52,829 | 53,353 | 55,291 |
| Contributions (£'000) | 250,263 | 267,955 | 280,431 | 297,692 | 321,214 |
| Number of Pensioners | 43,441 | 44,838 | 46,706 | 48,583 | 50,408 |
| Benefits Paid (£'000) | 243,832 | 247,448 | 257,277 | 270,995 | 303,175 |

Financial Summary

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

| | 2019/20 £'000 | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 |
|--|------------------|------------------|------------------|------------------|------------------|
| Value of Fund at start of year | 6,218,169 | 5,716,878 | 7,513,632 | 7,702,425 | 7,847,952 |
| Revenue account for year | | | | | |
| – Contributions | 250,263 | 267,955 | 280,431 | 297,692 | 321,214 |
| – Transfers in | 9,328 | 5,017 | 10,636 | 17,306 | 12,280 |
| – Benefits | (243,832) | (247,448) | (257,277) | (270,995) | (303,175) |
| – Transfers out | (12,708) | (10,057) | (28,114) | (15,184) | (15,424) |
| Investment and other income net of expenditure | | | | | |
| – Income on investments | 139,858 | 115,258 | 140,759 | 158,696 | 162,454 |
| – Interest on cash | 1,273 | 154 | 217 | 2,621 | 3,884 |
| – Stock lending income | 42 | 33 | 58 | 103 | 87 |
| – Miscellaneous income | 0 | 0 | 0 | 0 | 10 |
| – Expenses on property | (6,209) | (4,199) | (7,591) | (8,506) | (9,659) |
| – Management expenses | (25,606) | (27,277) | (34,840) | (32,502) | (34,788) |
| Net Revenue | 112,409 | 99,436 | 104,279 | 149,231 | 136,884 |
| Increase (Decrease) in market value of investments in year | (613,700) | 1,697,318 | 84,514 | (3,704) | 157,715 |
| Increase (Decrease) in Fund during year | (501,291) | 1,796,754 | 188,793 | 145,527 | 294,599 |
| Value of Fund at end of year | 5,716,878 | 7,513,632 | 7,702,425 | 7,847,952 | 8,142,551 |

Investment assets have grown in value in a supportive investment environment, taking the Fund from £7.85bn to £8.14bn in 2023/24.

Contribution income has increased in line with primary contribution rates following the actuarial valuation in 2022 which took effect from the current financial year.

The amount the Fund spends on benefits has increased by 12% over the year and by 24% since 2019/20. This is partly due to inflation (LGPS benefits are index-linked). The number of pensioners has also increased 4% year-on-year in 2023/24; and is now 16% higher compared to 2019/20.

Pension Fund Administration and Governance Costs

The following table compares actual Administration, Governance and Oversight costs against the budget for 2023-24.

| | 2023-24 Budget £ | 2023-24 Actual £ |
|--|------------------------|------------------------|
| Pensions administration | 2,566,317 | 2,837,375 |
| Apportionment of expenses of operational buildings | 140,200 | 140,000 |
| Printing and Mailing costs – Adare | 263,483 | 263,977 |
| Data Rectification Project– ITM (McCloud) | – | 81,141 |
| IT Expenses | 1,200,000 | 1,521,697 |
| Pension Payroll Services | 252,000 | 261,734 |
| Financial systems and services | 65,000 | 64,700 |
| Legal fees | 80,000 | 86,739 |
| Administration Expenses | 4,487,000 | 5,257,363 |
| Actuarial fee including cost of valuation | 280,000 | 402,374 |
| Direct recovery of actuary, legal fees and admin costs | (240,000) | (326,317) |
| Subscriptions | 70,000 | 73,807 |
| ACCESS pooling costs | 180,000 | 133,217 |
| Investment accounting and oversight costs | 773,000 | 853,354 |
| Training | 15,000 | 60,318 |
| Performance measurement fees | 35,000 | 18,930 |
| Governance consultancy | 15,000 | – |
| Investment consultancy | 353,000 | 567,747 |
| Cyber Security | – | 9,749 |
| Governance and oversight expenses | 1,561,000 | 1,793,179 |
| Custody | 45,000 | 58,770 |
| Transaction costs | 675,000 | 163,328 |
| Fund manager fees – fixed income | 5,640,000 | 4,053,664 |
| Fund manager fees – equities | 13,667,000 | 9,340,013 |
| Fund manager fees – Private equity/infrastructure | 7,875,000 | 6,906,396 |
| Fund manager fees – risk management framework | – | 1,662,124 |
| Fund manager fees – property | 3,744,000 | 3,103,174 |
| Fund manager fees – absolute return | – | 2,353,526 |
| Investment management costs | 31,646,000 | 27,640,995 |
| Audit fee | 43,000 | 96,033 |
| Total | 37,737,000 | 34,776,616 |

Commentary on Budget Outturn

Key areas for increase in Administration costs were:

- Staff costs on additional staff in the department
- Additional IT expenses relating to GMP rectification, member self-service, and dashboard implementation and pensions administration software
- Additional spend on data rectification project

Key areas for increase in Governance and Oversight costs:

- Increased consultancy costs resulting from implementation of changes to the Fund's investment strategy
- Write off of over accrual of income (recovery of actuarial expenses) in previous year
- Offset by refund from ACCESS for the current year's budget underspend

Key areas for decrease in investment management costs

Underspend on management costs mainly relates to investment manager fees which is based on investment valuations. Investment valuations fell during the year which account for the reduced manager fees and only recovered towards the end of the year.

Transaction costs were also lower due to direct property transactions being lower than anticipated

Investments

The Pension Fund Committee is responsible for setting investment strategy, carrying out regular reviews, and monitoring the Fund's investments.

The Fund must invest any fund money that is not needed immediately for the payment of benefits and the Fund has established an Investment Strategy Statement (the "ISS") to document the principles, beliefs and policies by which investment assets are managed.

Additionally, the Funding Strategy Statement (FSS) aims to establish a clear and transparent strategy that will identify how participating employers' pension liabilities are best met going forward. To determine the value of accrued liabilities and derive future contribution requirements it is necessary to discount the Fund's future cash flows to present day values. The discount rate used in the actuarial valuation is derived by considering the expected return from the Fund's long-term investment strategy. This ensures consistency between the funding strategy and investment strategy.

Accordingly, there is a fundamental link between the FSS and the ISS relating to the discount rate that underlies the funding strategy as set out in the FSS, and the expected rate of investment return which is expected to be achieved by the long-term investment strategy as set out in the ISS.

On 31 March 2023, the Fund completed its triennial actuarial valuation of the Fund as at 2022, which reported an improvement in its funding position from 98% to 102%. The actuary's valuation assumed on an expected return of 4.5% p.a. on the Fund's investments. Following the triennial valuation, in 2023-24, the Committee reviewed its investment strategy, taking into consideration the actuary's required rate of return on the fund's investments. In June 2023, the Committee agreed a revised investment strategy with the following key changes:

- A reduction in the overall exposure to equities and an increase in exposure to fixed income via the introduction of a new allocation to index linked gilts;
- Evolving the listed equities allocation by reducing the allocation to UK equities and adding one to Emerging Markets;
- Update the allocation to illiquid / alternative asset classes by varying the target allocations to property, private equity, and infrastructure; and
- As a result of the above changes, a reduction in the allocation to diversified growth funds.

The Fund's revised strategic asset allocation compared to the previous strategic asset allocation is shown below:

| | Previous SAA | New SSA | Change | Benchmark |
|---------------------------|-------------------|-------------------|--------------|----------------------------|
| Total Equities | 55.5% | 53.0% | -2.5% | |
| UK | 23.5% | 10.0% | -13.5% | FTSE All Share (GBP) |
| Global | 32.0% (protected) | 38.0% (protected) | +6.0% | Global Equity Composite |
| Emerging Markets | 0.0% | 5.0% | +5.0% | MSCI Emerging Markets ND |
| Total Fixed Income | 16.0% | 22.0% | +6.0% | |
| Credit | 15.0% | 15.0% | – | Fixed Income Composite |
| Index Linked Gilts | 0.0% | 7.0% | +7.0% | ILG Portfolio Return |
| Cash | 1.0% | 0.0% | -1.0% | SONIA |
| Total Alternatives | 28.5% | 25.0% | -3.5% | |
| DGFs | 8.0% | 5.0% | -3.0% | RPI +5% |
| Property | 13.0% | 10.0% | -3.0% | MSCI UK All Property Index |
| Infrastructure | 3.5% | 5.0% | +1.5% | SONIA |
| Private Equity | 4.0% | 5.0% | +1.0% | SONIA |
| Total | 100.0% | 100.0% | – | |

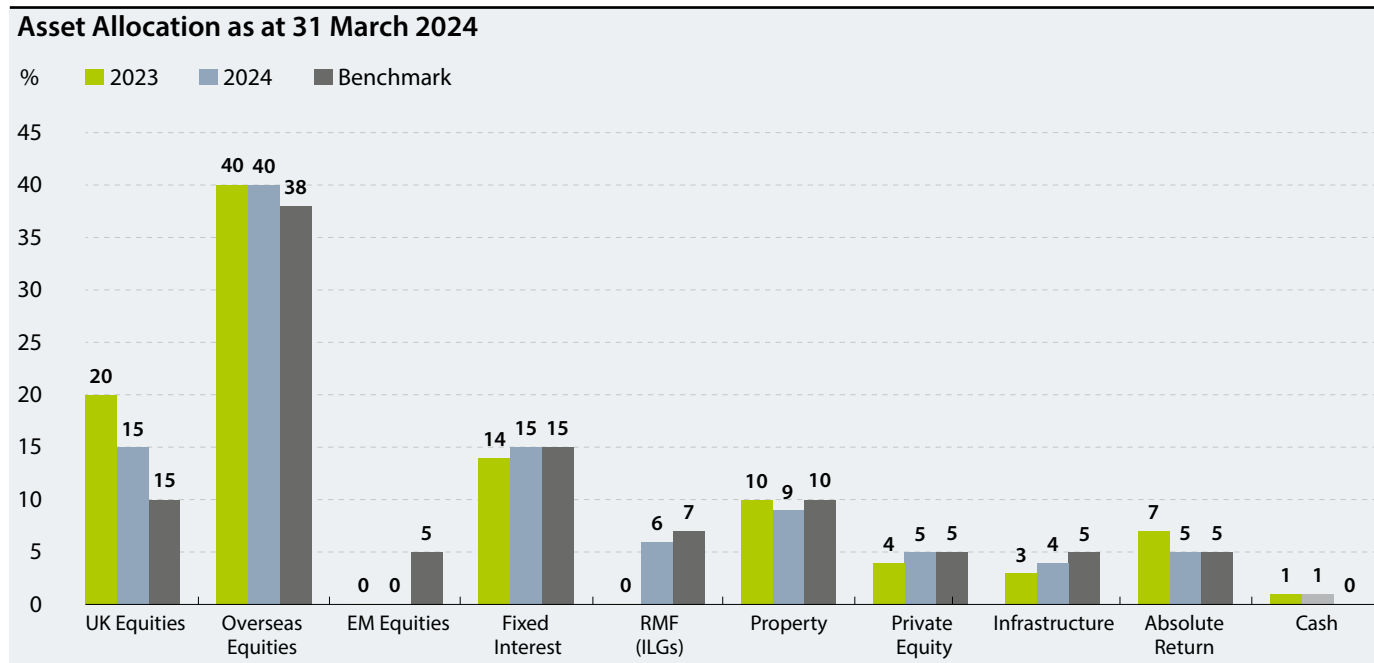
The Fund's ISS was also updated to reflect the above changes and to ensure that it continues to comply with best practice.

The Fund's rebalancing policy was also updated to take account of the revised allocations as well as to establish tolerance thresholds for liquid asset classes to support the Committee's investment governance.

Following the conclusion of the changes to the investment strategic, the Fund established a strategy implementation plan in December 2023 and the Committee received regular updates on progress made in implementation. As at 30 June 2024, all of the key actions noted above had been implemented.

Portfolio Distribution

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



Asset Pooling

The Fund is part of the ACCESS (A Collaboration of Central, Eastern and Southern Shires) pool which was established in 2015 and now oversees assets totalling £45bn (as at 31 March 2024). The ACCESS member authorities retain authority to determine their strategic asset allocation policies in the exercise of their fiduciary responsibility and seek to implement the local strategy through the pool.

The Fund has made a commitment to pool its investments other than its direct property holdings but will rigorously apply the value for money test in moving assets into the pool. There are various challenges and complications in pooling directly held properties, including transition (re-registration) costs, lack of liquidity, and determining fair transfer values that make it unviable to pool direct property.

During 2023-24 the Committee focused on reviewing and updating its funding and investment strategies following the triennial actuarial valuation of the Fund. As part of the implementation of the new strategy the Committee seeks to identify opportunities for progressing asset pooling. In March 2024, the Committee agreed to implement its new allocation to emerging market equities through two sub-funds on the ACCESS pool. This was completed in May 2024.

Looking ahead to 2024/25, the Committee will consider the underlying composition of its strategic asset allocation on an asset class by asset class basis. The Fund will continue to explore further opportunities to pool as part of implementation of any changes arising from such reviews. The Fund will also participate in the pooling of alternative assets (other than direct property) through the structures being developed in the ACCESS pool. (Please see section on ACCESS for further information about the Pool).

As at 31 March 2024 the Kent Pension Fund had investments of £3.7 billion in five ACCESS sub-funds.

The Kent Pension Fund has achieved £21.6m of savings in pooling initiatives of which £7.4m are in relation to assets awaiting pooling.

Investment management arrangements and asset allocation

All investment management activities are carried out externally via appointed asset managers and the ACCESS pool. There are no internally managed investment assets, other than cash. The Fund has a policy of appointing specialist managers who are expert in managing specific investment strategies which should help the Fund deliver over different investment cycles.

Northern Trust Ltd are the Fund's custodians for the safekeeping and settlement of trades relating to the Fund's direct investments managed by external investment managers.

The Fund recognises that diversification is key to managing portfolio risks. Assets are invested across different asset classes and distinct investment management styles are combined with the aim of securing sufficient and stable returns and using risk efficiently. In assessing suitability, the Fund evaluates the expected returns and expected volatility of particular asset classes together with the correlations between asset classes and the diversification benefits available from combining different asset classes

The Fund makes use of illiquid investments (such as infrastructure, private equity and property), recognising that investors are rewarded over the long term for bearing liquidity risk. In setting and reviewing its strategic asset allocation, the Fund further considers the legality of all investments for compliance with the LGPS Regulations.

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 2024:

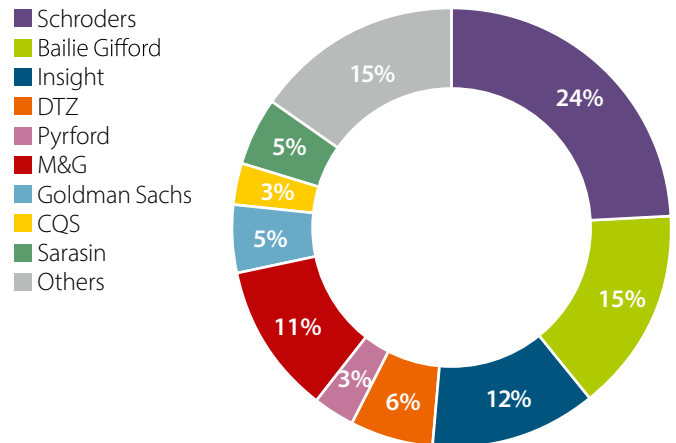
| Fund Managers | AUM (£m) |
|-----------------|--------------|
| Schroders | 1,982 |
| Baillie Gifford | 1,204 |
| Insight | 963 |
| DTZ | 527 |
| Pyrford | 231 |
| M&G | 912 |
| Goldman Sachs | 418 |
| CQS | 257 |
| Sarasin | 425 |
| Others | 1,221 |
| Total | 8,141 |

Investment performance 2023-24

The performance of the Fund's investment managers is reported on a quarterly basis to the Pension Fund Committee.

The ACCESS pool and appointed asset managers submit reports and valuations for this purpose and independent performance measurement is provided by the Fund's custodian, Northern Trust. As part of the oversight arrangements for external asset managers, Committee members and officers meet with the Fund's appointed asset managers on a regular basis as part of a formal programme.

AUM by fund manager as a proportion of the Fund



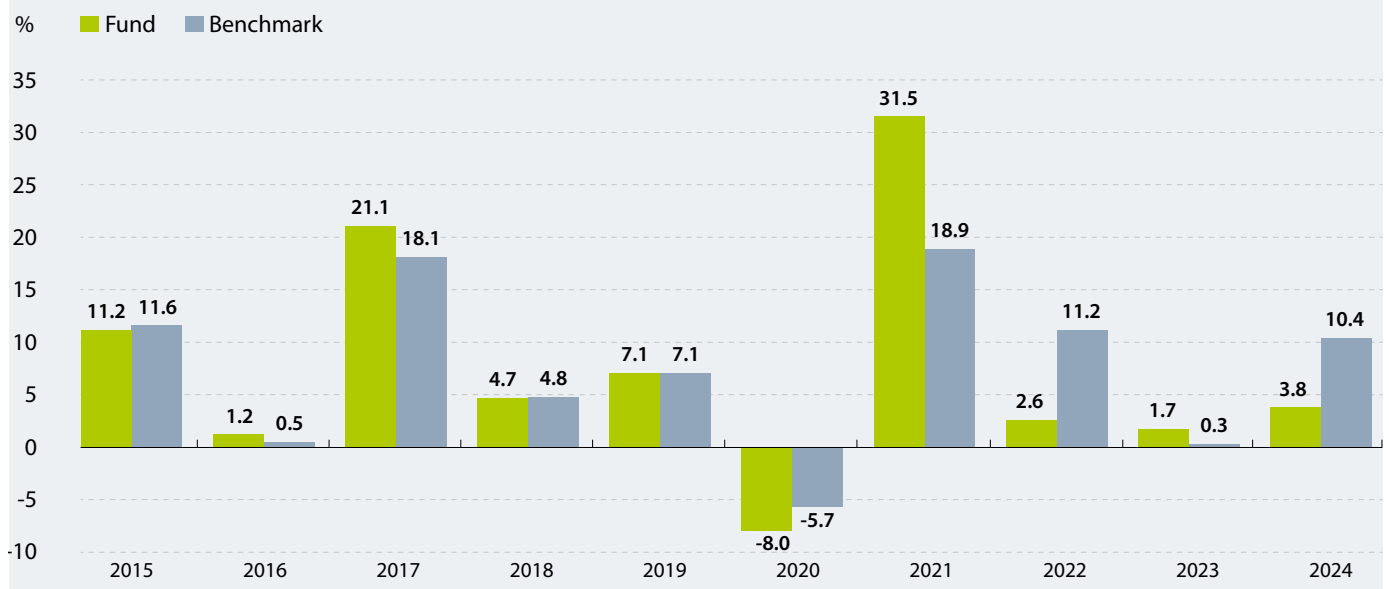
Total fund performance

The graph below shows the relative performance of the investments over the last 10 years. The overall return on the investments for 2023-24 was 3.8% compared to the Fund's strategic benchmark of 10.4%.

For comparison the PIRC Local Authority Universe average annual fund return for 2023-24 was 9.2%.

10 Year Performance Summary to 31st March 2024

Annual Investment Returns



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

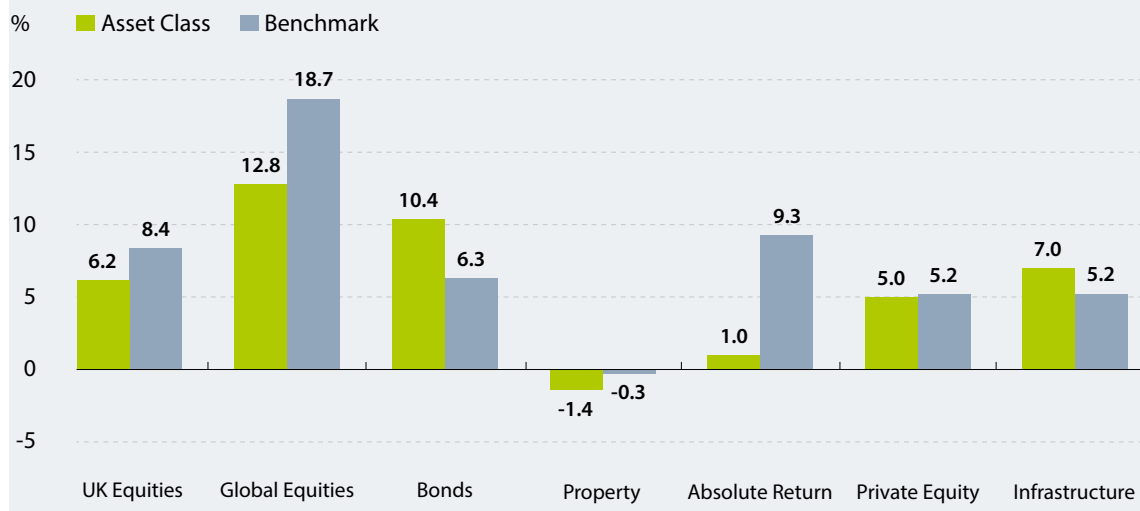
Long Term Performance Summary to 31 March 2024



Returns by Asset Class

The analysis set out below shows the returns by asset class for 2023-24:

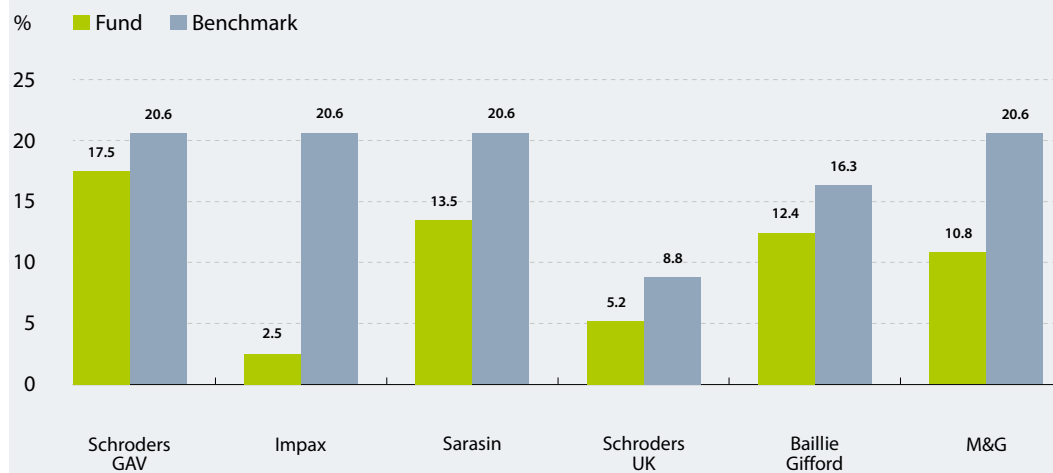
2023-24 Returns by Asset Class



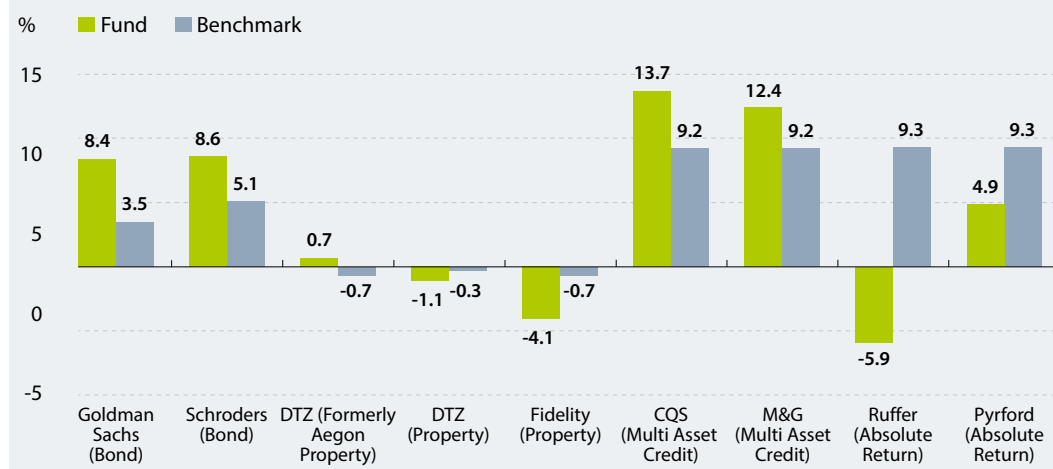
Performance by Fund Manager

The following graphs show the performance of the Equity and other Mandates compared to their benchmarks for the year ended 31 March 2024.

Returns by Fund Manager – Equities



Returns by Fund Manager – Other Mandates



Responsible Investment (RI)

The Kent Pension Fund (the Fund) is committed to being a responsible investor and a good long-term steward of the assets in which it invests.

The Responsible Investment Policy sets out the Fund's approach to responsible investment including where responsibility lies; how environmental, social and governance (ESG) considerations are embedded in the Fund's investment processes; and how the Fund stewards its investment assets in the interests of its beneficiaries. The Fund's RI policy can be viewed [here](#).

As an asset owner, the Fund implements its investment strategy via external asset managers (including the ACCESS pool) and service providers, who play a critical role in delivering and discharging the Fund's Responsible Investment Policy.

Increasingly the Fund's investment assets are pooled via the ACCESS pool, one of the LGPS collective investment pools in England and Wales that have been established to drive scale, develop expertise and enhance returns. The Fund pursues its responsible investment objectives via the pool and, alongside other ACCESS member authorities, actively contributes to the development and evolution of the pool's responsible investment approach.

The Fund recognises that taking a collaborative approach with other investors can help to achieve its responsible investment objectives and, accordingly, the Fund participates in various groups and initiatives. The Fund is a member of the Principles for Responsible Investment (PRI), and subscribes to the PRI's six principles for responsible investors to follow. The Fund is also a member of the Local Authorities 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. The Fund is also a member of Pensions For Purpose (PFP) and the Institutional Investors Group on Climate Change (IIGCC).

Addressing climate risk

The Fund has undertaken climate scenario analysis to estimate the potential impact on the long term value of the Fund's assets under various climate transition scenarios and has found the impact of a failed transition to a low carbon global economy would be financially material. This analysis supports the view that it is consistent with the Fund's fiduciary duty, as a long term investor, to undertake actions (including in concert with others) to seek to bring about an orderly transition away from fossil fuels towards a low carbon economy, and to manage the uncertainties embedded in the transition. The Fund's climate risk strategy rests on three pillars:

- Decarbonisation
- Transition alignment
- Climate solutions

During the year the Committee agreed a Net Zero target of 2050 for the Fund and set interim carbon reduction targets of 43% by 2030 and 69% by 2040 for its equity portfolio.

Voting

The Fund believes that active ownership helps the realisation of long-term shareholder value. The Fund has a duty to exercise its stewardship rights and active ownership responsibilities (voting and engagement) effectively by using its influence as a long-term investor to encourage responsible investment behaviour.

The Fund delegates voting decisions to its investment managers and expects them to fully participate in voting at company annual general meetings and to carry out all voting decisions on behalf of the Fund, in line with our RI policy.

As a member of LAPFF, the Fund utilises voting alerts to guide its stewardship activities and engage with its external asset managers on specific stewardship issues.

The Fund works with other member authorities on the ACCESS pool to carry out stewardship of pooled investment assets. During the reporting year, ACCESS has further enhanced its stewardship approach and is currently reviewing and updating its voting guidelines, which provide a framework for carrying out stewardship activities in relation to pooled assets.

Voting activity is reported to the Pension Fund Committee on a quarterly basis.

| Voting by Managers 2023/24 | | | | |
|----------------------------|-----------------------|--------------|------------|---------------|
| | Number of Resolutions | | | |
| | For | Against | Abstain | Total |
| Baillie Gifford | 2,529 | 119 | 88 | 2,736 |
| Schroders UK Equity | 931 | 22 | 2 | 955 |
| Schroders GAV | 6,355 | 767 | 94 | 7,216 |
| M&G Global Dividend | 572 | 57 | 25 | 654 |
| Ruffer | 124 | 17 | 11 | 152 |
| Sarasin | 540 | 233 | 50 | 823 |
| Impax | 918 | 69 | 7 | 994 |
| Pyrford | 618 | 58 | 46 | 722 |
| Total | 12,587 | 1,342 | 323 | 14,252 |

Developing the Fund's responsible investment approach

The Fund has established the responsible investment working group to help advance the Fund's activities in this area. The working group has a formal workplan and undertook a number of key activities in 2023-24 to develop and implement the Fund's responsible investment approach.

Key Activity 2023/24

- Undertaking training on establishing and implementing a net zero commitment
- Exploring the UN Sustainable Development Goals and their application to institutional investors like the LGPS
- Contributing to and monitoring RI developments at the ACCESS pool
- Undertaking an analysis of the investment portfolio's transition potential, to understand how a net zero investment strategy could be implemented
- Becoming a member of Pensions for Purpose
- Designing a net zero commitment
- Reviewing the Fund's responsible investment beliefs
- Establishing stewardship and responsible investment priorities using the UN Sustainable Development Goals framework
- Launching a review of the Fund's Responsible Investment Policy
- Evaluating the findings of the annual PRI assessment of the Fund's responsible investment activities.

Administration

Summary of Activity

Responsibility for the administration of the Kent Pension Fund is delegated to the Pensions Section, part of the Chief Executive's department of the County Council. The Pensions Section use Altair, a Heywood's system, to provide all aspects of pensions administration including pensioner payroll and employer web access. Members can access their pension information online via the Member Portal. Information for [members](#) and [employers](#) can be found on the Kent Pension Fund website.

There are 71.82 full time equivalent members of staff (currently in post, with 19 FTE vacancies) involved in the administration of the scheme for Kent, split into four main teams supported by finance and systems colleagues:

- an Administration Team responsible for administering all casework and handling all member queries.
- a Communications and Support Team responsible for supporting and training scheme employers. The aim of the team is to equip scheme employers with enough knowledge so that the provision of scheme member information is timely and accurate. Each member of the team is assigned a number of employers and are in daily communication to actively encourage them to follow correct procedures. Maintenance of the pension fund website and member self-service portal falls under the remit of this team, including implementation of new technological enhancements.
- a Technical and Training Development Team responsible for providing advice and information to colleagues and scheme members in respect of all technical issues and legislative changes. The team also manage the learning and professional development of the section's workforce, through arranging and delivering training plans.
- a Projects Team who are responsible for programme and project management of the sections service improvement projects and provide co-ordination and support to the implementation of enhancements to the service.

Pensioner Payroll is dealt with by the Kent County Council Payroll Operations Team.

Assurance over the effective and efficient operation of the administration is provided by internal audit, who carry out assurance and consultancy in accordance with a risk-based programme. An internal audit opinion concludes on the overall adequacy and effectiveness of the Pension Section framework of governance, risk management and control.

The Pensions Section ran two Employer Focus Group meetings throughout the year. One in June held via MS Teams, attended by 112 people and one in December held at the Ashford International Hotel, attended by 73 people.

Scheme information for members is provided on the Pensions Section website. Members can view their own record including their Annual Benefit Statement via member self-service, as well as update personal details and run estimates. 15,088 members had registered for the Member Portal by 31 March 2024.

Administration Strategy

At its meeting on 29 March 2023 the Pension Fund Committee approved the new Kent Pension Fund [Administration Strategy](#). The new strategy was effective from 1 April 2023 and has been published on the Kent Pension Fund website.

Administration System Contract

At its meeting on 29 March the Pension Fund Committee endorsed the decision to direct award for a new five-year contract with the incumbent administration system provider. The new contract was live from 1 May 2023.

The new contract includes some new add-ons including the Integrated Service Provider (ISP) for Pensions Dashboard and a tool called Insights which will allow for more robust and easier to use running of reports on data within the system.

Guaranteed Minimum Pension (GMP) Rectification

In total the data for 23,439 pensioner records were analysed, with 296 members having benefits recalculated, 2,171 members had their GMP only corrected, 4 members required manual calculations by the Pensions Section and 20,968 members didn't require rectification. For those that required full rectification, this took effect from the October payroll.

Upon completion of this project, letters were issued to 296 members who had an adjustment to their pension.

Outbound Printing Solution

During 2023/24 the administration team trialled a new printing solution with the same supplier that currently prints and dispatches the Fund's Annual Benefit Statements. The aim was to release capacity within the team to focus more on pensions related tasks, as well as ensuring member communications are dispatched on the same day and robust reporting is available.

The process of printing and dispatching daily mailings went live with the external supplier, Adare. The solution provides out-of-office secure printing, thereby releasing resource in-house.

New Telephony Solution

The administration team worked with colleagues in ICT to develop a new 'interim' options-based telephony solution which allows customers to connect with a member of the team who specialises in the area relating to their enquiry. It also means the members of the administration team only taking calls relating to subjects on which they are experienced and knowledgeable.

The aim was to significantly improve customer satisfaction levels and first point fix contact.

Following the roll-out of the interim solution, the Fund was selected as an early adopter of Kent County Councils new telephony solution, Luware. The Luware system enables use of a more sophisticated telephony solution, with the potential to offer improved customer service to scheme members. Luware's functionality enables easier monitoring of calls and enquiries, so that call lines can be managed according to demand.

In March, a digital test environment was created. A small project testing team was established to carry out the user acceptance testing. Implementation of the new telephony system is scheduled for Summer 2024. The telephony solution will enable easier data monitoring and a better call experience for scheme members (i.e. the provision of updates on call queue position, the option for call backs and the provision of signposting for online self-service).

Annual Benefit Statements/Pension Saving Statements

The Annual Benefit Statements (ABS) templates for active and deferred members were amended for 2022/23.

The documents included changes to Annual Allowance and Lifetime Allowance as a result of the Budget, together with the change in the CARE revaluation date. The ABS documents also included the first written notification to members of the Fund's intention to provide future ABS' digitally.

ABS' were produced by the statutory deadline of 31 August for 50,304 Active members and 48,982 Deferred members. These were sent to the home address held on member records. From 2024 Active ABS' will be published on the member self service portal, and the ABS' for Deferred members will be available online from 2025. This will remove the issue of members not receiving their ABS if they haven't kept their address details up to date (a particular issue for Deferred members) and will make access to ABS' quicker also encouraging more members to use the self service portal. For those that require a paper copy, these can still be posted upon request.

Pension Savings Statements (PSS) were produced by the statutory deadline of 6 October for the 116 members who were identified as breaching the annual allowance limit in 2022/23, or who made a formal request to be provided with their pension input amount. Of these, 17 members have so far elected to use the Scheme Pays option to meet payment of a tax charge.

Benchmarking

As part of the Fund's objective to be 'best in class' and to be able to track the service transformation journey, the Fund partnered with CEM to undertake benchmarking against other LGPS and international pension funds.

CEM works with over 400 funds worldwide, and provide clients with objective, actionable benchmarking insight into how to maximise value for money in investments and pension administration.

The Fund anticipates using the service to demonstrate value for money, improve member and employer service, optimise costs and staffing levels, make better decisions and save time by learning from peers.

The report provided compares the Funds pension administration costs and member service with a peer group of other schemes.

The Fund's pension administration costs of £23.06 per member were £7.99 below the adjusted peer average of £31.05. The business as usual costs of £23.06 per member were £5.62 below the adjusted peer average of £28.68.

The total member score was 50 out of 100, this was below the peer median of 61.

The report highlighted that the Fund performed higher than peers when paying pensioners on time during the year and increasing pensions by the right amount at the right time. This is considered 'mission critical' for any pension administration team.

The Fund also scored well for the public area of the website with members generally being able to access helpful information without the need to log in. The Fund also scored well for the amount of information that can be conveyed to members on the telephone – particularly pensioners.

In addition, the fund scored well for service to vulnerable members by placing flags of member records indicating a need for special help and the website was found to have lots of accessibility features.

The Fund scored lower than peers in the following areas:

- fewer members are registered for or using the secure area of the website
- call abandonment rates and wait times were higher than peers
- there were no individual member meetings
- newsletters were not sent to Active and Deferred members
- member surveys were not carried out

Overall, the Fund was positioned as basic member service with low cost.

The Funds Service Improvement Plan is addressing the issues above by implementing a new and improved member self service portal, implementing a more sophisticated telephony system, significantly overhauling the Communications Policy which includes a move to digital by default and provides regular newsletters to all tranches of membership and regularly encourages feedback from both members and employers via surveys and focus groups.

Overseas Existence Checks

Crown Agents Bank (CAB) supported the Fund with this process for 2023, as part of a pilot exercise. Kent Pension Fund trialled the use of CAB's digital technology solution to verify proof of life existence amongst overseas pensioners. The option of completion by paper form (and counter signature) was still offered to scheme members. However, the uptake for paper form completion has been low, with a clear preference for the digital option. Of the 889 overseas pensioners in scope, 77.39% completed the online verification, 12.37% completed a paper submission. The remainder did not complete the process and had their pensions suspended from the May payroll.

Employer Monthly Data Submissions (iConnect)

The team have planned an iConnect rollout programme to employers, with an aim to get all employers using iConnect to submit their data by the end of 2025. To date, 87 employers have been onboarded to iConnect.

Member Engagement

The move to digital by default is progressing, with members being informed of the intention to use digital methods of communication in the future. There is a legal obligation to notify members three times before using digital methods, and the first notification was included within the ABS for 2023. Members can, of course, choose to continue to receive correspondence by paper.

The team have upgraded the Member Self Service (MSS) portal to the latest version offered by Heywood's in the first quarter of 2024. The new version of MSS has a completely different look and has been designed to make this service easier for members to use. In due course, the Fund will look to transition as many member processes to the self service platform as possible in order to streamline processes and improve the member journey.

Legislative changes

During 2023/24, two significant legislative changes were introduced. In September 2023, the legislation governing the McCloud remedy was published effective from 1 October 2023. During February 2024, legislation governing a new tax regime was issued, having effect from 6 April 2024.

These changes required significant staff training and the review and updating of all scheme literature. In addition, due to the late notification of the legislation, software updates were not in place to accommodate the new processes and so it was necessary to develop manual processes to implement the new regulations where required.

Between June and October 2023, the Government Actuary's Department issued updated actuarial factors following a reduction in the SCAPE rate in March 2023. Due to the staggered issue of this guidance, it was necessary to undertake manual calculations at various times while awaiting software updates. All software updates were completed by the end of 2023.

Staff training

A total of 141 internal staff training sessions were undertaken during 2023/24. These focused primarily on new staff who had been recruited during the year.

Cyber Security

During 2023 - 2024 the Fund obtained specialist advice and expertise to support the Fund's approach to managing cyber security. Member refresher training on cyber security was undertaken during September 2023. In 2023- 2024 cyber security assessments were carried out with third party system suppliers. Updates on cyber security were given to both the Fund's Board and Committee during 2023 - 2024 as a regular agenda item. A Cyber Security Policy and Incident Response Plan are to be approved by Committee in June 2024.

Key Performance Indicators

Table A - Total number of casework

| Casework KPI | Total number of cases open as at 31 March (starting position) | Total number of new cases created in the year (1 April to 30 March) | Total number of cases completed in the year | Total % of cases completed in the year |
|--|---|---|---|--|
| Deaths recorded of active, deferred, pensioner and dependent members | 69 | 1,623 | 1,584 | 97.59 |
| New dependent member benefits | 59 | 597 | 580 | 97.15 |
| Active member retirements | 345 | 3,087 | 2,829 | 91.64 |
| Deferred benefits | 4,954 | 6,520 | 3,811 | 58.45 |
| Transfers in (including interfunds in, club transfers) | 481 | 443 | 274 | 61.85 |
| Transfers out (including interfunds out, club transfers) | 176 | 510 | 285 | 55.88 |
| Refunds | 93 | 1,459 | 1,425 | 97.66 |
| Divorce quotations issued | 38 | 396 | 397 | 100 |
| Actual divorce cases | 4 | 9 | 7 | 77.77 |
| Member estimates requested either by scheme member and employer | 615 | 5,046 | 4,723 | 93.59 |
| New joiner notifications | 311 | 15,254 | 14,903 | 97.69 |
| Aggregation cases | 4,575 | 6,660 | 2,502 | 37.56 |
| Optants out received after 3 months membership | 143 | 436 | 329 | 75.45 |

Key Performance Indicators

Table B - Time taken to process casework

| Casework KPI | Fund target (days) | % completed within Fund target in year |
|--|--------------------|--|
| Communication issued with acknowledgement of death of active, deferred, pensioner and dependent member | 15 | 89 |
| Communication issued confirming the amount of dependents pension | 15 | 78.5 |
| Communication issued to active member with pension and lump sum options (quotation) | 20 | 80.2 |
| Communication issued to active member with confirmation of pension and lump sum options (actual) | 20 | 96.7 |
| Communication issued with deferred benefit options | 60 | 23 |
| Communication issued to scheme member with completion of transfer in | 20 | 11.31 |
| Communication issued to scheme member with completion of transfer out | 20 | 17.54 |
| Payment of refund | 20 | 90 |
| Divorce quotation | 30 | 77 |
| Communication issued following actual divorce proceedings i.e application of a Pension Sharing Order | 80 | 86 |
| Communication issued to new starters | 30 | 93 |

Table C- Communications and engagement

| Engagement with online portals | Percentage as at 31 March |
|--|---------------------------|
| % of active members registered | 9.48 |
| % of deferred members registered | 6.77 |
| % of pensioner and survivor members registered | 7.79 |

| Communication | |
|---|------------------------------|
| Total number of telephone calls received in year | 19,236 |
| Total number of email and online channel | 17,265 |
| Number of scheme member events held in year (total of in person and online) | 5 (4 online and 1 in person) |
| Number of employer engagement events held in year (in person and online) | 2 |
| Number of active members who received a one-to-one (in person and online) | 0 |
| Number of times a communication (i.e. newsletter) issued to: | |
| a) Active members | 2 |
| b) Deferred members | 2 |
| c) Pensioner members | 2 |

Key Performance Indicators

Table D – Resources

| | |
|--|---------|
| Total number of administration staff (FTE) | 71.82 |
| Staff vacancy rate as % | 20.92 |
| Ratio of all administration staff to total number of scheme members (all staff including management) | 1:2,173 |

Table E – Data Quality

Annual Benefit Statements

| | |
|--|---|
| Percentage of annual benefit statements issued as at 31 August | 93.92 (across Active and Deferred) |
| Short commentary if less than 100% | As ABS' were sent via post for 2022/23 not all home addresses were held so the Fund were unable to issue 100% of statements |

Data Category

| | |
|---|--|
| Common data score | 95% |
| Scheme specific data score | 93% |
| Percentage of active, deferred and pensioner members recorded as 'gone away' with no home address held, or address is known to be out of date | Active records with no address = 0.80 Deferred records with no address = 6.74 Pensioner records with no address = 0.23 |
| Percentage of active, deferred and pensioner members with an email address held on file | Active = 18.47 Deferred = 19.87 Pensioner = 20.42 |

Employer performance

| | |
|--|-------|
| Percentage of employers set up to make monthly data submissions | 14.80 |
| Percentage of employers who submitted monthly data on time during the reporting year | 90 |

Fund Members and Employers

The Kent Pension Fund provides pensions for employees of Kent County Council, and the 12 district/borough councils in the Kent County area. These are 'Scheduled Bodies', which means their employees have a statutory right to be in the Scheme. Other Scheduled Bodies include Medway Council, Kent and Medway Fire and Rescue, the Office of the Police and Crime Commissioner and the Chief Constable for Kent, as well as all Academy Trusts. Town and Parish Councils that have opted to join the Fund are known as 'Resolution Bodies'.

There are also 'Admission Bodies' which include voluntary organisations that the County Council has admitted to the Scheme under its discretionary powers. Other Admission Bodies include employees of contractors for jobs transferred from Scheduled Bodies.

Teachers, Police Officers and Firefighters have separate non funded pension arrangements. Under the Pensions Act 2011, all employers are obliged to automatically enrol eligible employees into a qualifying pension scheme and re-enrol anyone who opts out of the scheme every three years. The LGPS is a qualifying scheme under the automatic enrolment regulations and can be used as such by Fund employers.

Further information on automatic enrolment can be found on the Pensions Regulator website www.thepensionsregulator.gov.uk

At 31 March 2024 there were 472 Employers in the Fund. During the year 11 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 21 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).

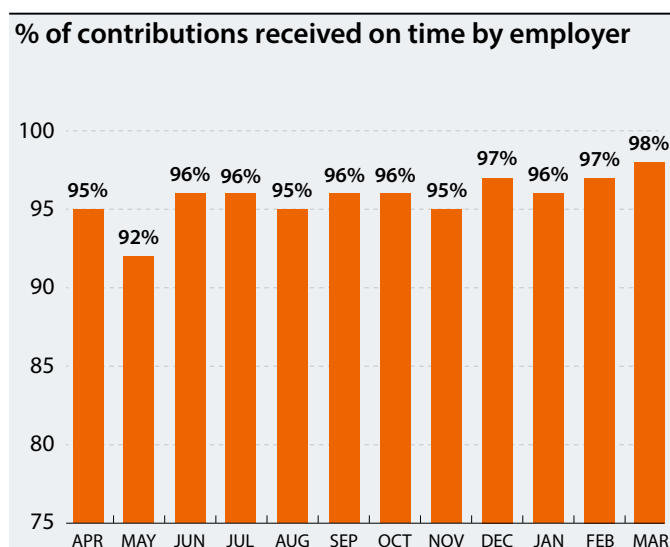
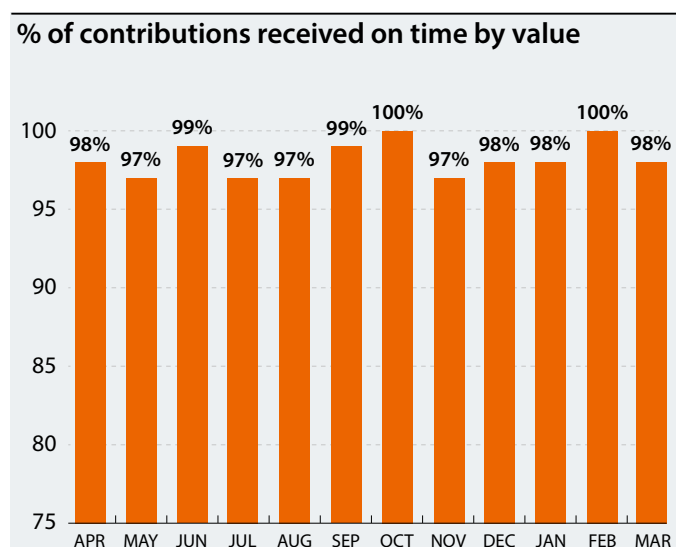
| | Number of employers | | |
|----------------|---------------------|------------|------------|
| | Active | Ceased | Total |
| Scheduled Body | 224 | 78 | 302 |
| Admitted Body | 60 | 110 | 170 |
| Total | 284 | 188 | 472 |

Amounts due from Employers

In 2023-24 KCC monitored the timely receipt of contributions by the deadline of the 19th of the following month the contributions relate to in two different measures: by value and by number of employers. The tables below show the measures over the 12-month period.

Averaging 98% of total contribution income by value from the employers and 96% of employers paid on time.

The lower percentage reflects the difficulties some small employers have and some backdated admissions in the Fund. The option to levy interest on overdue contributions was not exercised. At 31st March 2024, contributions in respect of the March salaries totaling £23.1m due by 19 April had not been received.



On 31 March 2024 there were 50,408 pensioners, 50,645 deferred members, and 55,291 contributors, a total of 156,344 Scheme members.

The following table shows a summary of employers in the fund analysed by type:

| Employer Type | Employers | Active Members | Deferred Members | Pensioner Members |
|------------------------------------|-----------|----------------|------------------|-------------------|
| Kent County Council (inc. Schools) | 1 | 22,005 | 24,495 | 25,252 |
| Local Authorities | 17 | 8,296 | 9,535 | 13,161 |
| Resolution Bodies | 121 | 5,349 | 6,494 | 5,816 |
| Transferee Admission Bodies | 105 | 466 | 522 | 464 |
| Community Admission Bodies | 52 | 1,400 | 2,556 | 2,225 |
| Academy Trusts | 403 | 17,775 | 7,043 | 3,490 |
| Total | | 55,291 | 50,645 | 50,408 |

A full listing of contributing Scheme employers as at 31 March 2022 can be found in the Fund's 'Rates and Adjustments Certificate' (Appendix 5 of the Actuarial Valuation report) found here: [Report detailing the Actuarial valuation as at 31 March 2022 and Rates and Adjustment Certificate \(kentpensionfund.co.uk\)](#)

Communications Policy

The latest version of the Funds [Communications Policy](#) was approved by the Pension Fund Committee on 26 March 2024.

All prospective, active, deferred and pensioner members have access to the following:

- Major changes to scheme regulations are communicated to member groups and are published on the website in an effective, straightforward, and timely manner.
- Kent Pension Fund website has dedicated areas for all members. It includes information about the scheme, guides, factsheets, and forms. Customers can request a paper copy of information or documents by contacting their employer (if applicable) or the Fund. Members and employers can use the online enquiry and document upload form on a secure area of the website.
- The Pensions Customer Helpline is available Monday to Friday. The current opening times are available on the Kent Pension Fund website. The telephone number is 03000 41 34 88.
- Written Correspondence can be sent to the Fund, together with forms and certificates. The address is Pension Section, Sessions House, County Hall, Maidstone, Kent, ME14 1XX.
- One to one appointments with a member of the Kent Pension team are available Monday to Friday via Teams on request, during the opening times of the pensions customer helpline.

All active, deferred and pensioner members have access to [member self-service](#) which is an online secure facility for members of the Fund, hosted by Heywood Pension Technologies Ltd.

Registered members can:

- view a summary of the details the Fund holds for them and keep their personal details up to date
- create, view, and update their expression of wish for any death grant that may be payable
- perform quotations for deferred benefits and future benefits (depending on member status)
- view figures for P60s and pay slips (pensioner members). Members can also download a copy of their pay slips.

A dedicated area of the website is provided for those thinking of joining the scheme containing information, guides, and factsheets.

Value for Money Statement

The Kent Pensions Section deliver an efficient and effective administration service as demonstrated by:

- Low administration cost per member
- Low number of member complaints
- Good prospects for improvements
- A number of formally qualified team members

Work has continued in the year to improve data quality, with a focus on working with employers to improve the timeliness and quality of the information they provide.

With support from ITM, work has started to rectify and remedy member data and records in preparation for and compliance with McCloud and Pensions Dashboard.

Complaints and Dispute Resolution

Complaints

If customers have a complaint about the service, the Pensions Section staff will do their best to put things right. If customers are still dissatisfied, they can write to Pensions Section, Invicta House, Maidstone, ME14 1XX.

There were fourteen formal complaints made in 2023/24. These were all investigated, and changes were made to processes where appropriate.

Appeals

The LGPS regulations provide a two-stage formal appeal process for members. For stage one it will be heard by an independent adjudicator.

If the member is still dissatisfied, they can make a second stage appeal, which will be considered by the Pensions Administration Manager if an appeal against an employer decision, or the Head of Pensions and Treasury if an appeal against the Administering Authority.

After this second stage, if the member wishes, the matter can be investigated by the Pensions Ombudsman. The Pensions Ombudsman are an independent organisation set up by law to deal with pension complaints. Contact details are:

- **Phone: 0800 917 4487**
- **E-mail: enquiries@pensions-ombudsman.org.uk**

The Fund considered six stage one Internal Dispute Resolution Procedure (IDRP) appeals against the Pension Fund during 2023/24. Three of these proceeded to stage two of the IDRP process

Actuary's Statement as at 31 March 2024

Introduction

The last full triennial valuation of the Kent Pension Fund (the Fund) was carried out as at 31 March 2022 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 2023.

Asset value and funding level

The results for the Fund at 31 March 2022 were as follows:

- The smoothed value of the Fund's assets for funding purposes as at 31 March 2022 was £7.56bn.
- The Fund had a funding level of 102% i.e. the value of assets for funding purposes was 102% 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 surplus of £181m.

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 20.5% 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 2023.

In addition, each employer pays a secondary contribution as required under Regulation 62(7) that when combined with the primary rate results in the minimum total contributions. This secondary rate is based on their particular circumstances and so individual adjustments are made for each employer.

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 2022 are summarised below:

| Assumptions | Assumptions used for the 2022 valuation |
|----------------------------------|---|
| Financial assumptions | |
| Market date | 31 March 2022 |
| CPI inflation | 2.9% p.a. |
| Long-term salary increases | 3.9% p.a. |
| Discount rate | 4.5% p.a. |
| Demographic assumptions | |
| Post-retirement mortality | |
| Base tables pensioners | 110% of S3PA tables |
| Base tables dependents | 100% of S3DA tables |
| Projection model | CMI 2021 |
| Long-term rate of improvement | 1.25% p.a. |
| Smoothing parameter | 7.0 |
| Initial addition to improvements | 0.5% p.a. |
| 2020/21 weighting parameter | 5% |

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 2022 valuation report.

Updated position since the 2022 valuation

Assets

Returns over the year to 31 March 2024 have increased compared with the previous year, however they remain lower than expected. The Fund also has a positive cash flow, therefore the market value of assets at 31 March 2024 has increased but remains lower than they were projected to be at 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 2024, the real discount rate is estimated to be higher than at the 2022 valuation due to a reduction in the long term rate of inflation from 31 March 2024 onwards. This has reduced the value placed on the liabilities relative to the previous valuation.

The value of liabilities will have increased due to the accrual of new benefits net of benefits paid, pension increases awarded and interest on the liabilities.

Benefits were increased by 6.7% in line with the 2024 LGPS pension increase order which is higher than the pension increase assumed at the previous valuation. The increase in liabilities associated with this has been partially offset by the reduction in the long-term inflation assumption. This short-term high inflation and longer term lower inflation is broadly consistent with what was assumed at the 2022 formal valuation.

Overall position

Although the Fund's assets have performed better over the period, they are slightly below expectations since the last formal valuation. The liabilities have increased due to the high pension increases awarded in 2023 and 2024.

Overall, this has resulted in a reduction to the funding position as at 31 March 2024 compared to the valuation at 31 March 2022. The change in the real discount rate since 31 March 2022 will place a lower value on the cost of future accrual which results in a lower primary contribution rate. The impact on secondary contributions will vary by employer.

The Fund can continue to monitor the funding level using LGPS Monitor on a regular basis.

However, the next formal valuation will be carried out as at 31 March 2025 with new contribution rates set from 1 April 2026. As part of the 2025 valuation, the Fund and us as the Fund Actuary will work together in setting the assumptions for the valuation.

Roisin McGuire FFA
Principal, Barnett Waddingham LLP

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 **20 March 2025** on behalf of Kent County Council.

Councillor Rosalind Binks
Chairman of the Governance and Audit Committee
20 March 2025

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 2024.

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 2024.

Certificate of the Corporate Director of Finance

John Betts
Acting Corporate Director of Finance
20 March 2025

Pension Fund Accounts

Fund Account for the year ended 31 March

The following financial statements are included in the Kent Pension Fund's Annual Report and Accounts 2023-24 available from the Fund's website at www.kentpensionfund.co.uk

| | Notes | 2023-24 £'000 | 2022-23 £'000 |
|--|-------|------------------|------------------|
| Dealings with members, employers and others directly involved in the Fund | | | |
| Contributions | 7 | 321,214 | 297,692 |
| Transfers in from other pension funds | 8 | 12,280 | 17,306 |
| | | 333,494 | 314,998 |
| Benefits | 9 | (303,175) | (270,995) |
| Payments to and on account of leavers | 10 | (15,424) | (15,184) |
| | | (318,599) | (286,179) |
| Net additions/(withdrawals) from dealings with members | | 14,895 | 28,819 |
| Management expenses | 11 | (34,788) | (32,502) |
| Net additions/(withdrawals) including fund management expenses | | (19,893) | (3,683) |
| Returns on investments | | | |
| Investment income | 13 | 157,148 | 153,112 |
| Taxes on income | | (371) | (198) |
| Profits and losses on disposal of investments and changes in the market value of investments | 15a | 157,715 | (3,704) |
| Net Return on Investments | | 314,492 | 149,210 |
| Net increase/(decrease) in the net assets available for benefits during the year | | 294,599 | 145,527 |
| Opening net assets of the scheme | | 7,847,952 | 7,702,425 |
| Closing net assets of the scheme | | 8,142,551 | 7,847,952 |

Net Assets Statement as at 31 March

| | Notes | 2023-24 £'000 | 2022-23 Restated £'000 |
|--|-------|------------------|------------------------------|
| Investment assets | | 8,144,656 | 7,855,657* |
| Investment liabilities | | (3,800) | (7,588)* |
| Net investment assets | 15 | 8,140,856 | 7,848,069 |
| Current assets | 21 | 34,778 | 29,503 |
| Current liabilities | 22 | (33,083) | (29,620) |
| Net assets available to fund benefits at the period end | | 8,142,551 | 7,847,952 |

Notes to the Pension Fund Accounts

1. Description of the Fund

General

The Kent Pension Fund (the 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 Fund is a reporting entity and KCC as the Administering Authority, is required to include the Fund's accounts as part of its own 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 Administering 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 284 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 2024 | 31 Mar 2023 | 31 Mar 2024 | 31 Mar 2023 | 31 Mar 2024 | 31 Mar 2023 |
| Contributors | 22,005 | 21,885 | 33,286 | 31,468 | 55,291 | 53,353 |
| Pensioners | 25,252 | 24,878 | 25,156 | 23,705 | 50,408 | 48,583 |
| Deferred Pensioners | 24,495 | 24,618 | 26,150 | 25,284 | 50,645 | 49,902 |
| Total | 71,752 | 71,381 | 84,592 | 80,457 | 156,344 | 151,838 |

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the Local Government Pension Scheme Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2024. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2022. Employers' contribution rates consist of a primary rate (representing the rate required to meet the cost of future accrual of benefits) and a secondary rate, which is an adjustment to the primary rate for employer specific circumstances (e.g. to allow for deficit recovery). Currently, employers' primary contribution rates range from 15.7% to 36.4% of pensionable pay.

Notes to the Pension Fund Accounts continued

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 2023-24 financial year and its position at 31 March 2024.

The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2023-24 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts are prepared on a going concern basis. Adoption of IFRS 16 which is set to come to effect from April 2024, is not expected to have a material impact on the pension fund accounts.

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.

Going concern

The Statement of Accounts has been prepared on a going concern basis. The vast majority of employers in the pension scheme are scheduled bodies that have secure public sector funding, and therefore there should be no doubt in their ability to continue to make their pension contributions. Following the latest actuarial valuation and schedule of employer contribution prepayments, the Pension Fund has reviewed its cashflow forecast and is confident in its ability to meet its ongoing obligations to pay pensions from its cash balance for at least 12 months from the date of signing the accounts. In the event that investments need to be sold, 81% of the Fund's investments can be converted into cash within 3 months.

Notes to the Pension Fund Accounts continued**3. Summary of Significant Accounting Policies****Fund Account – revenue recognition****a) Contribution income**

Normal contributions are accounted for on an accruals basis as follows: Employee contribution rates are set in accordance with LGPS regulations, using set percentage rates for all schemes which rise according to pensionable pay. Employer contribution rates are set at the percentage recommended by the Fund Actuary for the period to which they relate. As set out in the Fund Actuary's Rates and Adjustment certificate, certain employers can pay the primary and/or secondary contributions for the 3 years of the valuation period.

Employers' deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the Fund 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. 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.

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 gross of tax, and any recoverable tax at the end of the year is included in accrued investment income.

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

f) Management expenses

All expenses are accounted for on an accruals basis. Costs relating to KCC staff involved in the administration, governance and oversight of the Fund, and overheads incurred by KCC 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.

Notes to the Pension Fund Accounts continued

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 income securities (bonds) 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 flow and foreign exchange rate 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 2023. 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 2024. 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 KCC are included in investments. All other cash is included in current assets.

Notes to the Pension Fund Accounts continued

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 i.e. 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.

q) Prior period adjustments, changes in accounting policies and errors

Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error. Changes in accounting estimates do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by accounting practice or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Fund's financial position or performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period

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 rather than financed leased assets under the requirements set by IFRS 16. The Fund has assessed that the properties remain under the Fund's control and do not convey a right to ownership and that the Fund retains the significant risks and rewards associated with ownership of the properties. As a result, 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 £128m. A 0.1% increase in assumed earnings inflation would increase the value of liabilities by approx. £9m, and a one year increase to the life expectancy assumptions would increase the value of the liabilities by approx. £315m. |
| Private Equity and Infrastructure investments (Note 17) | Valuation of unquoted private equity and 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 and infrastructure, which are level 3 investments on the financial statements, are £755m. Potential change in valuation due to changes 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. | <p>The effect 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 £73m on a fair value of £727m. Details of potential factors affecting the valuation are in Note 17.</p> <p>During the current year, it was determined that both directly held and pooled property, previously classified as Level 2, should be classified as Level 3. This reclassification reflects the extent of significant unobservable inputs involved in valuing these investments.</p> <p>As a result, prior period adjustments (PPAs) have been made to correct the classification of these investments, impacting the comparative figures disclosed in the accounts. The adjustments relates to the total amount of directly held and pooled property as at 31 March 2023 of £782m, as detailed in Note 17.</p> <p>The reclassification reflects a reassessment of the assumptions used in the valuation process and highlights the uncertainty in estimating the fair value of Level 3 investments.</p> |

6. Events after the reporting date

There have been no events since 31 March 2024, up to the date when these accounts were authorised, that require or do not require any adjustment to these accounts

Notes to the Pension Fund Accounts continued

7. Contributions receivable

| | 2023-24 £'000 | 2022-23 £'000 |
|---------------------------------------|------------------|------------------|
| By Category | | |
| Employees' contributions | 71,244 | 66,582 |
| Employers' contributions | | |
| – normal contributions | 231,833 | 192,792 |
| – deficit recovery contributions | 13,852 | 35,993 |
| – augmentation contributions | 4,284 | 2,325 |
| Total Employers' contributions | 249,969 | 231,110 |
| Total contributions receivable | 321,214 | 297,692 |
| By type of employer | | |
| Kent County Council | 116,271 | 109,234 |
| Scheduled bodies | 186,945 | 174,513 |
| Admitted bodies | 17,998 | 13,945 |
| Total | 321,214 | 297,692 |

8. Transfers in from other pension funds

| | 2023-24 £'000 | 2022-23 £'000 |
|--------------|------------------|------------------|
| Individual | 12,280 | 17,306 |
| Group | 0 | 0 |
| Total | 12,280 | 17,306 |

9. Benefits payable

| | 2023-24 £'000 | 2022-23 £'000 |
|--|------------------|------------------|
| By category | | |
| Pensions | 254,015 | 227,129 |
| Retirement commutation and lump sum benefits | 42,833 | 36,188 |
| Death benefits | 6,327 | 7,678 |
| Total | 303,175 | 270,995 |
| By type of employer | | |
| Kent County Council | 133,038 | 121,133 |
| Scheduled bodies | 151,361 | 133,453 |
| Admitted bodies | 18,777 | 16,409 |
| Total | 303,175 | 270,995 |

10. Payments to and on account of leavers

| | 2023-24 £'000 | 2022-23 £'000 |
|---|------------------|------------------|
| Group transfers | 0 | 0 |
| Individual transfers | 13,747 | 14,009 |
| Payments/refunds for members joining state scheme | 1 | 3 |
| Refunds of contributions | 1,676 | 1,172 |
| Total | 15,424 | 15,184 |

Notes to the Pension Fund Accounts continued

11. Management expenses

| | Notes | 2023-24 £'000 | 2022-23 £'000 |
|--------------------------------|-------|------------------|------------------|
| Administration costs | | 5,258 | 3,684 |
| Governance and oversight costs | | 1,660 | 992 |
| Investment management expenses | 12 | 27,641 | 27,665 |
| Audit fees | | 96 | 46 |
| Pooling expenses | | 133 | 115 |
| Total | | 34,788 | 32,502 |

12. Investment management expenses

| | Notes | 2023-24 £'000 | 2022-23 £'000 |
|--------------------------|-------|------------------|------------------|
| Investment managers fees | 12a | 27,419 | 27,448 |
| Transaction costs | | 163 | 166 |
| Custody fees | | 59 | 51 |
| Total | | 27,641 | 27,665 |

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 Fund.

12a. Investment management fees

| | 2023-24 £'000 | 2022-23 £'000 |
|-------------------------------|------------------|------------------|
| Bonds | 4,054 | 3,802 |
| Equities | 13,356 | 13,343 |
| Private equity/infrastructure | 6,906 | 6,907 |
| Property | 3,103 | 3,396 |
| Total | 27,419 | 27,448 |

13. Summary of income from investments

| | Notes | 2023-24 | | 2021-2022 | |
|---------------------------------|-------|----------------|--------------|----------------|--------------|
| | | £'000 | % | £'000 | % |
| Bonds | | 17,862 | 11.4 | 15,606 | 10.2 |
| Equities | | 10,356 | 6.6 | 7,257 | 4.7 |
| Pooled investments | | 97,933 | 62.3 | 97,769 | 63.9 |
| Private equity/infrastructure | | 9,941 | 6.3 | 11,271 | 7.4 |
| Property | 14 | 11,556 | 7.4 | 11,456 | 7.4 |
| Pooled property investments | | 5,518 | 3.5 | 7,028 | 4.6 |
| Cash and cash equivalents | | 3,884 | 2.5 | 2,621 | 1.7 |
| Stock lending and miscellaneous | | 98 | 0.1 | 103 | 0.1 |
| Total before taxes | | 157,148 | 100.0 | 153,112 | 100.0 |

Notes to the Pension Fund Accounts continued

14. Property income and expenditure

| | 2023-24 £'000 | 2022-23 Restated £'000 |
|---|------------------|------------------------------|
| Rental Income from investment properties | 27,026 | 24,697* |
| Provision for doubtful debts | (5,811) | (4,735)* |
| Direct operating expenses | (9,659) | (8,506) |
| Net operating income from property | 11,556 | 11,456 |

Rental income for 2023-24 is net of provision for doubtful debts of £5.8m, (2022-23 £4.7m).

15. Investments

| | Market Value as at 31 March 2024 £'000 | Market Value as at 31 March 2023 Restated £'000 |
|--|---|---|
| Investment Assets | | |
| Bonds | 400,903 | 356,101 |
| Equities | 406,065 | 363,714 |
| Pooled investments | | |
| – Fixed income | 792,897 | 711,013 |
| – Equities | 4,390,583 | 4,312,029 |
| – Absolute return | 410,961 | 573,683 |
| Private equity/infrastructure funds | 763,399 | 614,963 |
| Property | 461,774 | 501,584 |
| Pooled property investments | 265,421 | 280,305 |
| Derivatives – forward currency contracts | 375 | 5,562 |
| Investment cash and cash equivalents | 240,140 | 127,035 |
| Investment income due | 9,585 | 9,669* |
| Amounts receivable for sales | 1,247 | 0 |
| Margin cash | 1,307 | 0 |
| Total investment assets | 8,144,656 | 7,855,657* |
| Investment liabilities | | |
| Amounts payable for purchases | (2,444) | (2,169) |
| Margin cash liability | 0 | (5,010) |
| Derivatives – forward currency contracts | (1,355) | (409) |
| Total investment liabilities | (3,800) | (7,588)* |
| Net investment assets | 8,140,856 | 7,848,069 |

Investment income due (debtors) includes a sum of £8.3m (2022-23 £7.5m) 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 £5.8m (2022-23 £4.7m) 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 2023 Restated £'000 | Purchases at Cost £'000 | Sales Proceeds £'000 | Change in Market Value £'000 | Market Value as at 31 March 2024 £'000 |
|--|---|-------------------------------|----------------------------|------------------------------------|---|
| Bonds | 356,101 | 99,347 | (62,739) | 8,195 | 400,903 |
| Equities | 363,714 | 106,315 | (107,103) | 43,139 | 406,065 |
| Pooled investments | 5,596,724 | 85,998 | (179,148) | 90,867 | 5,594,441 |
| Private equity/infrastructure | 614,963 | 152,637 | (43,045) | 38,844 | 763,399 |
| Property | 501,584 | 0 | (19,766) | (20,044) | 461,774 |
| Pooled property investments | 280,305 | 31,525 | (35,052) | (11,357) | 265,421 |
| | 7,713,391 | 475,821 | (446,853) | 149,643 | 7,892,002 |
| Derivative contracts | | | | | |
| – Forward currency contracts | 5,153 | 2,807,373 | (2,820,084) | 6,577 | (981) |
| | 7,718,544 | 3,283,194 | (3,266,937) | 156,220 | 7,891,022 |
| Other investment balances | | | | | |
| – Investment cash and cash equivalents | 127,035 | 167,933 | | 1,495 | 240,140 |
| – Amounts receivable for sales | 0 | | | | 1,247 |
| – Amounts payable for purchases | (2,169) | | | | (2,444) |
| – Margin cash liability | (5,010) | | | | 1,307 |
| – Investment Income due | 9,669* | | | | 9,585 |
| Net investment assets | 7,848,069 | 3,451,127 | (3,266,937) | 157,715 | 8,140,856 |

| | Market Value as at 31 March 22 Restated £'000 | Purchases at Cost £'000 | Sales Proceeds £'000 | Change in Market Value £'000 | Market Value as at 31 March 2023 Restated £'000 |
|--|---|-------------------------------|----------------------------|------------------------------------|---|
| Bonds | 379,027 | 62,081 | (73,921) | (11,086) | 356,101 |
| Equities | 371,946 | 127,202 | (124,305) | (11,129) | 363,714 |
| Pooled investments | 5,414,155 | 84,969 | (1,309) | 98,909 | 5,596,724 |
| Private equity/infrastructure | 464,955 | 132,147 | (36,525) | 54,386 | 614,963 |
| Property | 577,934 | 0 | 0 | (76,350) | 501,584 |
| Pooled property investments | 324,287 | 1,251 | (6,983) | (38,250) | 280,305 |
| | 7,532,304 | 407,650 | (243,043) | 16,480 | 7,713,391 |
| Derivative contracts | | | | | |
| – Forward currency contracts | (8,362) | 3,286,774 | (3,252,871) | (20,388) | 5,153 |
| | 7,523,942 | 3,694,424 | (3,495,914) | (3,908) | 7,718,544 |
| Other investment balances | | | | | |
| – Investment cash and cash equivalents | 155,305 | | | 206 | 127,035 |
| – Amounts receivable for sales | 788 | | | | 0 |
| – Amounts payable for purchases | (800) | | | | (2,169) |
| – Margin cash asset | 8,548 | | | | (5,010) |
| – Investment income due | 9,256* | | | | 9,669* |
| Net investment assets | 7,697,039 | | | (3,702) | 7,848,069 |

Notes to the Pension Fund Accounts continued**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 | 51 | EUR | (59) | 0 | 0 |
| Up to one month | GBP | 201 | USD | (254) | 0 | 0 |
| Up to one month | GBP | 223,325 | USD | (283,787) | 0 | (1,312) |
| Up to one month | USD | 385 | GBP | (302) | 2 | 0 |
| Up to one month | GBP | 523 | USD | (664) | 0 | (3) |
| Up to one month | USD | 65 | GBP | (52) | 0 | 0 |
| Up to one month | GBP | 403 | USD | (509) | 0 | 0 |
| Up to one month | USD | 104 | GBP | (82) | 0 | 0 |
| Up to one month | USD | 544 | GBP | (430) | 1 | 0 |
| Up to one month | USD | 1,092 | GBP | (870) | 0 | (5) |
| Up to one month | GBP | 3 | USD | (4) | 0 | 0 |
| Up to one month | USD | 1,138 | GBP | (898) | 3 | 0 |
| Up to one month | GBP | 811 | USD | (1,041) | 0 | (12) |
| Up to one month | USD | 30,065 | GBP | (23,481) | 317 | 0 |
| Up to one month | USD | 1,993 | GBP | (1,565) | 13 | 0 |
| Up to one month | USD | 725 | GBP | (571) | 3 | 0 |
| Up to one month | USD | 2,109 | GBP | (1,672) | 0 | (2) |
| Up to one month | GBP | 6,126 | USD | (7,760) | 0 | (16) |
| Up to two months | GBP | 1,685 | EUR | (1,966) | 2 | 0 |
| Up to two months | GBP | 341 | EUR | (399) | 0 | (1) |
| Up to two months | GBP | 81,665 | EUR | (95,377) | 21 | 0 |
| Up to two months | EUR | 4,263 | GBP | (3,652) | 0 | (3) |
| Up to two months | GBP | 776 | EUR | (907) | 0 | 0 |
| Up to two months | GBP | 550 | EUR | (643) | 0 | 0 |
| Up to two months | GBP | 999 | EUR | (1,165) | 1 | 0 |
| Up to two months | GBP | 1,098 | EUR | (1,284) | 0 | (1) |
| Up to two months | GBP | 1,981 | EUR | (2,301) | 12 | 0 |
| | | | | | 375 | (1,355) |
| Net forward currency contracts at 31 March 2024 | | | | | | (980) |
| Prior year comparative | | | | | | |
| Open forward currency contracts at 31 March 2023 | | | | | 5,562 | (409) |
| Net forward currency contracts at 31 March 2023 | | | | | | 5,153 |

Notes to the Pension Fund Accounts continued

15c. Property Holdings

| | Year ending 31 March 2024 £'000 | Year ending 31 March 2023 £'000 |
|------------------------------|---------------------------------------|---------------------------------------|
| Opening balance | 501,584 | 577,934 |
| Additions | 0 | 0 |
| Disposals | (19,766) | 0 |
| Net decrease in market value | (20,044) | (76,350) |
| Closing balance | 461,774 | 501,584 |

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, other than to the extent reported in note 26.

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

| | Year ending 31 March 2024 £'000 | Year ending 31 March 2023 £'000 |
|----------------------------|---------------------------------------|---------------------------------------|
| Within one year | 16,658 | 16,935 |
| Between one and five years | 42,615 | 41,290 |
| Later than five years | 30,512 | 32,204 |
| Total | 89,785 | 90,429 |

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 2024 | | Market Value as at 31 March 2023 | |
|--|----------------------------------|-------------|----------------------------------|------|
| | £'000 | % | £'000 | % |
| Investments managed in the ACCESS Pool | | | | |
| Baillie Gifford | 1,204,259 | 14.8 | 1,071,672 | 13.7 |
| M&G | 593,948 | 7.3 | 536,060 | 6.8 |
| Ruffer | 180,143 | 2.2 | 191,519 | 2.4 |
| Schroders | 1,721,968 | 21.2 | 1,589,355 | 20.3 |
| | 3,700,318 | 45.5 | 3,388,606 | 43.2 |
| Investments managed outside the ACCESS Pool | | | | |
| CQS | 257,039 | 3.2 | 226,095 | 2.9 |
| DTZ | 527,294 | 6.5 | 545,702 | 7.0 |
| Fidelity | 135,589 | 1.7 | 141,308 | 1.8 |
| Goldman Sachs | 417,890 | 5.1 | 385,314 | 4.9 |
| HarbourVest | 308,604 | 3.8 | 259,578 | 3.3 |
| Impax | 74,660 | 0.9 | 72,807 | 0.9 |
| Insight | 962,656 | 11.8 | 1,039,867 | 13.2 |
| Kames | 27,943 | 0.3 | 32,132 | 0.4 |
| Kent County Council investment team | 37,430 | 0.5 | 86,957 | 1.1 |
| M&G | 318,162 | 3.9 | 314,552 | 4.0 |
| Partners Group | 376,066 | 4.6 | 273,163 | 3.5 |
| Pyrford | 230,817 | 2.8 | 382,164 | 4.9 |
| Sarasin | 425,462 | 5.2 | 375,518 | 4.8 |
| Schroders | 259,889 | 3.2 | 239,281 | 3.0 |
| YFM | 78,729 | 1.0 | 82,222 | 1.0 |
| Link Fund Solutions | 2,308 | 0.0 | 2,803 | 0.0 |
| | 4,440,538 | 54.5 | 4,459,463 | 56.8 |
| Total | 8,140,856 | 100 | 7,848,069 | 100 |

Notes to the Pension Fund Accounts continued

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

| Investments | 31 March 2024 | |
|--|---------------|-----------------|
| | £'000 | % of net assets |
| WS ACCESS Global Equity Core Fund | 1,204,259 | 14.8 |
| WS ACCESS UK Equity Fund | 1,246,127 | 15.3 |
| LDI Solutions Plus ICAV Active (Insight) | 793,963 | 9.8 |
| WS ACCESS Global Dividend Fund | 593,948 | 7.3 |
| WS ACCESS Global Active Value Fund | 475,841 | 5.9 |

| Investments | 31 March 2023 | |
|--|---------------|-----------------|
| | £'000 | % of net assets |
| WS ACCESS Global Equity Core Fund | 1,071,672 | 13.7 |
| WS ACCESS UK Equity Fund | 1,184,302 | 15.1 |
| LDI Solutions Plus ICAV Active (Insight) | 1,039,867 | 13.3 |
| WS ACCESS Global Dividend Fund | 536,060 | 6.8 |

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 2024 | | 31 March 2023 | | Collateral Type |
|--------------|-----------------------|---------------------------|-----------------------|---------------------------|--|
| | Market Value £'000 | Collateral Value £'000 | Market Value £'000 | Collateral Value £'000 | |
| Equities | 7,288 | 7,543 | 6,483 | 6,751 | Treasury Notes and other Government debt |
| Bonds | 33,754 | 34,934 | 33,470 | 34,854 | Treasury Notes and other Government debt |
| Total | 41,042 | 42,478 | 39,953 | 41,606 | |

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 2024 | | | 31 March 2023 | | |
|-------------------------------|---|--------------------------------------|--|--|--|--|
| | 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 Restated £'000 | Financial liabilities at amortised cost Restated £'000 |
| Financial Assets | | | | | | |
| Bonds | 400,903 | | | 356,101 | | |
| Equities | 406,065 | | | 363,714 | | |
| Pooled investments | 5,594,441 | | | 5,596,724 | | |
| Property pooled investments | 265,421 | | | 280,305 | | |
| Private equity/infrastructure | 763,399 | | | 614,963 | | |
| Derivative contracts | 375 | | | 5,562 | | |
| Cash & cash equivalents | 230,973 | 15,587 | | 116,870 | 11,894 | |
| Other investment balances | | 12,139 | | | 9,669* | |
| Debtors/receivables | | 5,272 | | | 6,474 | |
| | 7,661,577 | 32,999 | 0 | 7,334,239 | 28,037* | 0 |
| Financial Liabilities | | | | | | |
| Derivative contracts | (1,355) | | | (409) | | |
| Other investment balances | | | (2,444) | | | (7,179)* |
| Creditors | | | (11,524) | | | (11,874) |
| | (1,355) | 0 | (13,968) | (409) | 0 | (19,053)* |
| Total | 7,660,222 | 32,999 | (13,968) | 7,333,830 | 28,037* | (19,053)* |

16b. Net gains and losses on financial instruments

| | 31 March 2024 £'000 | 31 March 2023 £'000 |
|------------------------------------|------------------------|------------------------|
| Fair value through profit and loss | 177,025 | 72,442 |
| Assets at amortised cost | 734 | 206 |
| Total | 177,760 | 72,648 |

Notes to the Pension Fund Accounts continued

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 | 2 | Net asset value/bid prices on last day of accounting period | Net asset values | Not required |
| Pooled property | 3 | Net asset value/bid prices on last day of accounting period | Net asset values | Asset values can vary based on two key sensitivities: significant changes in yield movement and estimated rental value movement |
| Private equity and infrastructure funds | 3 | Fair values as per international private equity and venture capital guidelines (2022) | Valuation of underlying investment/assets/companies/EBITDA multiples | Estimation techniques used in valuations, changes in market conditions, industry specific conditions |
| Direct Property | 3 | Independent valuation by Colliers using RICS valuation standards | Market values of similar properties, existing lease terms estimated rental growth, estimated vacancies | Asset values can vary based on two key sensitivities: significant changes in yield movement and estimated rental value movement |
| 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 Fund Solutions 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 2024.

| | Assessed valuation range (+/-) | Value as at 31 March 2024 £'000 | Value on increase £'000 | Value on decrease £'000 |
|----------------------------|--------------------------------|------------------------------------|----------------------------|----------------------------|
| Private equity | 23.7% | 387,333 | 479,131 | 295,535 |
| Infrastructure | 11.7% | 376,066 | 420,065 | 332,066 |
| Direct and pooled property | 9% | 727,195 | 792,642 | 661,747 |
| Other level 3 investments | 23.7% | 2,308 | 2,855 | 1,761 |
| Total | | 1,492,901 | 1,694,693 | 1,291,109 |

| | Assessed valuation range (+/-) | Value as at 31 March 2023 Restated £'000 | Value on increase Restated £'000 | Value on decrease Restated £'000 |
|----------------------------|--------------------------------|--|--|--|
| Private equity | 23.7% | 341,800 | 422,807 | 260,793 |
| Infrastructure | 11.7% | 273,163 | 305,123 | 241,203 |
| Direct and pooled property | 9% | 781,889 | 852,259 | 711,519 |
| Other level 3 investments | 23.7% | 2,803 | 3,467 | 2,139 |
| Total | | 1,399,655* | 1,583,656* | 1,215,654* |

Prior period adjustment

We would like to bring to your attention an adjustment made to the disclosure in the financial statements for the current period, stemming from the identification of an error that has impacted the reported amounts in note 17 for prior period as well.

The adjustment is linked to the restatement of direct property and pooled property in the above disclosure in the financial statements, reflecting the impact of the error correction on the previously reported figures in this disclosure for the affected prior periods.

This correction was necessary to ensure the faithful representation of the entity's financial statements and to rectify the misstatement that has been identified.

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 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 2024 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.

Notes to the Pension Fund Accounts continued

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 2024 | | | | |
| Financial assets at fair value through profit and loss | | | | |
| Bonds | 400,903 | | | 400,903 |
| Equities | 406,065 | | | 406,065 |
| Pooled investments | 565,365 | 5,026,768 | 2,308 | 5,594,441 |
| Pooled property investments | | | 265,421 | 265,421 |
| Private equity and infrastructure | | | 763,399 | 763,399 |
| Derivatives | | 375 | | 375 |
| Cash deposits | 240,140 | | | 240,140 |
| Other Investment balances | 12,139 | | | 12,139 |
| Non-Financial assets at fair value through profit and loss | | | | |
| Property | | | 461,774 | 461,774 |
| Financial liabilities at fair value through profit and loss | | | | |
| Derivatives | | (1,355) | | (1,355) |
| Other investment liabilities | (2,444) | | | (2,444) |
| Net Investment assets | 1,622,167 | 5,025,788 | 1,492,901 | 8,140,856 |
| Values at 31 March 2023 | | | | |
| | Quoted market price Restated Level 1 £'000 | Using observable inputs Restated Level 2 £'000 | With significant unobservable inputs Restated Level 3 £'000 | Total Restated £'000 |
| Financial assets at fair value through profit and loss | | | | |
| Bonds | 356,101 | | | 356,101 |
| Equities | 363,714 | | | 363,714 |
| Pooled investments | 694,252 | 4,899,671 | 2,803 | 5,596,725 |
| Pooled property investments | | | 280,305* | 280,305 |
| Private equity and infrastructure | | | 614,963 | 614,963 |
| Derivatives | | 5,562 | | 5,562 |
| Cash deposits | 128,764 | | | 128,764 |
| Other investment balances | 9,669* | | | 9,669* |
| Non-Financial assets at fair value through profit and loss | | | | |
| Property | | | 501,584* | 501,584 |
| Financial liabilities at fair value through profit and loss | | | | |
| Derivatives | | (409) | | (409) |
| Other investment liabilities | (7,179)* | | | (7,179)* |
| Net investment assets | 1,545,320 | 4,904,824* | 1,399,655* | 7,849,798 |

Notes to the Pension Fund Accounts continued

17b. Reconciliation of fair value measurements within level 3

| | Private Equity | Infrastructure | Direct and pooled property Restated | Other | Total Restated £'000 |
|-----------------------------------|----------------|----------------|-------------------------------------|--------------|----------------------|
| Market value 1 April 2023 | 341,800 | 273,163 | 781,889 | 2,803 | 1,399,655* |
| Transfers into level 3 | | | | | 0 |
| Transfers out of level 3 | | | | | 0 |
| Purchases during the year | 69,615 | 83,023 | 31,525 | 0 | 184,162 |
| Sales during the year | (41,292) | (1,753) | (54,818) | (12,148) | (110,011) |
| Unrealised gains/losses | (8,783) | 20,809 | (30,909) | 0 | (18,883) |
| Realised gains/losses | 25,994 | 824 | (492) | 11,653 | 37,979 |
| Market value 31 March 2024 | 387,333 | 376,066 | 727,195 | 2,308 | 1,492,901 |
| Market value 1 April 2022 | 290,018 | 174,936 | 902,220* | 8,220 | 1,375,394* |
| Transfers into level 3 | | | | | 0 |
| Transfers out of level 3 | | | | | 0 |
| Purchases during the year | 53,759 | 78,389 | 1,252* | 0 | 133,400* |
| Sales during the year | (25,371) | (11,153) | (6,982)* | (1,308) | (44,814)* |
| Unrealised gains/losses | 8,254 | 29,813 | (115,444)* | (4,109) | 81,486* |
| Realised gains/losses | 15,140 | 1,178 | 843* | 0 | 17,161* |
| Market value 31 March 2023 | 341,800 | 273,163 | 781,889* | 2,803 | 1,399,655* |

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 Kent 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's investment strategy.

Notes to the Pension Fund Accounts continued

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 2023-24 reporting period.

| Asset type | Potential market movements (+/-) |
|--------------------------------|----------------------------------|
| UK equities | 15.3 |
| Overseas equities | 15.4 |
| Global pooled equities inc. UK | 15.4 |
| Bonds | 7.4 |
| Property | 9.0 |
| Infrastructure | 11.7 |
| Private equity | 23.7 |

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 2024 £'000 | Percentage change % | Value on increase £'000 | Value on decrease £'000 |
|-------------------------------------|---------------------------------------|---------------------------|-------------------------------|-------------------------------|
| Cash and cash equivalents | 240,140 | 0.0 | 240,140 | 240,140 |
| Investment portfolio assets: | | | | |
| UK equities | 38,058 | 15.3 | 43,881 | 32,235 |
| Overseas equities | 368,006 | 15.4 | 424,679 | 311,333 |
| Global pooled equities inc UK | 4,801,544 | 15.4 | 5,540,981 | 4,062,106 |
| Bonds inc. bond funds | 1,193,801 | 7.4 | 1,282,142 | 1,105,460 |
| Property pooled funds | 265,421 | 9.0 | 289,309 | 241,533 |
| Private equity | 387,333 | 23.7 | 479,131 | 295,535 |
| Infrastructure funds | 376,066 | 11.7 | 420,065 | 332,066 |
| Derivative assets | 375 | 0.0 | 375 | 375 |
| Total | 7,670,743 | | 8,720,704 | 6,620,783 |

The Fund has an equities downside protection programme to protect the Fund from falls and cap the returns within a given range and is designed to manage the risks associated with global equity investments and help achieve the Fund's required rate of return.

| Asset type | Value as at 31 March 2023 £'000 | Percentage change % | Value on increase £'000 | Value on decrease £'000 |
|-------------------------------------|---------------------------------------|---------------------------|-------------------------------|-------------------------------|
| Cash and cash equivalents | 128,764 | 0.0 | 128,764 | 128,764 |
| Investment portfolio assets: | | | | |
| UK equities | 55,534 | 15.4 | 64,086 | 46,982 |
| Overseas equities | 308,180 | 15.6 | 356,256 | 260,104 |
| Global pooled equities inc. UK | 4,885,711 | 15.7 | 5,652,768 | 4,118,655 |
| Bonds inc. bond funds | 1,067,114 | 7.6 | 1,148,215 | 255,078 |
| Property pooled funds | 280,305 | 9.0 | 305,533 | 255,078 |
| Private equity | 341,800 | 11.7 | 381,791 | 301,809 |
| Infrastructure funds | 273,163 | 23.7 | 337,903 | 208,423 |
| Derivative assets | 5,562 | 0.0 | 5,562 | 5,562 |
| Total | 7,346,133 | | 8,380,878 | 6,311,390 |

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 2024 and 31 March 2023 are set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

| Asset type | 31 March 2024 £'000 | 31 March 2023 £'000 |
|----------------------------|------------------------|------------------------|
| Cash and cash equivalents | 240,140 | 127,035 |
| Cash balances | 6,421 | 1,729 |
| Bonds | | |
| – Directly held securities | 400,903 | 356,101 |
| – Pooled funds | 792,897 | 711,013 |
| Total | 1,440,361 | 1,195,878 |

Interest rate risk – sensitivity analysis

The Fund 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 2024 £'000 | Change in year in the net assets available to pay benefits | |
|---|---|--|---------------|
| | | +1% £'000 | (1%) £'000 |
| Cash and cash equivalents | 240,140 | 0 | 0 |
| Cash balances | 6,421 | 0 | 0 |
| Bonds | | | |
| – Directly held securities | 400,903 | (15,555) | 15,555 |
| – Pooled funds | 792,897 | (12,344) | 12,344 |
| Total change in assets available | 1,440,361 | (27,899) | 27,899 |

| Asset type | Carrying amount as at 31 March 2023 £'000 | Change in year in the net assets available to pay benefits | |
|---|---|--|---------------|
| | | +1% £'000 | (1%) £'000 |
| Cash and cash equivalents | 127,035 | 0 | 0 |
| Cash balances | 1,729 | 0 | 0 |
| Bonds | | | |
| – Directly held securities | 356,101 | (13,247) | 13,247 |
| – Pooled funds | 711,013 | (2,406) | 2,406 |
| Total change in assets available | 1,195,878 | (15,653) | 15,653 |

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.

Notes to the Pension Fund Accounts continued

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 2024 and 2023:

| Currency exposure – asset type | Asset value 31 March 2024 £'000 | Asset value 31 March 2023 £'000 |
|--|--|---------------------------------------|
| Overseas equities | 368,006 | 308,180 |
| Overseas pooled funds | 3,829,079 | 3,944,244 |
| Overseas bonds | 0 | 0 |
| Overseas private equity, infrastructure and property funds | 684,669 | 532,741 |
| Non GBP cash | 6,758 | 3,116 |
| Total overseas assets | 4,888,513 | 4,788,281 |

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 Fund has determined that the following movements in the values of financial assets denominated in foreign currency are reasonably possible for the 2023-24 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 2024 | Change to net assets available to pay benefits | |
|--|--|---|------------------|
| | £'000 | +5.4% £'000 | (5.4%) £'000 |
| Overseas equities | 368,006 | 387,879 | 348,134 |
| Overseas pooled funds | 3,829,079 | 4,035,849 | 3,622,309 |
| Overseas bonds | 0 | 0 | 0 |
| Overseas private equity, infrastructure and property funds | 684,669 | 721,642 | 647,697 |
| Non GBP cash | 6,758 | 7,123 | 6,393 |
| Total change in assets available | 4,888,513 | 5,152,493 | 4,624,533 |

| Currency exposure – asset type | Asset value as at 31 March 2023 | Change to net assets available to pay benefits | |
|--|--|---|------------------|
| | £'000 | +7.2% £'000 | (7.2%) £'000 |
| Overseas equities | 308,180 | 330,368 | 285,991 |
| Overseas pooled funds | 3,944,244 | 4,228,230 | 3,660,259 |
| Overseas bonds | 0 | 0 | 0 |
| Overseas private equity, infrastructure and property funds | 532,741 | 571,098 | 494,384 |
| Non GBP Cash | 3,116 | 3,340 | 2,892 |
| Total change in assets available | 4,788,281 | 5,133,036 | 4,443,526 |

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 Fund's credit criteria. The Fund 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 2024 £'000 | Balance as at 31 March 2023 £'000 |
|--|--------|---|---|
| Money market funds | | | |
| Northern Trust Sterling Fund | AAAm | 18,372 | 12,295 |
| SSGA Liquidity Fund | AAAm | 0 | 0 |
| Blackrock ICS | AAAm | 41 | 43,648 |
| Blackrock USD Government Liquidity Fund | AAAm | 8 | 3,047 |
| Aberdeen Sterling Liquidity Fund | AAAm | 5 | 88 |
| Goldman Sachs Liquid Reserve Government Fund | AAAm | 6,478 | 17,481 |
| Aviva Investors Sterling Liquidity Fund | AAAm | 7,889 | 6,409 |
| Federated (PR) Short-term GBP Prime Fund | AAAm | 0 | 0 |
| Deutsche Managed Sterling Fund | AAAm | 2,330 | 3,923 |
| HSBC Global Liquidity Fund | AAAm | 0 | 0 |
| LGIM Liquidity Fund | AAAm | 25,315 | 28,043 |
| Insight Sterling Liquidity Fund | AAAm | 168,694 | 0 |
| | | 229,132 | 114,933 |
| Bank deposit accounts | | | |
| NatWest SIBA | A+ | 1,841 | 1,799 |
| | | 1,841 | 1,799 |
| Bank current accounts | | | |
| NatWest current account | A+ | 50 | 50 |
| NatWest current account – Euro | A+ | 134 | 891 |
| NatWest current account – USD | A+ | 9 | 651 |
| Northern Trust – current accounts | AA- | 12,802 | 8,214 |
| Barclays – DTZ client monies account | A+ | 2,592 | 2,225 |
| | | 15,587 | 12,032 |
| Total cash and cash equivalents | | 246,560 | 128,764 |

Notes to the Pension Fund Accounts continued

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 2024 are due within one year.

Refinancing risk

The key risk is that the Fund will be bound to replenish a significant proportion of its Pension Fund financial instruments at a time of unfavourable interest rates. The Fund 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 2022.

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 2022 valuation a maximum deficit recovery period of 11 years (2019 - 14 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 2022 triennial valuation, the smoothed value of the Fund's assets at the valuation date was £7,555m and the liabilities were £7,374m. The assets therefore, represented 102% (2019 - 98%) of the Fund's accrued liabilities, allowing for future pay increases.

The primary contribution rate for the average employer, including payments to target full funding has increased from 18.4% to 20.5% of pensionable salaries after the latest valuation. Secondary rates however differ from employer to employer depending upon their funding position and agreed deficit recovery period. The funding level for the Fund 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 2022 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) | 4.5% p.a. | |
| Rate of general pay increases: | Long term | 3.9% p.a. |
| | Short term | N/A |
| Assumed pension increases | 2.9% 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 2024 £m | 31 March 2023 £m |
|--|---------------------|---------------------|
| Actuarial present value of promised retirement benefits | | |
| Present value of promised retirement benefits | (7,923.6) | (7,735.4) |
| Fair value of scheme assets at bid value | 8,134.2 | 7,831.8 |
| Net asset | 210.6 | 96.4 |

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 103% 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 2022 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 | 3.90% |
| Inflation/Pensions increase rate | 2.90% |
| Discount rate | 4.90% |

In December 2018 the Court of Appeal passed the McCloud judgement, which relates to age discrimination in relation to judges and firefighters pensions. On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases and legislation is now being drafted to bring forward these changes. Updated Regulations are to be consulted on in 2023 with the earliest effective date expected to be October 2023. The Government has confirmed that there will be changes to all main public sector schemes, including the LGPS, to remove this age discrimination. For the 2022 valuation, as instructed by the Department of Levelling Up, Housing and Communities (DLUHC), our actuaries have assumed that the legislation will bring forward the changes as currently proposed, and have valued the benefits in line with this. This exercise has estimated the additional costs to be approximately 0.7% of the Fund's liabilities and these have been included in the total liabilities of the Fund at the 2022 valuation.

21. Current Assets

| | 31 March 2024 £'000 | 31 March 2023 £'000 |
|---------------------------------|------------------------|------------------------|
| Debtors | | |
| – Contributions due – employees | 5,391 | 4,759 |
| – Contributions due – employers | 17,694 | 16,541 |
| | 23,085 | 21,300 |
| Sundry debtors | 5,272 | 6,474 |
| Total debtors | 28,357 | 27,774 |
| Cash | 6,421 | 1,729 |
| Total Current Assets | 34,778 | 29,503 |

Notes to the Pension Fund Accounts continued

22. Current Liabilities

| | 31 March 2024 £'000 | 31 March 2023 £'000 |
|----------------------------------|------------------------|------------------------|
| Creditors | | |
| – Benefits payable | 21,559 | 17,746 |
| – Sundry creditors | 11,524 | 11,874 |
| Total current liabilities | 33,083 | 29,620 |

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 2023 – 2024 £'000 | Prudential 2022 – 2023 £'000 | Standard Life 2023 – 2024 £'000 | Standard Life 2022 – 2023 £'000 | Utmost Life 2023 – 2024 £'000 | Utmost Life 2022 – 2023 £'000 |
|--------------------|------------------------------------|------------------------------------|---------------------------------------|---------------------------------------|-------------------------------------|-------------------------------------|
| Value at 1 April | 10,054 | 10,286 | 1,914 | 2,043 | 277 | 330 |
| Value at 31 March | 12,895 | 10,054 | 1,918 | 1,914 | 282 | 277 |
| Contributions paid | 3,303 | 2,309 | 318 | 186 | 0 | 3 |

24. Related Party Transactions

The 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 transactions with the Fund.

| | 2023 – 2024 £'000 | 2022 – 2023 £'000 |
|--|----------------------|----------------------|
| KCC is the largest single employer of members of the Fund and during the year contributed: | 88,527 | 83,624 |

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 KCC to the Fund in respect of pension administration, governance arrangements, investment monitoring, legal and other services. | 6,497 | 4,118 |
| Year end balance due to KCC arising out of transactions between Kent County Council and the Fund | (6,252) | (6,934) |

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

The key management personnel of the Fund are the Corporate Director Finance (and the Interim Corporate Director Finance), as well as the Head of Pensions and Treasury. The Corporate Director Finance charges a proportion of their time to the Kent Pension Fund as part of the County Council's charge for the administration of the Fund, as above (March 23 figures include full salary). Full details of the salary of the Corporate Director Finance and Interim Corporate Director Finance can be found in the main accounts of Kent County Council.

Total costs charged to the Fund, including amounts recharged by the Corporate Director Finance, in respect of key management are shown below.

| | 31 March 2024 £'000 | 31 March 2023 £'000 |
|----------------------------------|------------------------|------------------------|
| Salary | 118 | 303 |
| Allowances | 12 | 16 |
| Other | 16 | 0 |
| Employer's pension contributions | 27 | 58 |
| Total | 173 | 377 |

Notes to the Pension Fund Accounts continued**25. Contingent liabilities**

The Fund is aware of the 'Virgin Media Ltd v NTL Pension Trustees II Ltd (and others)' case and considers that there is potential for the outcome of this case to have an impact on the Kent Pension Fund. The case affects defined benefit schemes that provided contracted-out benefits before 6 April 2016 based on meeting the reference scheme test. Where scheme rules were amended, potentially impacting benefits accrued from 6 April 1997 to 5 April 2016, schemes needed the actuary to confirm that the reference scheme test was still being met by providing written confirmation under Section 37 of the Pension Schemes Act 1993. In the Virgin Media case the judge ruled that alterations to the scheme rules were void and ineffective because of the absence of written actuarial confirmation required under Section 37 of the Pension Schemes Act 1993. The case was taken to The Court of Appeal in June 2024 and the original ruling was upheld.

As a result, there may be a further liability to the Kent Pension Fund for benefits that were reduced by previous amendments, if those amendments prove invalid (i.e. were made without obtaining s37 confirmation). The Government Actuary's Department is currently undertaking a review to confirm whether such changes occurred in Local Government Pension Schemes. At this point it is not possible to estimate the potential impact, if any, on the Kent Pension Fund and thus the obligation and liability shown in the accounts.

26. Contractual commitments

Outstanding capital commitments (investments) as at 31 March 2024 totalled £309m (31 March 2023: £387m).

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.

The fund also had outstanding commitments for the purchase of property of £4m and for sales of £1.4m.

27. Contingent Assets

38 admitted body employers in the Fund hold insurance bonds and 12 hold guarantees with their Employing Authority to guard against the possibility of being unable to meet their pension obligations. These bonds and guarantees are drawn in favour of the Fund and payment will only be triggered in the event of employer default.

Post Pool Reporting

The Fund's assets pooled and non-pooled are as follows:

| Pooled (ACCESS) | | |
|------------------------|--------------------|------------------|
| Fund Manager | Asset Class | £'000 |
| Baillie Gifford | Global Equities | 1,204,259 |
| Schroders | UK Equities | 1,246,127 |
| Schroders | Global Equity | 475,841 |
| M&G | Global Equities | 593,948 |
| Ruffer | Absolute Return | 180,143 |
| Total Pooled | | 3,700,318 |

| Non-Pooled | | |
|-------------------------------------|--------------------|------------------|
| Fund Manager | Asset Class | £'000 |
| Schroders | Fixed Income | 259,889 |
| DTZ | Property | 527,294 |
| Goldman Sachs | Fixed Interest | 417,890 |
| Woodford | UK Equities | 2,308 |
| BMO (Pyrford) | Absolute Return | 230,817 |
| CQS | Fixed Income | 257,039 |
| Sarasin | Global Equities | 425,462 |
| Fidelity | Pooled Property | 135,589 |
| DTZ (formerly Kames) | Pooled Property | 27,943 |
| Impax | Global Equities | 74,660 |
| Insight | Equity Protection | 962,656 |
| Partners Group | Infrastructure | 376,066 |
| Harbourvest | Private Equity | 308,604 |
| M&G | Pooled Property | 42,192 |
| M&G AO | Fixed Income | 275,970 |
| YFM | Private Equity | 78,729 |
| Kent County Council Investment Team | Cash | 37,430 |
| Total Non-Pooled | | 4,440,538 |
| Grand Total | | 8,140,856 |

For 2023-24 the ongoing costs of the investments broken down between pooled and non-pooled assets are detailed below:

| Pool Set up Costs | 2023-2024 £'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 | | 608 | |

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 2023-24.

*1/11th of total ACCESS costs

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

| | 2016–2017 £'000 | 2016–2017 £'000 | 2017–2018 £'000 | 2018–2019 £'000 | 2019–2020 £'000 | 2020–2021 £'000 | 2021–2022 £'000 | 2022–2023 £'000 | 2023–2024 £'000 | Cumulative £'000 |
|-----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|
| Set up costs | 6 | 80 | 80 | – | – | – | – | – | – | 166 |
| Pooling ongoing costs | | | | 137 | 87 | 82 | 91 | 115 | 133 | 645 |
| Transition costs | – | – | | 363 | – | 245 | – | – | – | 608 |
| Fee savings | (26) | 242 | 776 | 1,436 | 1,596 | 3,968 | 4,774 | 4,872 | 5,372 | 23,011 |
| Net savings | (32) | 162 | 696 | 936 | 1,509 | 3,641 | 4,683 | 4,757 | 5,239 | 21,592* |

*Of the above total cumulative savings of £21.6m, £7.4m 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 2023-24, 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 | | | Total £'000 |
|---------------------------|-----------------|-------------------|------------------|-----------------|-------------------|------------------|------------------|
| | Direct £'000 | Indirect £'000 | Total £'000 | Direct £'000 | Indirect £'000 | Total £'000 | |
| FM Fees | – | 9,373.78 | 9,373.78 | 4,848.44 | 17,002.23 | 21,850.67 | 31,224.45 |
| Pool shared (ASU) | 133.22 | – | 133.22 | – | – | – | 133.22 |
| Transaction costs | – | 1,645.94 | 1,645.94 | 163.33 | 1,100.85 | 1,264.18 | 2,910.12 |
| Custody | – | – | – | 40.77 | – | 40.77 | 40.77 |
| Other – pooled fund costs | – | 198.82 | 198.82 | – | 6,373.23 | 6,373.23 | 6,572.04 |
| Total | 133.22 | 11,218.55 | 11,351.76 | 5,052.53 | 24,476.31 | 29,528.84 | 40,880.61 |

Asset Allocation and Performance:

| | Pooled | Under Pool Management | Not Pooled | Total |
|--|----------|--------------------------|------------|----------|
| £m Asset values as at 31 March 2024 | | | | |
| UK Listed Equities | 1,413.84 | – | 46.33 | 1,460.17 |
| UK Government Bonds | – | – | 2.11 | 2.11 |
| UK Infrastructure | – | – | 41.37 | 41.37 |
| UK Private Equity | – | – | 106.01 | 106.01 |

| | Pooled | Under Pool Management | Not Pooled | Total |
|--|-----------------|--------------------------|-----------------|-----------------|
| £m Asset values as at 31 March 2024 | | | | |
| Equities | 3,519.93 | – | 484.36 | 4,004.29 |
| Bonds | – | – | 1,197.68 | 1,197.68 |
| Diversified Growth Funds | 180.14 | – | 230.82 | 410.96 |
| Equity Protection | – | – | 793.96 | 793.96 |
| Property | – | – | 730.43 | 730.43 |
| Private Equity | – | – | 387.33 | 387.33 |
| Infrastructure | – | – | 376.07 | 376.07 |
| Cash | – | – | 240.14 | 240.14 |
| Grand Total | 3,700.07 | – | 4,440.79 | 8,140.86 |

Independent Auditor's report

Independent auditor's statement to the members of Kent County Council on the pension fund financial statements of Kent Pension Fund included within the pension fund annual report.

Opinion

We have examined the pension fund financial statements of Kent Pension Fund (the 'pension fund') for the year ended 31 March 2024 included within the pension fund annual report, which comprise the Fund Account, the Net Assets Statement, and the notes to the financial statements, including the summary of significant accounting policies.

In our opinion, the pension fund financial statements included within the pension fund annual report are consistent, in all material respects, with the audited pension fund financial statements of Kent County Council for the year ended 31 March 2024 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

We have not considered the effects of any events between the date the auditor's report on the financial statements of Kent County Council was signed, and the date of this statement.

Respective responsibilities of the Acting Corporate Director of Finance and the auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Acting Corporate Director of Finance is responsible for the preparation of the pension fund's financial statements in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

Our responsibility is to state to the members of Kent County Council our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the financial statements of Kent County Council. We also read the other information contained in the pension fund annual report and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information comprises the information included in the pension fund annual report, other than the pension fund financial statements and our auditor's statement thereon.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the financial statements of Kent County Council describes the basis of our opinion on those financial statements.

Use of this auditor's statement

This statement is made solely to the members of Kent County Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our work has been undertaken so that we might state to the members of Kent County Council those matters we are required to state to them and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Kent County Council and the members of Kent County Council as a body, for our work, for this statement, or for the opinions we have formed.

Parris Williams,
*Key Audit Partner for and on behalf of
Grant Thornton UK LLP, Local Auditor*

21 March 2025



ACCESS ANNUAL REPORT 2023/24



Foreword

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

This has been another year where further significant progress has been made within our Pool. Driven by over **£5.4bn** of incoming investment activity within both the listed and non-listed asset classes, the total value of assets within pooled arrangements reached **£44.725bn** at the 31 March 2024. The result is that our pooling progress at the year-end was just short of 70% of all assets under management across the 11 ACCESS Authorities. Further investment activity since the end of the year places the pool progress above 70%.

The work undertaken on non-listed assets in particular has considerably expanded the range of pooled solutions ACCESS now offers. So in addition to listed assets, mandates covering different types of Real Estate and Infrastructure are now available. It is important to highlight that in aggregate, the geographic profile of ACCESS investments demonstrate that over 20% of assets are now invested within the UK.

A key theme during the year was the Government LGPS Pooling Consultation. Launched in July 2023 against a background of the Mansion House Reforms, the Consultation explored key areas on approaches to pooling, UK investment and future expectations. ACCESS Authorities undertook an extensive collective process of consideration and dialogue in producing a detailed Pool response. This has formed the basis for dialogue which continued after the Government's own response at the November 2023 Autumn statement and into the Ministerial Roundtables of late Spring 2024. It is a dialogue we look forward to continuing with the new Government and MHCLG Ministers and colleagues.

One aspect of our evidence ACCESS submitted to Government was the findings of work undertaken by Dr Chris Sier at ClearGlass. Based on Cost Transparency Initiative data, his team of specialists produced an analysis of fees paid by ACCESS Authorities compared to those prevalent in the market. This concluded that across listed assets the ACCESS pool delivers around **£29m** of annual savings (or 27%).

During the year the Joint Committee approved two appointments following procurements which used the National LGPS Frameworks. As a result, PIRC are now advising our Pool on ESG / RI matters and Tavistock are now the Communications partner for ACCESS. We look forward to working with both organisations and building on the achievements made to date.

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 (ASU).



Cllr Mark Kemp-Gee

Chairman of the ACCESS Joint Committee
Chairman of the Hampshire Pension Fund
Panel & Board

Introduction

2023/24 saw a number of key developments to further increase the asset classes covered by ACCESS and therefore expand the investment opportunity set of our 11 LGPS Authorities.

Our Implementation Adviser for non-listed assets, Apex, undertook a Property procurement process which concluded in 2023. The outcome of which is that CBRE will undertake both UK Core and Global Real Estate mandates. In addition, following a review, Apex recommended the AVIVA Lime Fund for Long Lease domestic Real Estate. As a consequence, during 2023/24 property investment totalling **£2.2bn** switched to these Pooled arrangements. Additional Real Estate investment is anticipated, and a search is underway on Social Housing whilst work is being undertaken to explore the potential for investment in the Impact space.

Following a review of infrastructure opportunities undertaken by Mercer Consulting two funds: IFM and JPM have been designated as Pool-Aligned with a combined ACCESS investment of **£1.7bn**.

At the time of writing Apex concluded a Timber search which has resulted in JP Morgan Campbell and Stafford managing **£800m** in aggregate across two natural capital mandates.

Whilst much of our activity in the year has been around developing the non-listed part of our Pool, we now have 5 year performance data for our first 8 actively managed sub-funds. Collectively this blend of Global and UK equities have produced an annualised return of 9.8% against a benchmark of 8.9%. LGPS Authorities are, of course, long term investors, however a sustained annualised outperformance of 0.9% over our initial 5 years represents a

significant milestone on our journey.

During the last year ACCESS and ACS Operator Waystone have rethought Pool Investor Days. What had tended to centre on presentations has now become a blend of debate, analysis and informal interaction. At events in November 2023 and June 2024, London venues have combined time and space for networking with both Waystone and their appointed ACS Investment Managers, along with formal sessions on markets, LGPS developments, RI expectations and geopolitical risk factors. The revised format has maximised engagement for delegates including s101 Committee Members, Local Pension Board Members, s151 officers and LGPS officers.

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 continued progress of the Pool.

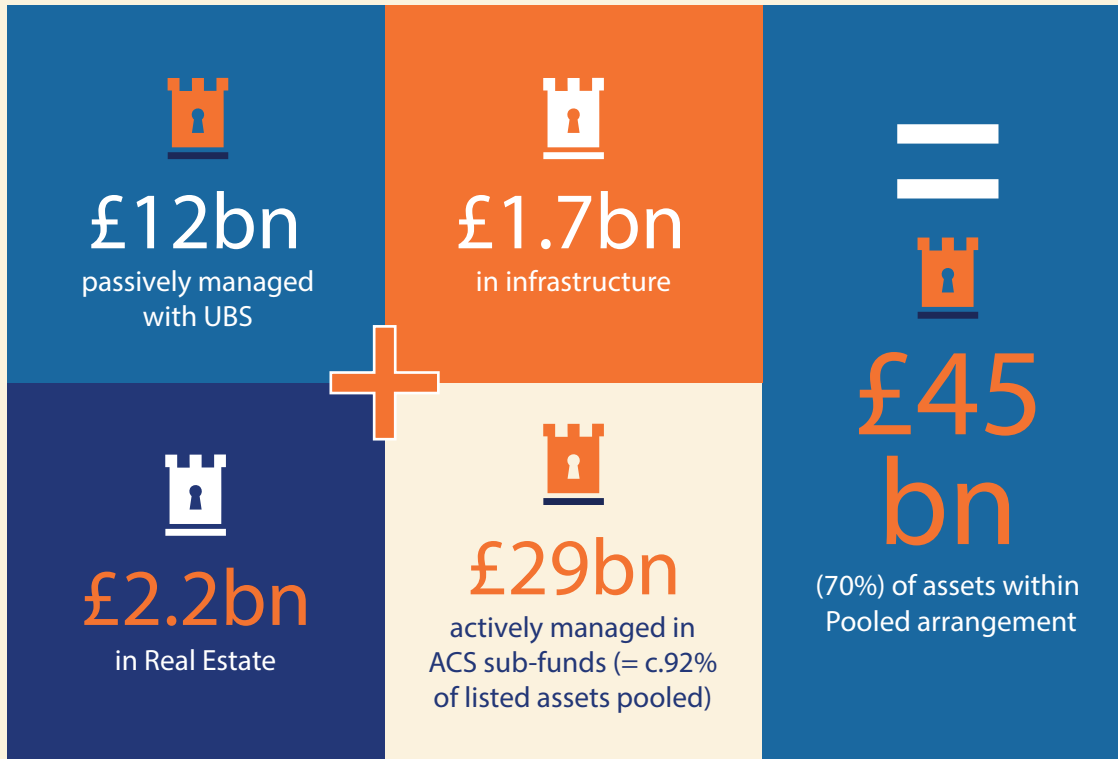


Kevin McDonald

Director, ACCESS Support Unit

At a glance

Assets



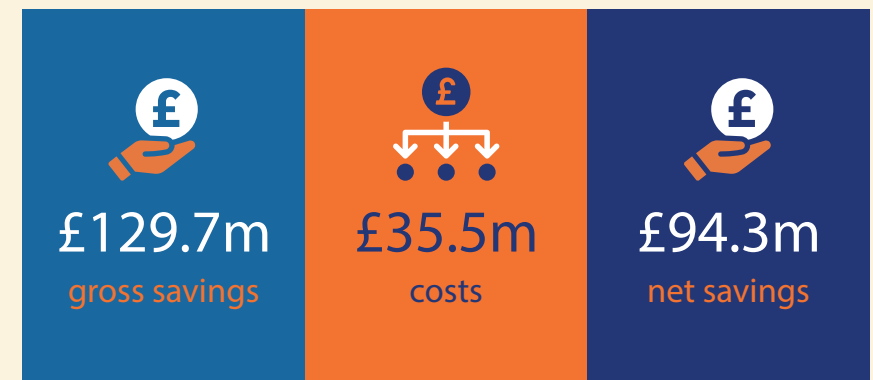
People and employers



Performance



Costs & savings since inception



Background

ACCESS (A Collaboration of Central, Eastern and Southern Shires) is made up of eleven Local Government Pension Schemes (LGPS) Administering Authorities: Cambridgeshire County Council; East Sussex County Council; Essex County Council; Hampshire County Council; Hertfordshire County Council; Isle of Wight Council; Kent County Council; Norfolk County Council; Northamptonshire County Council (West Northamptonshire from 1 April 2021); Suffolk County Council and West Sussex County Council in response to the Governments pooling agenda across the LGPS. The first ACCESS Inter Authority Agreement was signed in late June 2017.

The ACCESS Administering Authorities are committed to working together to optimise benefits and efficiencies on behalf of their individual and collective stakeholders, operating within a clear set of objectives and principles that drives the decision-making process.

Governance

Strategic oversight and scrutiny responsibilities remain with the Administering Authorities as does all decision making on their individual Funds asset allocation and the timing of transfers of assets from each Fund into the arrangements developed by the ACCESS Pool.

The Joint Committee (JC) has been appointed by the eleven Administering Authorities under s102 of the Local Government Act 1972, to exercise specific functions in relation to the pooling of LGPS assets. The JC's functions include the specification, procurement, recommendation of appointment of pool Operators (for active asset management) and pool-aligned asset providers (for passive asset management), to the Administering Authorities. The Joint Committee also reviews ongoing performance.

The Section 151 Officers of ACCESS Authorities provide advice to the Joint Committee in response to its decisions to ensure appropriate resourcing and support is available to implement the decisions and to run the ACCESS Pool.

The Joint Committee is further supported by the Officer Working Group (OWG) and the ACCESS Support Unit (ASU).

The Officer Working Group consists of officers with specialist LGPS investment skills, identified by each of the Administering Authorities whose role is to provide a central resource for advice, assistance, guidance and support for the Joint Committee.

The ACCESS Support Unit (ASU) provides the day-to-day support for running the ACCESS Pool and has responsibility for programme management, contract management and supplier relationship, administration and technical support services. 2020/21 saw the approval of two additional roles to increase support capacity of the ASU which is hosted by Essex County Council. Appointments were made to these positions in March 2021 and July 2021. These roles are also supplemented with additional technical support from Officers within the ACCESS Authorities.



The Operator: Waystone

Appointed in 2018, Waystone (formally Link Fund Solutions Ltd), provide the pooled operator service, overseeing, establishing and operating an Authorised Contractual Scheme (ACS) for the sole use of ACCESS Authorities. Waystone are also responsible for the creation of a range of investment sub-funds for active listed assets and the appointment of the investment managers to those sub-funds. This is designed to enable Administering Authorities to execute their asset allocation strategies.

Pool Aligned Assets

UBS were appointed following a joint procurement in 2017, and act as the ACCESS Authorities' investment manager for passive assets. JP Morgan and IFM were approved in 2024 to provide open ended infrastructure investments to the Pool. Aviva were appointed in 2024 to provide long lease real estate investments and CBRE have been appointed to provide UK and Global Property investments.

Progress on Pooling

ACCESS submitted its pooling proposal to Government in July 2016 with detailed plans for establishing and moving assets into the pool. Included in the proposal was an indicative timeline of when assets will be pooled, and ACCESS has continued to make excellent progress against the principal milestones set out. ACCESS currently has **£44.724** billion assets pooled, and net savings of **£92.4** million by March 2024. An additional **£1.250** billion has been committed to investments in the Pool for 2024/25. As at 31 March 2024, almost **70%** of assets have been pooled.

Pooled Investments

£ Billions

| | |
|---------------------------------|---------------|
| Global Equity Funds | 16.269 |
| UK Equity Funds | 1.987 |
| Fixed Income | 8.668 |
| Diversified Growth | 1.162 |
| Emerging Markets | 0.767 |
| Passive Investments | 11.989 |
| Infrastructure | 1.711 |
| Real Estate | 2.171 |
| Total Pooled Investments | 44.724 |

The passive investment funds are held on a pool governance basis under one investment manager as these assets are held in life fund policies, which cannot be held within an authorised contractual scheme.



Key milestones achieved in 2023/24

- Approval and launch of sub-funds reflecting the strategic asset allocation needs of the ACCESS Funds.
- Work with CBRE to implement the property mandates.
- Pool alignment of infrastructure funds.
- Procurement and implementation of long lease real estate.
- Procurement of timberlands mandate.
- Preparation for, and the commencement of the procurement of the operator services.
- Implementation of outcomes from third party review.
- Commencement of Responsible Investment reporting support for the Pool.
- Additional resources appointed to the ASU to support the activities of the ACCESS Pool.

Objectives for 2024/25


ACCESS is well placed to continue to develop the pool and progress will continue. It is anticipated that 2024/25 will see key activities within the following themes:

- Reprocurement of the operator services.
- Implementation of private equity and private debt solutions established by Apex.
- Submission of UK Stewardship code application.
- Implementation of reviewed voting guidelines.
- Complete the implementation of outcomes from third party review.
- Review the arrangements of Local Pension Board observes at Joint Committee meetings.

Expected v Actual Costs and Savings

The table below summarises the financial position for 2023/24 along with the cumulative position since the commencement of ACCESS activity in early 2016.

A budget for ongoing operational costs is set by the Joint Committee and is financed equally by each of the eleven Authorities. 2023/24 saw a slight overspend, primarily due to higher than anticipated costs of external advice combined with an underspend in the technical lead recharge costs.

|  | 2023-2024 | | 2016-2024 | |
|---|------------------------------|------------------------------|---|---|
| | Actual In Year £' Million | Budget In Year £' Million | Actual Cumulative to date £' Million | Budget Cumulative to date £' Million |
| Set Up Costs | - | - | 1.824 | 1.400 |
| Transition Costs | - | - | 3.338 | 6.907 |
| Ongoing Operational Costs | 1.608 | 1.559 | 6.900 | 9.254 |
| Operator & Depositary Costs | 5.264 | 5.771 | 23.392 | 26.709 |
| Total Costs | 6.872 | 7.330 | 35.454 | 44.270 |
| Pool Fee Savings | 30.794 | 19.900 | 129.739 | 85.450 |
| Net Savings Realised | 23.922 | 12.570 | 94.285 | 41.180 |

Operator and depositary fees are payable by each Authority in relation to assets invested within the Authorised Contractual Scheme established by Waystone as pool operator.

The 2023/24 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.

Environmental, Social and Governance (ESG) and Responsible Investment (RI)

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

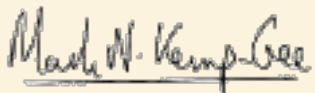
Whilst the participating authorities have an overriding fiduciary and public law duty to act in the best long-term interests of their LGPS stakeholders to achieve the best possible financial returns, with an appropriate level of risk they also recognise the importance of committing to responsible investment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

ACCESS has reviewed its own ESG/RI guidelines to reflect both the requirements of the Authorities and the expectations associated with this fundamental aspect of institutional investment.

PIRC have been appointed to provide advice on future appropriate reporting requirements to provide transparency to stakeholders, monitor adherence to the Guidelines and inform discussion on ESG/RI matters.

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 voting guidelines sets out the principles of good corporate governance and the means by which ACCESS will seek to exercise its influence on companies. During the year, votes on behalf of ACCESS Authorities were cast at 2,614 meetings on 37,483 resolutions and UBS voted at 11,577 meetings on 134,800 resolutions on ACCESS investments held with them.



Clr Mark Kemp-Gee

Chairman of the ACCESS Joint Committee
Chairman of the Hampshire Pension Fund Panel & Board



Kent Pension Fund Report and Accounts

For the year ended 31 March 2024



Kent Pension Fund

Delivering an outstanding service to our customers