

# Kent County Council Superannuation Fund Report and Accounts

For the year ended 31 March 2019



**Kent  
County  
Council**  
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**If you have any comments on the annual report,**

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Kent County Council, Room 3.17, Sessions House, County  
Hall, Maidstone, Kent ME14 1XQ

## Chairman's foreword

As the Fund Chairman it is my pleasure to introduce the Kent Pension Fund annual report.

2018-19 was a busy and successful year for the Fund as it grew in value to £6.2bn, having achieved an investment return of 7.1%, and individual and employer membership increased.

We continue to work hard to ensure the Fund is best positioned to deliver the returns needed in the future and it is pleasing to report that this has been a good year for the Fund's investments and while investment performance varied across strategies and managers our long established global equity, UK equity and direct property managers performed particularly well.

In June 2018 following a review of the strategic asset allocation for the Fund, the Committee decided to increase the allocation to alternative and absolute return asset classes and reduce its allocation to UK equities. During the year the Fund invested £70m in a Ruffer absolute return fund and made additional commitments to private equity and infrastructure funds. At every meeting of the Superannuation Fund Committee we review the performance of the Fund's investment managers and asset allocation.

The ACCESS pool is now well established and the Kent Fund has £3.1bn invested in the pool, 54% of assets available for pooling. Work is continuing to set up further investment sub-funds as well as finalise governance and administrative arrangements for the pool. The Kent Fund is represented on the pool by Members and Officers. Kent Democratic Services also provides secretarial support to the Joint Committee.

**The ACCESS annual report is overleaf.**

Individual membership of the Fund increased during the year and at 31 March 2019 there were 51,345 contributing members, a decrease of some 1,400 from 31 March 2018 and in total there are now 137,416 members in the Fund. The number of employers in the Fund also increased, to 434, mainly as a result of staff transferring to new employers as services have been outsourced and schools converting to academy status.

The growth in membership has resulted in an increased workload for the KCC staff who provide the administrative and accounting support to the Fund and I am grateful to them for all their hard work in maintaining high levels of service to members.

I would also like to thank the members of the Superannuation Committee and Pensions Board for their hard work and commitment during 2018-19. 2019-20 looks like being another challenging period for the Fund in terms of its investment strategy and further investment in the ACCESS pool, while managing the needs of an increasing membership. As Chairman I am really looking forward to working with Members and Officers over the next 12 months.

**Charlie Simkins**  
**Chairman**



# ACCESS Annual Report

As Chairman of the ACCESS Joint Committee I am pleased to be introducing the first Annual Report for the ACCESS Pool. The Pool has made excellent progress during the year with just under £20 billion of assets pooled. £8.176 billion is invested directly in the Pool through Link Fund Solutions and the passive investments of £11.431 billion are invested on a pool governance basis.

I am grateful for the dedication and support from my fellow Chairmen on the Joint Committee, the officers from the ACCESS authorities and the staff of the Support Unit whose hard work and collaborative spirit has made such progress possible.

The pace of development for the Pool will continue during 2019-20, with further sub-fund launches planned throughout the year.

## Background

ACCESS (A Collaboration of Central, Eastern and Southern Shires) is made up of 11 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; Suffolk County Council and West Sussex County Council in response to the Government's pooling agenda across the LGPS.

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.

Collectively as at 31 March 2019, the pool has assets of £46 billion serving 3,000 employers with over 1 million members including 290,000 pensioners.

## Governance

The ACCESS Pool is not a legal entity in itself but is governed by an Inter Authority Agreement signed by each Administering Authority. The Inter Authority Agreement sets out the terms of reference and constitution of ACCESS.

The formal decision-making body within the ACCESS Pool is the Joint Committee. The Joint Committee has been appointed by the 11 Administering Authorities under s102 of the Local Government Act 1972, with delegated authority from the Full Council of each Administering Authority to exercise specific functions in relation to the Pooling of Pension Fund assets.

The Joint Committee is responsible for ongoing contract management and budget management for the Pool and is supported by the Officer Working Group and the ACCESS Support Unit (ASU).

The Officer Working Group are officers representing 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, administration and technical support services. The permanent staff roles within the ASU are employed by the Host Authority (Essex) with additional technical support from Officers of the ACCESS Pension Funds.

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

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 Operator

Link Fund Solutions Ltd has been appointed to provide a pooled operator service. Link is responsible for establishing and operating an authorised contractual scheme (ACS) along with the creation of a range of investment sub-funds to meet the needs of the investing authorities enabling them to execute their asset allocation strategies, and the appointment of the investment managers to those sub-funds.

## Progress

ACCESS submitted its pooling proposal to Government in July 2016 with detailed plans for establishing and moving assets into the pool and has regularly submitted progress reports to Government. These are all published on the Pool's website ([www.accesspool.org](http://www.accesspool.org)).

Included in the proposal is an indicative timeline of when assets will be pooled and ACCESS has made excellent progress against the first milestone of having £27.2 billion assets pooled and estimated savings of £13.6 million by March 2021.



## Pooled Assets

As at 31 March 2019 ACCESS has pooled the following assets:

Pooled Investments	£ billion
Passive investments	11.431
UK Equity Funds	2.323
Global Equity Funds	5.853
<b>Total Pooled Investments</b>	<b>19.607</b>

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 ACS.

### Key milestones achieved in 2018/19

- Establishment of the ACCESS Support Unit and recruitment of a contract manager and support officer to provide day to day support for the Pool. The unit was further strengthened by the appointment of technical leads from existing officers to lead and progress specific areas of work.
- Development of a Governance Manual to reflect decision making principles, communications strategy, policies and procedures.
- Approval and launch of the first two tranches of sub-funds.
- Establishment and implementation of the stock lending programme.
- Providing updates of progress to Government and responding to consultations.

### Objectives for 2019/20

Following the launch of a number of sub-funds, progress will continue apace with significant rationalisation of the existing range of mandates. The Operator will be developing and launching a further series of sub-funds which will collectively reflect the strategic asset allocation needs of the Funds and facilitate a significant move of the assets to be pooled.

Whilst establishing and developing the ACCESS Pool, the initial focus has been on pooling the most liquid assets, mainly equities and fixed income bonds. The next step is to formulate an approach to pooling and managing illiquid assets such as private equity and infrastructure. This will involve reviewing various structures and platforms and assessing these to identify the best fit to meet with the Funds' current and future requirements.

## Financial Management

### Pool Set-Up Costs

The set-up costs incurred by the pool includes professional and legal advice received in relation to establishing the pool and procuring the operator, and advice and support in the development of good governance. A breakdown of the total costs from inception are as below. The costs are split equally amongst the 11 Funds.

	2015-16 £'000	2016-17 £'000	2017-18 £'000
Strategic & Technical Advice	38	295	281
Legal	1	95	313
Project Management	20	379	189
ACCESS Support Unit			3
Other	1	108	101
<b>Total Set Up Costs</b>	<b>60</b>	<b>877</b>	<b>887</b>

### Fee Savings

The ACCESS pool has sought out fee savings based on economies of scale with investment mandates that have been set up as sub-funds by Link and by consolidating its passive investments with one investment manager.

The management fee savings received by the pool are as below:

	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000	Total
Set Up Costs	60	877	887	–	<b>1,824</b>
Ongoing Operational Costs	–	–	149	<b>1,248</b>	<b>1,397</b>
Transaction Costs	–	–	–	<b>674</b>	<b>674</b>
<b>Total Costs</b>	<b>60</b>	<b>877</b>	<b>1,036</b>	<b>1,922</b>	<b>3,895</b>
Fee Savings	–	–	681	<b>6,378</b>	<b>7,059</b>
<b>Net Savings</b>					
<b>Realised/(Costs)</b>	<b>(60)</b>	<b>(877)</b>	<b>(355)</b>	<b>4,456</b>	<b>3,164</b>

### Expected v Actual Costs and Savings

The table below compares the actual costs and savings for 2017-18 and 2018-19 to the Business case submission to MHCLG:

	2017-18		2017-18	
	Actual In Year	Budget In Year	Actual Cumulative to date £'000	Budget Cumulative to date £'000
	£'000	£'000	£'000	£'000
Set Up Costs	887	800	1,824	1,400
Ongoing Operational Costs	149	–	149	–
Transition Costs	–	–	–	–
<b>Total Costs</b>	<b>1,036</b>	<b>800</b>	<b>1,973</b>	<b>1,400</b>
Pool Fee Savings	(681)	(950)	(681)	(950)
<b>Net Savings Realised/(Costs)</b>	<b>(355)</b>	<b>(150)</b>	<b>(1,292)</b>	<b>(450)</b>

	2018-19		2018-19	
	Actual In Year	Budget In Year	Actual Cumulative to date £'000	Budget Cumulative to date £'000
	£'000	£'000	£'000	£'000
Set Up Costs	–	–	1,824	1,400
Ongoing Operational Costs	1,248	1,266	1,397	1,266
Transition Costs	674	2,499	674	2,499
<b>Total Costs</b>	<b>1,922</b>	<b>3,765</b>	<b>3,895</b>	<b>5,165</b>
Pool Fee Savings	6,378	3,800	7,059	4,750
<b>Net Savings Realised/(Costs)</b>	<b>4,456</b>	<b>35</b>	<b>3,164</b>	<b>(415)</b>

The original budget for setting up the ACCESS Pool was £1 million which was 0.3 bps based on the value of the Funds, £33 billion as at 31 March 2015. The Fund value has risen in the intervening years and 0.3 bps on the current value is £1.4 million. The additional expense has been incurred in securing technical and legal advice in setting up the Pool and procuring the Operator.

Ongoing operational costs were included in the submission at 1.5 bps of pooled assets excluding the passive investments. These are the costs for running the ACCESS Pool and include the costs of the support unit and professional and legal advice.

Significant additional savings have also been achieved through negotiating a reduction in investment management fees in pooled aligned investments. These savings have not been included in the table overleaf.

The ACCESS Pool has worked hard to minimise the costs of transition for pooled holdings. Transition costs for the passive investment mandate were met by the appointed investment manager.

### Environmental, Social and Governance

The Pension Funds in ACCESS believe in making long term sustainable investments whilst integrating environment 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 acknowledges its responsibilities as an investor and has considered how environmental, social and governance issues can be taken into account when managing investment portfolios. It believes that the pursuit of standards of best practice aligns the interest of Fund members with those of fellow shareholders and with society as a whole.

The ACCESS pool has a single voting policy for pooled assets and 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 policy sets out the principles of good corporate governance and the means by which ACCESS will seek to exercise its influence on companies.

### Andrew Reid

Cllr Andrew Reid – Chairman, ACCESS Joint Committee

## Governance arrangements

### The Superannuation Fund Committee

The Superannuation Fund Committee exercises all of 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.

The membership of the Committee during 2018-19 is detailed below. There were 5 full Committee meetings during the year.

### Committee members



**Charlie Simkins**  
Chairman  
Kent County Council



**Nick Chard**  
Vice Chairman  
Kent County Council



**Dan Daley**  
Kent County Council



**Paul Barrington-King**  
Kent County Council



**Peter Homewood**  
Kent County Council



**James McInroy**  
Kent County Council



**John Burden**  
Gravesham Borough Council



**Nick Eden-Green**  
Canterbury City Council



**Paul Clokie**  
Ashford Borough Council



**Paul Bartlett**  
Kent County Council



**Paul Cooper**  
Kent County Council



**John Wright**  
Kent County Council



**Les Wicks**  
Medway Council

**Kent Active Retirement Fellowship Representatives**  
Mary Wiggins  
David Coupland

**Union Representative**  
Joe Parsons

### Local Pensions Board

The Local Pensions Board for Kent was established in April 2015 in accordance with the relevant Government Legislation. The membership of the Board during 2018-19 is detailed below; there were 2 full Board meetings during the year.

### Board members

<b>Margaret Crabtree</b> , Chairperson	Kent County Council
<b>Rosalind Binks</b>	Kent County Council
<b>David Monk</b>	Shepway District Council
<b>Alison Kilpatrick</b>	Kent and Medway Fire and Rescue Service
<b>Joe Parsons</b> , Vice Chairperson	Unison Representative
<b>John Peden</b>	Staff Representative
<b>David Coupland</b>	Kent Active Retirement Fellowship Representative

### Kent County Council Officers and Others

The day to day operations and management of the Fund and implementing the decisions of the Superannuation 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.

## Governance 2018-19

During the year the Superannuation Fund Committee met five times and the Pensions Board met twice. Attendance at the Committee and Board meetings was as below:

### Superannuation Fund Committee

Member	Meetings attended
Charlie Simkins	5/5
Nick Chard	3/5
Paul Barrington-King	4/5
Paul Bartlett	4/5
John Burden	5/5
Paul Clokie	5/5
Paul Cooper	5/5
David Coupland	4/5
Dan Daley	5/5
Nick Eden-Green	4/5
Peter Homewood	3/5
James McInroy	5/5
Joe Parsons	4/5
Les Wicks	2/5
Mary Wiggins	2/5
John Wright	5/5

### Pensions Board

Member	Meetings attended
Margaret Crabtree	1/2
Joe Parsons	2/2
Rosalind Binks	2/2
David Coupland	2/2
Alison Kilpatrick	1/2
David Monk	2/2
John Peden	2/2
Unison Rep – VACANCY	

### Committee activity

Items considered by the Committee at its meetings in 2018/19 were as follows:

- Review of the Fund's investment strategy
- Quarterly updates on the Fund's asset allocation and performance
- Review of the Fund's fixed income investments
- Review of the Fund's Property investment strategy
- Review of the Fund's Private Equity and Infrastructure strategy
- Update on the Fund's Currency Balances
- Update on Investment Management Costs
- ACCESS pooling updates
- Updates on Employer matters and admission applications
- Update from the Fund's Actuary
- Pension administration updates
- The 2017/18 Report and Accounts and External Audit Report
- Review of the Fund's Risk Register
- The Fund's response to the Consultation on LGPS statutory Guidance on Asset Pooling

### Board activity

At its meetings in June and October 2018 the Pension Board considered the following:

- ACCESS pooling updates
- Updates on Employer matters
- Pension administration updates
- The 2017/18 Report and Accounts and External Audit Report
- Internal Audit reports

### Training received in 2018/19

As an administering authority of the Local Government Pension Scheme, Kent County Council recognises the importance of ensuring that all staff and members charged with the financial management and decision making with regard to the pension scheme are fully equipped with the knowledge and skills to act in line with their responsibilities.

### Committee training

During the year, training sessions were organised specifically for the Committee members in order to gain an understanding of asset classes being considered as part of its review of its investment strategy. These included:

- Private Equity
- Infrastructure
- Multi Asset Credit
- Absolute Return

The Committee also had an opportunity to gain an understanding of existing investment mandates from investment managers at the following Committee meetings:

Committee meeting	Topic	Provider
June 2018	Global Equities UK Property	Baillie Gifford DTZ
September 2018	UK Equities	Schroders
November 2018	Global Equities UK Equities	Sarasin Woodford
February 2019	Fixed income absolute return	GSAM
March 2019	Global Equities Fixed Income	M&G Schroders

### Individual training

Individual Committee and Board members as well as staff attended a range of training events in 2018-19 provided by the Pension Fund's investment managers and other external organisations, as follows:

- Trustee Training
- Treasury Management
- LGPS Governance Training Fundamentals
- MiFID II research rules
- Effective Risk Management
- Asset Management Tax
- Annual Fund Manager Client Workshops
- Anti-Money Laundering Refresher
- PLSA LGPS conference
- CIPFA accounting and audit workshop
- LGPS actuary conference



## Fund managers

















**Kent County Council**  
Treasury Management Team




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	Equitable Life Assurance Prudential Assurance Company Standard Life Assurance
Investment Consultants	Mercers
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.
- Communications Policy Statement.

These documents can be found on the Pension Fund's website <http://www.kentpensionfund.co.uk/local-government/fund-information/policies>

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## Risk Management

Kent County Council as the Administering Authority for the Kent County Council Superannuation Fund has delegated responsibility for the management of risk to the Superannuation Fund Committee.

### Risk register

The Committee regularly reviews the Fund's key risks and has identified the main risks as:

- Fund investment return below that assumed by the actuary.
- Risks associated with the investment in the ACCESS ACS sub-funds.

Arrangements have been agreed for the management of these risks in order to mitigate their impact on the Fund.

### Financial, demographic, regulatory, and employer risks

Details of the counter measures in place for financial, demographic, regulatory, and employer risks are included in the Fund's Funding Strategy Statement (FSS). The FSS is reviewed annually.

### Operational risks

Kent County Council's Internal Audit Section conducts regular audits on the management of risk in the Pension Fund.

Third party risk such as that relating to employers in the Fund is managed through monitoring the timeliness of receipts of contributions as well as the annual review of guarantees / bonds provided by Admitted bodies.

### Investment risk management

Further details of the Fund's policy on investment risk management are disclosed in the Fund's Investment Strategy Statement (ISS). The Superannuation Fund Committee formally considers investment risk at four of its five planned meetings during the year.

Assurance over third party operations is provided by investment managers who are required to provide annual AAF 01/06 reports and ISAE 3402 reports.

## Financial Performance

### Financial Summary

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

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
<b>Value of Fund at start of year</b>	4,137,259	4,539,037	4,597,540	5,565,175	<b>5,828,846</b>
Revenue account for year					
– Contributions and transfers in	222,177	224,366	238,851	243,299	<b>247,758</b>
– Investment and other income net of expenditure	74,113	90,449	84,792	93,503	<b>84,971</b>
– Benefits and transfers out	(277,358)	(216,314)	(222,949)	(232,373)	<b>(248,538)</b>
Net Revenue	18,932	98,501	100,694	104,429	<b>84,191</b>
Increase (Decrease) in market value of investments in year	382,846	(39,998)	866,941	159,242	<b>305,132</b>
<b>Increase (decrease) in Fund during year</b>	<b>401,778</b>	<b>58,503</b>	<b>967,635</b>	<b>263,671</b>	<b>389,323</b>
<b>Value of Fund at end of year</b>	<b>4,539,037</b>	<b>4,597,540</b>	<b>5,565,175</b>	<b>5,828,846</b>	<b>6,218,169</b>

### Fund Trends

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

	2014/15	2015/16	2016/17	2017/18	2018/19
<b>Net Assets at 31 March (£'000)</b>	4,539,037	4,597,540	5,565,175	5,828,846	<b>6,218,169</b>
<b>No of Contributors</b>	48,668	49,816	50,834	52,775	<b>51,345</b>
<b>Contributions (£'000)</b>	217,714	220,961	228,285	232,037	<b>238,331</b>
<b>Number of Pensioners</b>	35,917	37,260	38,648	39,813	<b>41,739</b>
<b>Benefits Paid (£'000)</b>	207,356	210,281	214,895	220,876	<b>235,953</b>

The Fund has increased in value by £2bn (50%) from 1 April 2014 to 31 March 2019. The main contributor to the growth has been an appreciation in the asset values owned by the Fund (40%).

The number of contributors in the Fund has been increasing but in 2018-19 we saw the first decrease. Over the years while the overall number of contributors has increased by 5.5%, the amount of contributions, have grown by 9% mainly due to increase in salary levels of employees.

Number of pensioners has continued to grow and were 16% higher at 31 March 2019 compared to 31 March 2015. Pension payments have increased by 14% during the same period.

Investment income net of expenditure has fluctuated with distributions from private equity managers, whilst fees for fund management has increased in line with asset values.

**Management Expenses**

The following table compares actual Administration, Governance and Oversight costs against the budget for 2018-19.

	Actual £'000	Budget £'000
Pensions Administration	2,583	2,436
Fund Administration	527	403
<b>Administration expenses</b>	<b>3,110</b>	<b>2,839</b>
Actuarial Fees	253	271
Actuarial fees directly recovered from employers	(298)	(247)
Investments and Accounting	313	333
ACCESS pooling costs	137	105
Investment Consultants	44	32
Subscriptions	5	5
Performance Measurement Fees	27	17
Audit fee	24	24
<b>Governance and Oversight Expenses</b>	<b>504</b>	<b>540</b>

The costs of administration of the scheme were higher than budgeted due to additional spend with regards to the introduction of i-Connect, for the monthly submission of data from employers, and work carried out on GMP reconciliation.

Governance and admin costs were lower than budget mainly due to lower actuary costs and better recovery of the same.



## Employers

At 31 March 2019 there were 434 Employers in the Fund. During the year the Fund 16 organisations joined the Fund as either scheduled bodies 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 13 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 scheduled bodies and admitted bodies 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	238	64	302
Admitted Body	75	57	132
<b>Total</b>	<b>313</b>	<b>121</b>	<b>434</b>

### Amounts due from Employers

During 2018-19 we collected 99%, (98% in 2017-18) of total contribution income from Employers by the due date of the 19th of the month following. The option to levy interest on overdue contributions was not exercised. At 31 March 2019 contributions in respect of the March salaries totaling £16.7m (31 March 2018 £16.6m) due by 19 April had not been received.

### Member Age Profile

The following table shows that at 31 March 2019 the age profile of the contributing membership was:

Age	Members
Under 20	547
20 – 25	3,531
26 – 30	3,890
31 – 35	4,427
36 – 40	5,528
41 – 45	6,393
46 – 50	8,194
51 – 55	8,255
56 – 60	6,410
61 – 65	3,452
66 – 70	567
Over 70	151

### Five-year analysis of pension overpayments, recoveries and write-offs

#### Overpayments

The overpayments identified over the last 5 years as a result of the Fund's participation in the National Fraud Initiative are:

Year	No.	Value (£)	Action
2015	2	17,692	Recovered
	1	2,906	No response therefore put forward for write off
	1	2,040	No response – written-off
2017	1	572	No next of kin so written-off
	1	537	No response – written-off
<b>Total</b>	<b>6</b>	<b>23,747</b>	

Note: the number of cases has decreased as a mortality screening service is now used on a monthly basis to identify registered deaths.

#### Pension overpayments write-offs

Details of the write-offs made in the last 5 years:

Year	No. of cases	Value (£)
2014-15	10	2,975
2015-16	15	3,947
2016-17	36	8,135
2017-18	39	53,946 *
<b>2018-19</b>	<b>18</b>	<b>27,717 *</b>

\*£71,502 of these amounts refer to historic overpayments that occurred and all possibilities of recovery have been exhausted.

## Investments

This report sets out details of the progress made against the Fund's investment strategy during the year.

At its regular meetings during 2018-19 the Committee reviewed the Fund's actual asset allocation compared to the benchmark, and where the variance was in excess of the tolerance level of +/- 2%, agreed any action to be taken.

The Fund's strategic asset allocation at 31 March 2018 was as follows:

Asset Class	Allocation %	Index
UK Equities	32	FTSE All Share
Overseas Equities	32	MSCI World Index NDR
Fixed Income	15	BAML GBP Broad Market
Property	13	IPD All Properties Index
Private Equity & Infrastructure	2	GBP 7 Day LIBID
Absolute Return	5	RPI +5%
Cash	1	GBP 7 Day LIBID
<b>Total</b>	<b>100</b>	

Following a Strategic Asset Allocation review undertaken by Mercer, the Committee at its September 2018 meeting agreed to revise the asset allocation to reduce its exposure to UK equities and increase the allocation to alternative asset classes as below:

Asset Class	Allocation %	Index
UK Equities	23.5	FTSE All Share
Overseas Equities	32	MSCI World Index NDR
Fixed Income	15	BAML GBP Broad Market
Property	13	IPD All Properties Index
Private Equity & Infrastructure	7.5	GBP 7 Day LIBID
Absolute Return	8	RPI +5%
Cash	1	GBP 7 Day LIBID
<b>Total</b>	<b>100</b>	

### Asset Pooling

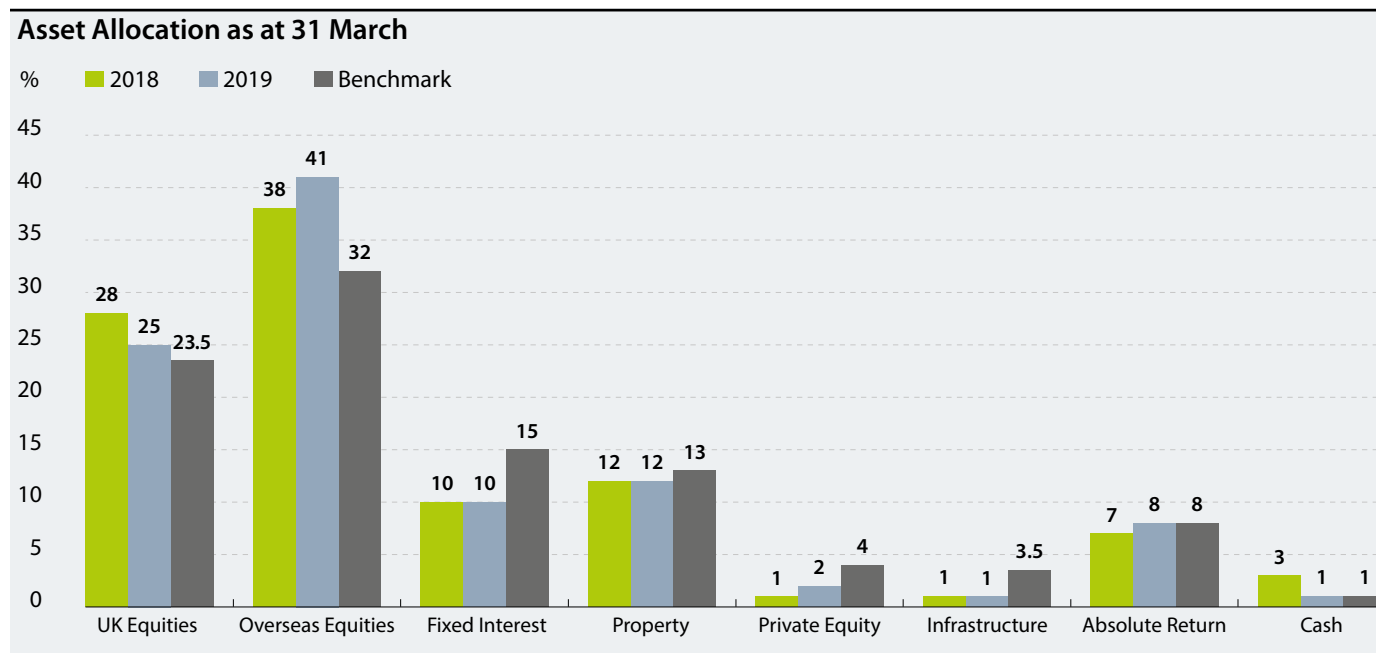
The Kent Pension Fund has made a commitment to pool its assets other than its direct property holdings into the ACCESS Pool. (Please see section on ACCESS for further information about the Pool).

As at 31 March 2019 it had investments of £2.6 billion in three ACCESS sub-funds. Its investments in life funds were valued at £0.7 billion. These assets are held in jointly procured life fund policies, which cannot be held within an authorised contractual scheme which is the overarching legal structure of the ACCESS pool.

The Kent Pension Fund has saved £2.4 million on fees through pooling initiatives.

### Portfolio Distribution

The graph shows the Fund's actual portfolio distribution between the main asset-classes as at 31 March 2018 and 31 March 2019 vs the benchmark.

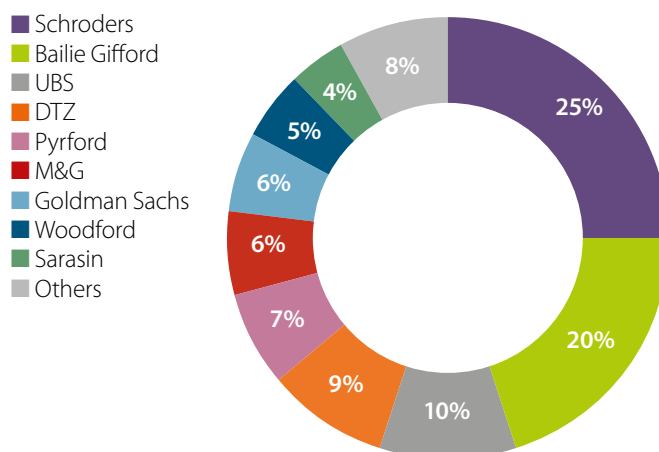


## Value of funds under management by Fund Manager

The following graph shows the Assets Under Management (AUM) and the proportion of the Fund under management by fund manager as at 31 March 2019:

Fund Managers	AUM (£m)
Schroders	1,491
Baillie Gifford	1,302
UBS	654
DTZ	544
Pyrford	424
M&G	390
Goldman Sachs	385
Woodford	260
Sarasin	254
Others	502
<b>Total</b>	<b>6,205</b>

AUM by Fund Manager as a proportion of the Fund



### Investment performance 2018-19

The performance of the Fund's investment managers is reported on a quarterly basis to the Superannuation Fund Committee. The managers submit reports and valuations for this purpose and managers of the larger mandates meet at least annually with the Committee and / or its officers to make presentations and to answer questions.

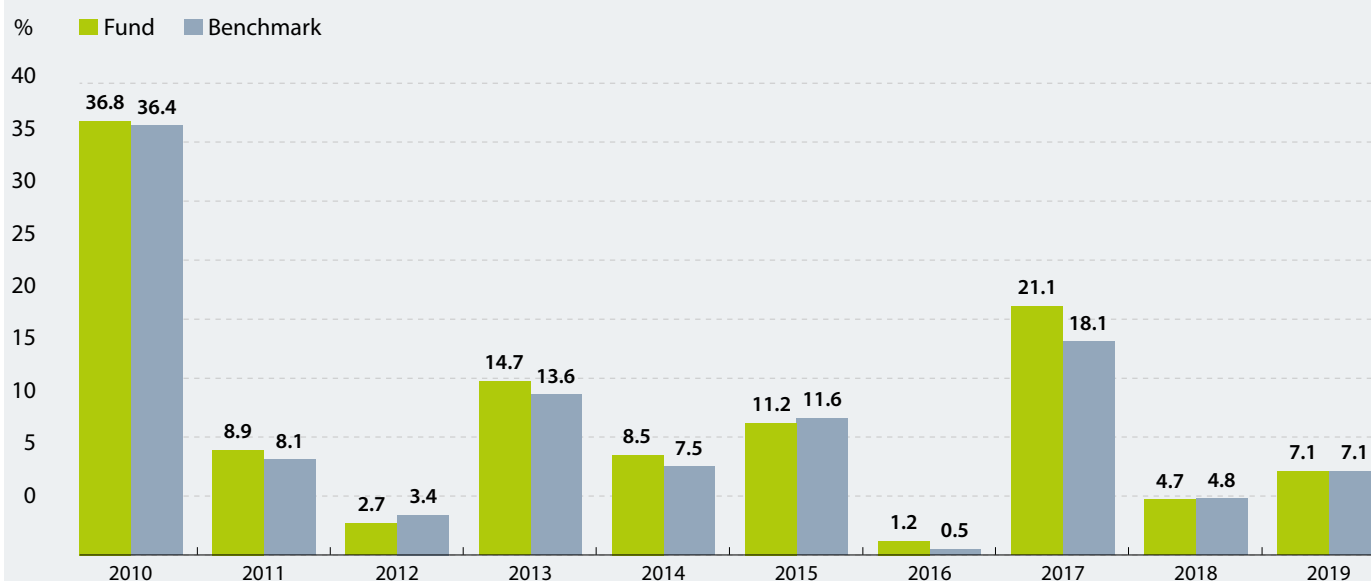
Managers are required to provide valuation information to Northern Trust which assesses the rate of return achieved and provides performance reports that are for consideration by the Committee.

### Total Fund Performance

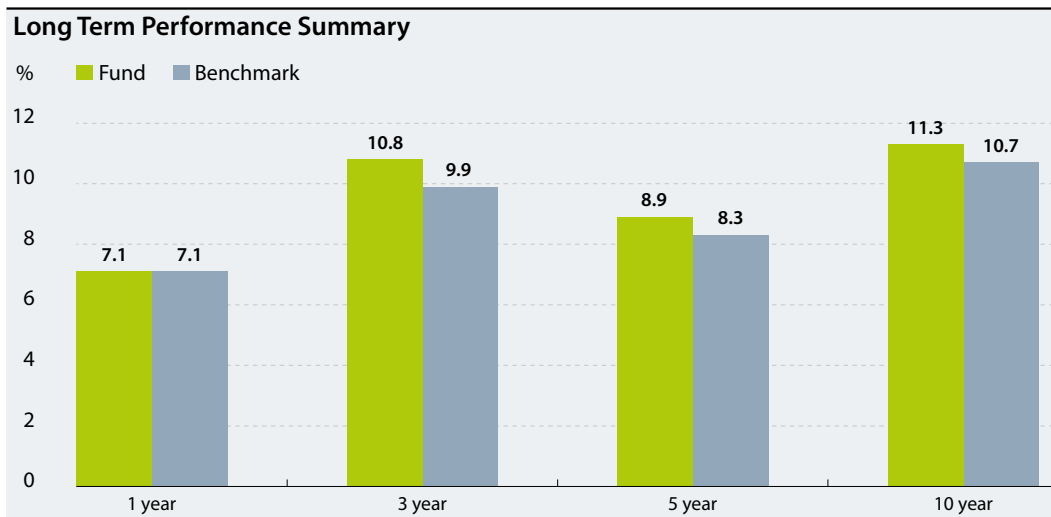
The graph below shows the relative performance of the Kent Fund investments over the last 10 years. The overall return on the Fund investments for 2018-19 was 7.1% compared to the customised strategic benchmark of 7.1%.

For comparison the PIRC Local Authority Universe average fund return for 2018-19 was 6.6%.

### Annual Investment Returns

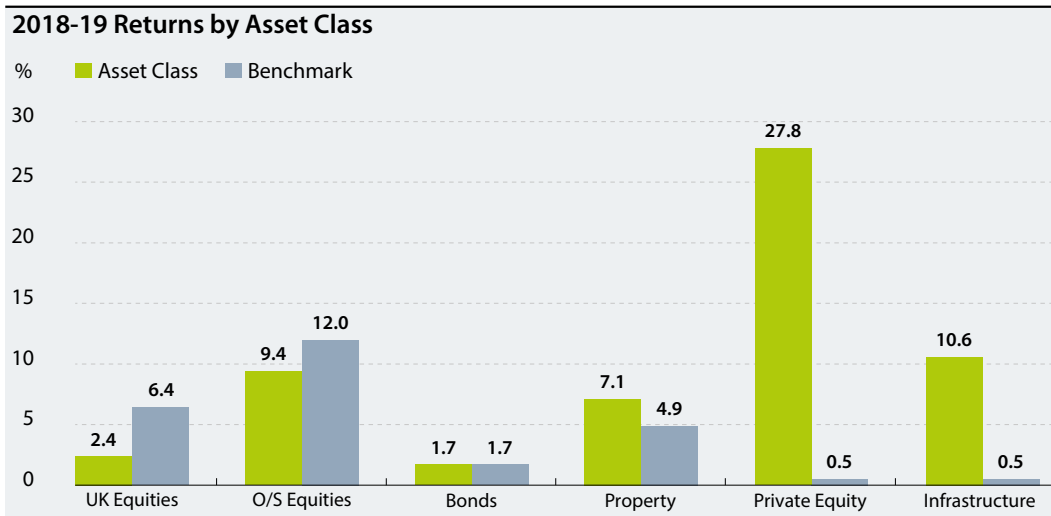


The graph below shows the long term performance of the Fund's investments compared against its Strategic benchmark.



### Returns by Asset Class

The analysis set out below shows the returns by asset class for 2018-19:

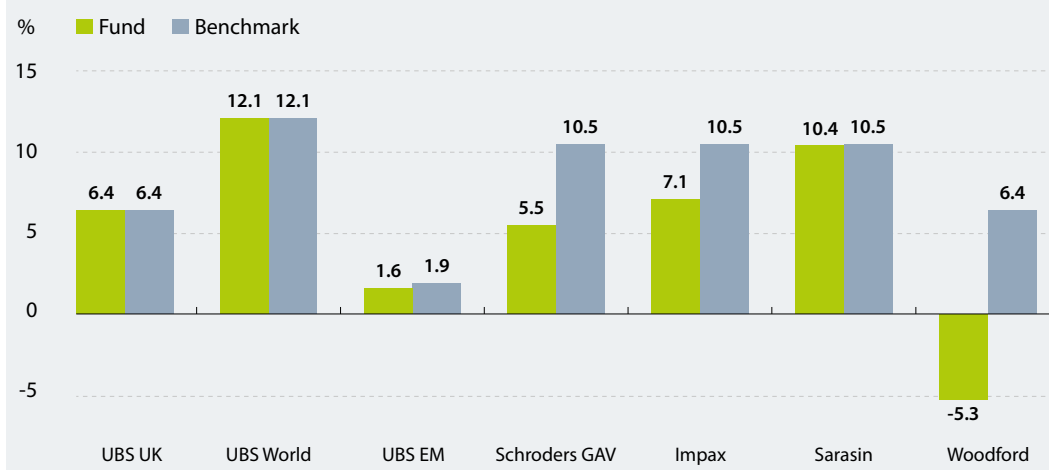




## Performance by Fund Manager

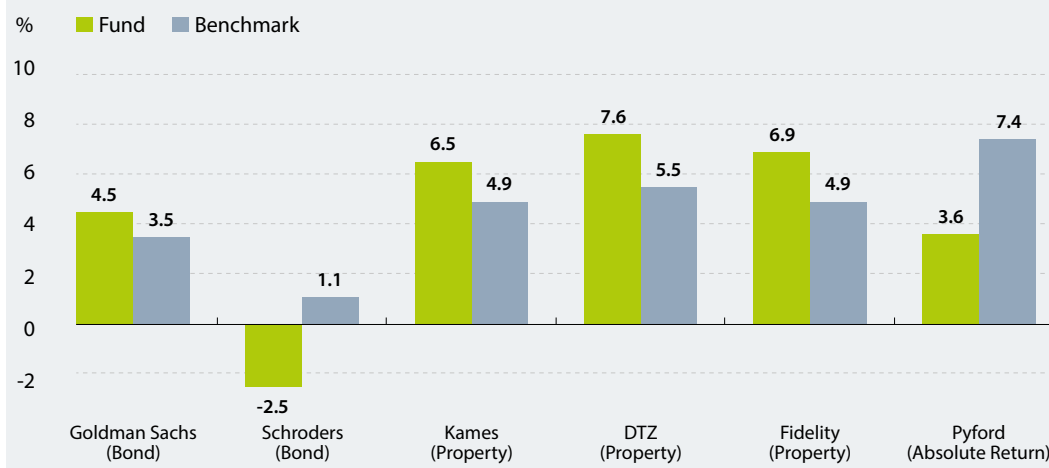
The following graphs show the performance of the Equity and other Mandates compared to their benchmarks for the year ended 31 March 2019.

### Performance Returns by Fund Manager – Equities



The following mandates were transitioned into ACCESS pool during the year and therefore a full year performance is not available: Baillie Gifford; Schroders UK Equity; M&G Global Equity.

### Performance Returns by Fund Manager – Other Mandates



Ruffer was appointed as an absolute return manager. However, a full year history is not available.

## Environmental Social and Governance Investments Policy

Details of the Fund's responsible investment policies and environmental, social and governance issues are included in the Investment Strategy Statement (ISS).

The Fund complies with the UK Stewardship Code through the outsourcing to its external investment managers responsibility for governance, engagement, and voting activity. The Superannuation Fund Committee receives quarterly monitoring reports from the managers.

### Voting by Equity Fund Managers 2018/19

	Number of Resolutions		
	For	Against	Abstain
Baillie Gifford	1,644	93	32
Schroders	922	19	1
Sarasin	521	175	67

The Fund is a member of The Pensions and Lifetime Savings Association (PLSA) and The Institutional Investors Group on Climate Change (IIGCC), and has signed up to the UN Principles for Responsible Investments (UNPRI).

## Administration

Responsibility for the administration of the Kent Pension Fund is undertaken by the Pensions Section, Kent County Council. The Pensions Section uses Altair, an Aquila Heywood system, to provide all aspects of pensions administration, including pensioner payroll.

There are 50 full time equivalent members of staff involved in the administration of the scheme, split into two main teams, supported by technical, systems and management staff:

- member services teams responsible for administering all casework and handling all member queries;
- an Employer and Communications team responsible for all employer work, including training and employer support, maintaining the Pension Fund website and for all bulk communications sent to current and former members of the scheme.

The Pension Section administration performance is measured against key performance indicators each month, and is used to improve processes. The key service standards for 4 of the key processes are shown below:

### Key Service Standards for Scheme Members

The table below details the Fund's Key Service Standards and performance against these standards.

Type of Case	Target Time	Number Processed	Processed Within Target
Calculation and payment of retirement award	20 days from receipt of paperwork	2,591	96%
Calculation and payment of dependants' benefit	15 days from receipt of paperwork	529	97%
Provision of estimates	20 days from receipt of paperwork	3,681	72%
Correspondence	Full reply within 15 working days	5,789	99%

Other projects that were undertaken by the Pensions Section during the year included:

- reconciliation of Guaranteed Minimum Pension information held with that held by HMRC
- the initial pilot programme and subsequent start of the roll out of i-Connect, a process for receiving data from employers on a monthly basis
- a review of the quality of the data held by the Pensions Section, a measurement taken against both Core and Specific data, and a data improvement plan devised.

The profile of the new retirees during the year was as below:

Type of retirement	From Active membership	From Deferred membership	Total Retirements
Redundancy	198	–	198
Ill Health	48	10	58
Early	271	1,203	1,474
Normal	11	203	214
Late	209	53	262
Flexible	15	–	15
<b>Total</b>	<b>752</b>	<b>1,469</b>	<b>2,221</b>

## CIPFA Benchmark Survey

The Kent administration section seeks to demonstrate value for money through its participation annually in the CIPFA Benchmark survey which compares the cost of administration with 32 other local authority administering bodies across the UK. The table below are in respect of the year ending 31 March 2018 which is the most recent survey to be conducted.

	Kent £	All Scheme Average £
Total cost of administration per scheme member	17.18	21.16
Staff costs per Scheme Member (excl. Payroll)	9.21	9.26
Communication costs per member	0.62	0.75

It is pleasing to note that survey results place Kent 10th of 32 authorities (1st being the lowest) in terms of the cost of administration per member of the scheme. Kent Pension Fund's communication costs are higher than the Scheme average due to the importance afforded to communicating with all members of the scheme, both current and previous, including the twice yearly pensioner's newsletter. Efforts are continuously made to reduce these costs wherever possible.

## Communications

The Pension Section communicates with members and employers in a variety of ways: newsletters are sent to pensioners, pension forums are used to communicate with employers, and current and former Scheme members have access to the KCC Pensions Section to make written, e-mail or telephone enquiries. Scheme members receive an annual benefit illustration and each pensioner and deferred pensioner is advised annually of the indexation increase to their pension.

The Kent Active Retirement Fellowship (KARF) has been established as a facility of which pensioners can become members and participate in a wide variety of activities. KARF has established groups throughout the County and welcomes new members.

## Internal Dispute Procedure

The Kent Pension Fund has a formal Internal Dispute Procedure to consider a member dispute over a decision made either by a scheme employer or Kent County Council acting as the Administering Authority. An independent person is appointed by each employer to consider an appeal made by a scheme member.

**2017/18 Disputes considered: 12**

**2015/16 Appeals upheld: 1**

# Actuary's Statement as at 31 March 2019

## Introduction

The last full triennial valuation of the Kent County Council Pension Fund was carried out as at 31 March 2016 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 2017.

## Asset value and funding level

The results for the Fund at 31 March 2016 were as follows:

- The smoothed market value of the Fund's assets as at 31 March 2016 for valuation purposes was £4,556m.
- The Fund had a funding level of 89% i.e. the assets were 89% 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 deficit of £547m.

## Contribution rates

The 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 (the primary rate);
- 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 secondary rate).

Each employer body participating in the Fund has to pay a contribution rate consisting of the employer's individual primary rate and a secondary rate reflecting the employer's particular circumstances and funding position within the Fund. The secondary contribution is as required under Regulation 62(7).

The primary rate of contribution at a whole Fund level was 14.9% of payroll p.a.

Details of each employer's primary and secondary contribution rates are contained in the Rates and Adjustment Certificate in the triennial valuation report dated 31 March 2017.



The assumptions used to value the liabilities at 31 March 2016 are summarised below:

Assumption	31 March 2016
Discount rate	5.4% p.a.
Pension increases (CPI)	2.4% p.a.
Salary increases	In line with CPI until 31 March 2020 and 3.9% p.a. thereafter
Pension increases on GMP	Funds will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we have assumed that Funds will be required to pay the entire inflationary increases.
Mortality	<p>The post retirement mortality assumptions adopted are as follows:</p> <ul style="list-style-type: none"> <li>• For members, the S2PA series with a multiplier of 95%, making allowance for CMI 2015 projected improvements and a long-term rate of improvement of 1.5% p.a.</li> <li>• For dependants, 115% of the S2PMA tables for male dependants and 110% of the S2DFA tables for female dependants, making allowance for CMI 2015 projected improvements and a long-term rate of improvement of 1.5% p.a.</li> </ul>
Retirement	Each member retires at a single age, weighted based on when each part of their pension is payable unreduced.
Commutation	Members will convert 50% of the maximum possible amount of pension into cash.

Further details of these assumptions can be found in the relevant actuarial valuation report.

#### Updated position since the 2016 valuation

Since 31 March 2016, investment returns have been higher than assumed at the 2016 triennial valuation. The value placed on the liabilities will, however, have also increased due to the accrual of new benefits as well as a decrease in the real discount rate underlying the valuation funding model.

Overall, we estimate that the funding position should be improved when compared on a consistent basis to 31 March 2016 but the final position will depend on the assumptions adopted as part of the 2019 valuation process.

The 31 March 2019 actuarial valuation is currently underway and we will be reviewing assumptions and methodologies. There is currently uncertainty surrounding the benefit structure of the LGPS and the cost cap management process which was meant to bring in any revised benefit changes from 1 April 2019 has been paused. Therefore it is difficult to say with any certainty what the funding position will be as at 31 March 2019. The 2019 valuation process will result in any revised contribution rates required to be paid by the employers from 1 April 2020.

**Roisin McGuire FFA**  
Associate, 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 the Superannuation Fund's financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Corporate Director of Finance;
- to manage the Fund's affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to approve the statement of accounts.

I confirm that these Accounts were approved by the Governance and Audit Committee at its meeting on 24 July 2019 on behalf of Kent County Council.

**Councillor David Brazier**

**Chairman of the Governance and Audit Committee**

**24 July 2019**

## Corporate Director of Finance's Responsibilities

The Corporate Director of Finance is responsible for the preparation of the Superannuation Fund's Statement of Accounts in accordance with proper practices as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code), and is required to give a true and fair view of the financial position of the Superannuation Fund at the accounting date and its income and expenditure for the year ended 31 March 2019.

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;
- 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 Superannuation Fund at the reporting date and its income and expenditure for the year ended 31 March 2019.

## Certificate of the Corporate Director of Finance

**Cath Head**

**Corporate Director of Finance/ Head of Finance (Operations)**

**24 July 2019**

## Fund Account for the year ended 31 March

	Notes	2018-19 £'000	2017-18 £'000
<b>Dealings with members, employers and others directly involved in the Fund</b>			
Contributions	7	<b>238,331</b>	232,037
Transfers in from other pension funds	8	<b>9,427</b>	11,262
		<b>247,758</b>	243,299
Benefits	9	<b>(235,953)</b>	(220,876)
Payments to and on account of leavers	10	<b>(12,585)</b>	(11,497)
		<b>(248,538)</b>	(232,373)
<b>Net withdrawals from dealings with Members</b>		<b>(780)</b>	10,926
Management Expenses	11	<b>(27,184)</b>	(23,285)
<b>Net withdrawals including fund management expenses</b>		<b>(27,964)</b>	(12,359)
<b>Returns on Investments</b>			
Investment Income	13	<b>117,258</b>	121,717
Taxes on Income		<b>(5,103)</b>	(4,929)
Profits and losses on disposal of investments and changes in the market value of investments	15a	<b>305,132</b>	159,242
<b>Net Return on Investments</b>		<b>417,287</b>	276,030
<b>Net increase in the Net Assets available for benefits during the year</b>		<b>389,323</b>	263,671

## Net Assets Statement as at 31 March

	Notes	2018-19 £'000	2017-18 £'000
Investment Assets		<b>6,211,004</b>	5,807,787
Investment Liabilities		<b>(5,906)</b>	(16,857)
<b>Net Investment Assets</b>	15	<b>6,205,098</b>	5,790,930
Current Assets	21	<b>31,537</b>	56,409
Current Liabilities	22	<b>(18,466)</b>	(18,493)
<b>Net Assets available to fund benefits at the period end</b>		<b>6,218,169</b>	5,828,846

# Notes to the Pension Fund Accounts

## 1. Description of the Fund

### General

The Kent County Council Superannuation Fund (Kent Pension 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 Pension Fund is a reporting entity and KCC as the Administering Authority is required to include the Fund's accounts as a note in its 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 County Council Superannuation Fund Committee (the Scheme Manager). The Local Pension Board which was established in 2015 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 Admitted Bodies which participate in the Fund by virtue of an admission agreement made between the Authority and the relevant body. Admitted 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 313 employers actively participating in the Fund and the profile of members is as detailed below:

	Contributors		Pensioners		Deferred pensioners	
	31 Mar 2019	31 Mar 2018	31 Mar 2019	31 Mar 2018	31 Mar 2019	31 Mar 2018
Kent County Council	21,435	23,142	21,696	20,865	22,676	22,357
Other Employers	29,910	29,633	20,043	18,948	21,656	20,019
Total	51,345	52,775	41,739	39,813	44,332	42,376

### Funding

Benefits are funded by contributions and investment earnings. The 2016 triennial valuation certified a common contribution rate of 21% of pensionable pay to be paid by each employer participating in the Kent Pension Fund for 2018-19. In addition to this, each employer has to pay an individual adjustment to reflect its own particular circumstances and funding position within the Fund. Details of each employer's contribution rate are contained in the Statement to the Rates and Adjustment Certificate in the triennial valuation report.

### 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
<b>Pension</b>	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
<b>Lump sum</b>	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](http://www.kentpensionfund.co.uk)



## 2. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2018-19 financial year and its position at 31 March 2019.

The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 which is based upon International Financial Reporting Standards, as amended for the UK public sector. The accounts are prepared on a going concern basis.

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.

## 3. Summary of Significant Accounting Policies

### Fund Account – revenue recognition

#### a) Contribution income

Normal contributions, both from the members and from the employers, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate. Employers Deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme 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, 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 (XD). Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year. A large number of 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. 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 net of non-recoverable tax, and any recoverable tax at the end of the year is included in accrued investment income.

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

## Notes to the Pension Fund Accounts continued

### f) Management expenses

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

### Net Assets Statement

#### g) Financial assets

Financial assets 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 interest securities 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 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.

#### 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 2018. 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 Investment Property Databank Monthly Index movement to 31 March 2019.

#### 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 Kent County Council are included in investments. All other cash is included in Current Assets.

**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 ie 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. To assess the value of the Fund's liabilities as at 31 March 2019 the actuary has rolled forward the value of the Fund's liabilities calculated for the funding valuation as at 31 March 2016. 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 part of ACCESS, 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 setting up 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.

**4. Critical judgements in applying accounting policy****Pension fund liability**

The net pension fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 20.

These actuarial revaluations are used to set future contribution rates and underpin the fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

## 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 £173m. A 0.1% increase in assumed earning inflation would increase the value of liabilities by approx. £17m, and a one year increase to the life expectancy assumptions would increase the liability by approx. £333m.
Private Equity (Note 17)	Valuation of unquoted private equity including 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 including infrastructure investments on the financial statements are £150m. There is a risk that this investment may be under-or-over stated in the accounts. Potential change in valuation due to change 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.	The effect of variations in the factors supporting the valuation would be an increase or decrease in the value of directly held property of £49m on a fair value of £487m.

### 6. Events after the Balance Sheet date

As at 3rd June 2019, dealing in the units of the Woodford Equity Income Fund has been suspended by the Fund's Authorised Corporate Director(ACD). Although the Superannuation Fund Committee has decided to redeem the value of its holdings in the Woodford Fund, it will not be able to do so until the suspension is lifted. The duration of the suspension is not fixed, and will be reviewed periodically by the ACD. As per the FCA rules the ACD is required to review the situation every 28 days and to inform the FCA and the investors of any developments. There is no time limit for how long the suspension can be in place however we are liaising with the ACD and the Fund Manager to receive further updates as and when they can be shared. When the suspension is lifted it is the intention of the committee to redeem the investment in the Woodford fund. The final valuation achieved from the redemption will be dependent on the valuation of the underlying holdings of the Woodford Fund on the final date of dealing. It is not possible to predict the final valuation on an uncertain future date and therefore Kent County Council do not believe it to be appropriate to provide for a gain or a loss on the investment at this stage.

## 7. Contributions Receivable

	2018–19 £'000	2017–18 £'000
<b>By Category</b>		
Employees' contributions	53,904	52,872
Employers' contributions		
– normal contributions	127,999	123,336
– deficit recovery contributions	51,965	50,546
– augmentation contributions	4,463	5,283
Total Employers' contributions	184,427	179,165
<b>Total contributions receivable</b>	<b>238,331</b>	<b>232,037</b>
<b>By type of employer</b>		
Kent County Council	89,394	92,591
Scheduled Bodies	135,013	126,629
Admitted Bodies	13,924	12,817
<b>Total</b>	<b>238,331</b>	<b>232,037</b>

## 8. Transfers in from other pension funds

	2018–19 £'000	2017–18 £'000
Individual	9,427	11,262
Group	0	0
<b>Total</b>	<b>9,427</b>	<b>11,262</b>

## 9. Benefits Payable

	2018–19 £'000	2017–18 £'000
<b>By Category</b>		
Pensions	192,254	184,721
Retirement Commutation and lump sum benefits	38,006	32,003
Death benefits	5,693	4,152
<b>Total</b>	<b>235,953</b>	<b>220,876</b>
<b>By type of employer</b>		
Kent County Council	107,867	103,583
Scheduled Bodies	113,639	104,529
Admitted Bodies	14,447	12,764
<b>Total</b>	<b>235,953</b>	<b>220,876</b>

## 10. Payments to and on account of leavers

	2018–19 £'000	2017–18 £'000
Group transfers	0	0
Individual transfers	10,695	10,269
Payments for members joining state scheme	199	73
Refunds of contributions	1,691	1,155
<b>Total</b>	<b>12,585</b>	<b>11,497</b>

## Notes to the Pension Fund Accounts continued

### 11. Management Expenses

	Notes	2018-19 £'000	2017-18 £'000
Administration costs		3,110	2,667
Governance and oversight costs		343	369
Investment management expenses	12	23,570	20,140
Audit fees		24	31
Pooling expenses		137	78
<b>Total</b>		<b>27,184</b>	<b>23,285</b>

### 12. Investment Management Expenses

	2018-19 £'000	2017-18 £'000
Investment managers' fees	20,220	18,573
Transaction costs	3,260	1,491
Custody fees	90	76
<b>Total</b>	<b>23,570</b>	<b>20,140</b>

The management fees disclosed above include all investment management fees directly incurred by the fund as well as 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. The amount of indirect costs is not separately provided to the Pension Fund.

### 13. Investment Income

	Notes	2018-19		2017-2018	
		£'000	%	£'000	%
Bonds		17,007	14.5	15,235	12.5
Equities		52,526	44.8	61,986	50.9
Pooled Investments		14,099	12.0	11,878	9.7
Private Equity / Infrastructure		7,978	6.8	7,444	6.1
Property	14	18,114	15.4	17,107	14.1
Pooled Property Investments		5,482	4.7	6,273	5.2
Cash and cash equivalents		1,010	0.9	630	0.5
Stock Lending		1,042	0.9	1,164	1.0
<b>Total</b>		<b>117,258</b>	<b>100.0</b>	<b>121,717</b>	<b>100.0</b>



## 14. Property Income and Expenditure

	2018–19 £'000	2017–18 £'000
Rental Income from Investment Properties	22,326	21,419
Direct Operating Expenses	(4,212)	(4,312)
<b>Net operating income from Property</b>	<b>18,114</b>	<b>17,107</b>

## 15. Investments

	Market Value as at 31 March 2019 £'000	Market Value as at 31 March 2018 £'000
<b>Investment Assets</b>		
Bonds	363,728	353,090
Equities	249,994	2,224,616
Pooled Investments	4,601,708	2,195,389
Private Equity/Infrastructure	150,015	128,895
Property	487,193	484,241
Pooled Property Investments	257,690	247,201
Derivative contracts		
– Forward Currency contracts	3,122	5,593
Investment Cash and cash equivalents	80,526	148,514
Investment Income due	17,028	17,995
Amounts receivable for sales	0	2,253
<b>Total Investment Assets</b>	<b>6,211,004</b>	<b>5,807,787</b>
<b>Investment Liabilities</b>		
Amounts payable for purchases	(1,373)	(8,864)
Margin cash liability	(4,533)	(7,993)
<b>Total Investment Liabilities</b>	<b>(5,906)</b>	<b>(16,857)</b>
<b>Net Investment Assets</b>	<b>6,205,098</b>	<b>5,790,930</b>

## Notes to the Pension Fund Accounts continued

## 15a. Reconciliation of movements in investments and derivatives

	Market Value as at 31 March 2018 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Change in Market Value £'000	Market Value as at 31 March 2019 £'000
Bonds	353,090	96,498	(110,813)	24,953	<b>363,728</b>
Equities	2,224,616	406,586	(2,447,741)	66,533	<b>249,994</b>
Pooled Investments	2,195,389	2,573,875	(364,067)	196,511	<b>4,601,708</b>
Private Equity/Infrastructure	128,895	30,710	(25,899)	16,309	<b>150,015</b>
Property	484,241	31,700	(43,749)	15,001	<b>487,193</b>
Pooled Property Investments	247,201	2,011	(2,706)	11,184	<b>257,690</b>
	5,633,432	3,141,380	(2,994,975)	330,491	<b>6,110,328</b>
Derivative contracts					
– Forward Currency contracts	5,593	5,262,823	(5,239,422)	(25,872)	<b>3,122</b>
	5,639,025	8,404,203	(8,234,397)	304,619	<b>6,113,450</b>
Other Investment balances					
– Investment Cash and cash equivalents	148,514			513	<b>80,526</b>
– Amounts receivable for sales	2,253				<b>0</b>
– Amounts payable for purchases	(8,864)				<b>(1,373)</b>
– Margin cash liability	(7,993)				<b>(4,533)</b>
– Investment Income due	17,995				<b>17,028</b>
<b>Net Investment Assets</b>	<b>5,790,930</b>			<b>305,132</b>	<b>6,205,098</b>

	Market Value as at 31 March 17 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Change in Market Value £'000	Market Value as at 31 March 2018 £'000
Bonds	339,752	96,357	(51,109)	(31,910)	<b>353,090</b>
Equities	2,192,637	462,950	(569,918)	138,947	<b>2,224,616</b>
Pooled Investments	2,030,342	822,973	(615,671)	(42,255)	<b>2,195,389</b>
Private Equity/Infrastructure	137,717	13,891	(33,963)	11,250	<b>128,895</b>
Property	468,827	0	(19,728)	35,142	<b>484,241</b>
Pooled Property Investments	230,129	14,236	(16,157)	18,993	<b>247,201</b>
	5,399,404	1,410,407	(1,306,546)	130,167	<b>5,633,432</b>
Derivative contracts					
– Forward Currency contracts	5,399,404	1,410,407	(1,306,546)	29,913	<b>5,593</b>
	5,402,309	8,950,914	(8,874,278)	160,080	<b>5,639,025</b>
Other Investment balances					
– Investment Cash and cash equivalents	121,323			(838)	<b>148,514</b>
– Amounts receivable for sales	14,103				<b>2,253</b>
– Amounts payable for purchases	(12,905)				<b>(8,864)</b>
– Margin cash liability	0				<b>(7,993)</b>
– Investment Income due	16,948				<b>17,995</b>
<b>Net Investment Assets</b>	<b>5,541,778</b>			<b>159,242</b>	<b>5,790,930</b>

## 15b. Analysis of Investments

	Market Value as at 31 March 2019 £'000	Market Value as at 31 March 2018 £'000
<b>Bonds</b>		
<b>UK</b>		
Corporate Quoted	34,873	24,213
<b>Overseas</b>		
Public Sector Quoted	39,948	42,724
Corporate Quoted	288,907	286,153
	<b>363,728</b>	353,090
<b>Equities</b>		
<b>UK</b>		
Quoted	33,301	95,184
<b>Overseas</b>		
Quoted	216,693	1,267,432
	<b>249,994</b>	2,224,616
<b>Pooled Funds</b>		
<b>UK</b>		
Fixed Income Unit Trusts	240,897	246,993
Unit Trusts	1,553,260	617,014
<b>Overseas</b>		
Unit Trusts	2,807,551	1,331,382
	<b>4,601,708</b>	2,195,389
Property	487,193	484,241
Property Unit Trusts	257,690	247,201
Private Equity Funds/Infrastructure	150,015	128,895
	<b>894,898</b>	860,337
Derivatives	3,122	5,593
Cash and cash equivalents	80,526	148,514
Investment income due	17,028	17,995
Amounts receivable for sales	0	2,253
	<b>100,676</b>	174,355
<b>Total Investment Assets</b>	<b>6,211,004</b>	5,807,787
<b>Investment Liabilities</b>		
Amounts payable for purchases	(1,373)	(8,864)
Margin cash liability	(4,533)	(7,993)
<b>Total Investment Liabilities</b>	<b>(5,906)</b>	(16,857)
<b>Net Investment Assets</b>	<b>6,205,098</b>	5,790,930

## Notes to the Pension Fund Accounts continued

### 15c. 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	EUR	1,609	GBP	1,380	6	
Up to one month	USD	779	GBP	595	3	
Up to one month	USD	3,940	GBP	3,003	19	
Up to one month	USD	6,511	GBP	4,913	82	
Up to one month	USD	587	GBP	453		(3)
Up to one month	USD	494	GBP	374	4	
Up to one month	GBP	3,004	USD	3,940		(19)
Up to one month	GBP	55	USD	71	0	
Up to one month	GBP	595	USD	779		(3)
Up to one month	GBP	751	CHF	963	9	
Up to one month	GBP	6,212	USD	8,228		(99)
Up to one month	GBP	5,476	USD	7,257		(91)
Up to one month	GBP	1,104	USD	1,471		(24)
Up to one month	GBP	2,742	USD	3,535	30	
Up to one month	GBP	2,918	USD	3,777	21	
Up to one month	GBP	3,865	USD	5,056		(14)
Up to one month	GBP	942	USD	1,234		(4)
Up to one month	GBP	934	USD	1,228		(8)
Up to one month	GBP	973	USD	1,286		(14)
Up to one month	GBP	2,940	USD	3,800	25	
Up to one month	GBP	122,963	USD	158,662	1,263	
Up to one month	GBP	122,859	USD	158,662	1,158	
Up to one month	GBP	2,155	EUR	2,511		(10)
Up to one month	GBP	2,074	EUR	2,409		(3)
Up to one month	GBP	36,969	EUR	41,946	794	
					3,414	(292)
<b>Net forward currency contracts at 31 March 2019</b>						<b>3,122</b>
Prior year comparative						
Open forward currency contracts at 31 March 2018					6,227	(634)
<b>Net forward currency contracts at 31 March 2018</b>						<b>5,593</b>

## 15d. Property Holdings

	Year ending 31 March 2019 £'000	Year ending 31 March 2018 £'000
<b>Opening Balance</b>	<b>484,241</b>	468,827
Additions	<b>31,700</b>	0
Disposals	<b>(43,750)</b>	(19,728)
Net increase in market value	<b>15,002</b>	35,142
<b>Closing Balance</b>	<b>487,193</b>	484,241

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.

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

	Year ending 31 March 2019 £'000	Year ending 31 March 2018 £'000
Within one year	<b>19,769</b>	19,928
Between one and five years	<b>47,985</b>	58,943
Later than five years	<b>39,740</b>	65,086
<b>Total</b>	<b>107,494</b>	<b>143,957</b>

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 of the possibility of the tenant availing of break clauses in the contract to terminate the tenancy.

## 15e. Investments analysed by Fund Manager

	Market Value as at 31 March 2019		Market Value as at 31 March 2018	
	£'000	%	£'000	%
<b>Investments managed by Link for the ACCESS Pool</b>				
Baillie Gifford	<b>1,299,300</b>	<b>20.9</b>	0	0.0
Schroders	<b>957,557</b>	<b>15.4</b>	0	0.0
M&G	<b>357,903</b>	<b>5.8</b>	0	0.0
<b>Investments managed outside the ACCESS Pool</b>				
Baillie Gifford	<b>2,763</b>	<b>0.0</b>	1,169,875	20.1
DTZ	<b>543,548</b>	<b>8.8</b>	539,450	9.3
Fidelity	<b>129,377</b>	<b>2.1</b>	121,047	2.1
Goldman Sachs	<b>384,637</b>	<b>6.2</b>	368,217	6.4
HarbourVest	<b>73,316</b>	<b>1.2</b>	67,867	1.1
Impax	<b>47,716</b>	<b>0.8</b>	44,550	0.8
Kames	<b>52,368</b>	<b>0.8</b>	52,615	0.9
Kent County Council Investment Team	<b>55,040</b>	<b>0.9</b>	86,799	1.5
M&G	<b>31,604</b>	<b>0.5</b>	338,730	5.9
Partners Group	<b>48,211</b>	<b>0.8</b>	38,173	0.7
BMO (Pyrford)	<b>424,373</b>	<b>6.8</b>	409,629	7.1
Ruffer	<b>67,970</b>	<b>1.1</b>	0	0.0
Sarasin	<b>253,960</b>	<b>4.1</b>	230,105	4.0
Schroders	<b>532,993</b>	<b>8.6</b>	1,423,802	24.6
UBS	<b>654,320</b>	<b>10.5</b>	602,911	10.4
YFM	<b>28,488</b>	<b>0.5</b>	22,855	0.4
Woodford	<b>259,654</b>	<b>4.2</b>	274,305	4.7
<b>Total</b>	<b>6,205,098</b>	<b>100</b>	5,790,930	100

All the external fund managers above are registered in the United Kingdom. During the year assets managed by the following managers were transferred to the ACCESS pool:

- Baillie Gifford
- Schroders (UK Equity)
- M&G (Global Dividend Fund)

## Notes to the Pension Fund Accounts continued

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

	31 March 2019	
	£'000	% of net assets
<b>Investments</b>		
LF ACCESS Global Equity Core Fund	1,299,300	20.9
LF ACCESS UK Equity Fund	957,557	15.4
UBS Life UK Equity Tracker Fund	336,049	5.4
LF ACCESS Global Dividend Fund	357,903	5.8
BMO Investments Ireland (Plc) Global Total Return Fund	424,373	6.8
	31 March 2018	
	£'000	% of net assets
<b>Investments</b>		
UBS Life UK Equity Tracker Fund	315,980	5.4
M&G Global Dividend Fund	315,095	5.4
BMO Investments Ireland (Plc) Global Total Return Fund	409,629	7.0

## 15g. 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 2019		31 March 2018		Collateral Type
	Market Value £'000	Collateral Value £'000	Market Value £'000	Collateral Value £'000	
Equities	11,877	12,444	214,815	226,963	Treasury Notes and other Government debt
Bonds	11,653	12,210	18,042	19,062	Treasury Notes and other Government debt
<b>Total</b>	<b>23,530</b>	<b>24,654</b>	<b>232,857</b>	<b>246,025</b>	

During the year a large part of the Fund's directly held assets included in the custodian's securities lending programme were transferred to the Link pooled funds. This reduced the amount available for loan as at 31 March 2019.

## 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. The implementation of IFRS9 has not resulted in changes to the classification of financial assets/liabilities.

	31 March 2019			31 March 2018		
	Designated at fair value through profit and loss £'000	Assets at amortised cost £'000	Financial liabilities at amortised cost £'000	Designated as fair value through profit and loss £'000	Assets at amortised cost £'000	Financial liabilities at amortised cost £'000
<b>Financial Assets</b>						
Bonds	363,728			353,090		
Equities	249,994			2,224,616		
Pooled Investments	4,601,708			2,195,389		
Property Pooled Investments	257,690			247,201		
Private Equity/Infrastructure	150,015			128,895		
Derivative contracts	3,122			5,593		
Cash & Cash equivalents		86,099			176,232	
Other Investment Balances		17,028			20,248	
Debtors/ Receivables		25,964			28,692	
	5,626,257	129,091	0	5,154,784	225,172	0
<b>Financial Liabilities</b>						
Other Investment balances			(5,906)			(16,857)
Creditors			(18,466)			(18,493)
	0	0	(24,372)	0	0	(35,350)
<b>Total</b>	5,626,257	129,091	(24,372)	5,154,784	225,172	(35,350)

### 16b. Net Gains and Losses on Financial Instruments

	31 March 2019 £'000	31 March 2018 £'000
Fair value through profit and loss	289,618	124,938
Assets at amortised cost	513	(838)
<b>Total</b>	290,131	124,100



## 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 have been valued using fair value techniques which represent the highest and best price available at the reporting date.

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
Unquoted Pooled Investments	2	Net Asset Value/Bid prices on last day of accounting period	Net Asset Values	Not required
Private Equity and Infrastructure Funds	3	Fair values as per International Private equity and venture capital guidelines (2012)	valuation of underlying investment/assets/ companies/EBITDA multiples	Estimation techniques used in valuations, changes in market conditions, industry specific conditions
Property	2	Independent valuation by Colliers using RICS valuation standards	Market values of similar properties, existing lease terms estimated rental growth, estimated vacancies	Not required
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

#### 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 2019.

	Assessed valuation range (+/-)	Value as at 31 March 2019 £'000	Value on increase £'000	Value on decrease £'000
Private Equity	30.1%	101,804	132,447	71,161
Infrastructure	17.2%	48,211	56,503	39,919

## 17a. Valuation of assets and liabilities carried at Fair Value

### 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 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 Pension Fund has invested. Assurances over the valuation are gained from the independent audit of the accounts.

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.

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
<b>Values at 31 March 2019</b>				
<b>Assets</b>				
Financial assets at fair value through profit and loss	2,600,671	2,875,571	150,015	5,626,257
Non- Financial assets at fair value through profit and loss		487,193		487,193
Financial liabilities at fair value through profit and loss	0	0	0	0
<b>Net Investment Assets</b>	<b>2,600,671</b>	<b>3,362,764</b>	<b>150,015</b>	<b>6,113,450</b>

	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'000
<b>Values at 31 March 2018</b>				
<b>Assets</b>				
Financial assets at fair value through profit and loss	4,773,095	252,794	128,895	5,154,784
Non- Financial assets at fair value through profit and loss	0	484,241	0	484,241
Financial liabilities at fair value through profit and loss	0	0	0	0
<b>Net Investment Assets</b>	<b>4,773,095</b>	<b>737,035</b>	<b>128,895</b>	<b>5,639,025</b>

**Notes to the Pension Fund Accounts** continued**17b. Reconciliation of Fair Value Measurements within Level 3**

	<b>£'000</b>
Market Value 1 April 2018	128,895
Transfers into level 3	0
Transfers out of level 3	0
Purchases during the year	30,710
Sales during the year	(25,899)
Unrealised gains/ losses	16,309
Realised gains/losses	0
<b>Market Value 31 March 2019</b>	<b>150,015</b>

**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 Superannuation 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 Investment Strategy.

**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 2018-19 reporting period.

	Potential Market Movements (+/-)
UK Equities	17.3
Overseas Equities	17.8
Global Pooled Equities inc UK	17.8
Bonds	5.5
Property	10.8
Infrastructure	17.2
Private Equity	30.1

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 2019 £'000	Percentage change %	Value on increase £'000	Value on decrease £'000
<b>Cash and cash equivalents</b>	<b>86,099</b>	<b>0.00</b>	<b>86,099</b>	<b>86,099</b>
<b>Investment portfolio assets:</b>				
UK Equities	33,301	17.30	39,062	27,540
Overseas Equities	216,693	17.80	255,264	178,122
Global Pooled Equities inc UK	4,360,811	17.80	5,137,035	3,584,587
Bonds incl Bond Funds	604,625	5.50	637,879	571,371
Property Pooled Funds	257,690	10.80	285,521	229,859
Private Equity	101,804	30.10	132,447	71,161
Infrastructure Funds	48,211	17.20	56,503	39,919
Net derivative assets	3,122	0.00	3,122	3,122
Investment income due	17,028	0.00	17,028	17,028
Amounts receivable for sales	0	0.00	0	0
Amounts payable for purchases	(1,373)	0.00	(1,373)	(1,373)
Margin Cash Liability	(4,533)	0.00	(4,533)	(4,533)
<b>Total</b>	<b>5,723,478</b>		<b>6,644,055</b>	<b>4,802,901</b>

Asset Type	Value as at 31 March 2018 £'000	Percentage change %	Value on increase £'000	Value on decrease £'000
<b>Cash and cash equivalents</b>	176,232	0.00	176,232	176,232
<b>Investment portfolio assets:</b>				
UK Equities	957,184	17.30	1,122,777	791,591
Overseas Equities	1,267,432	17.80	1,493,035	1,041,829
Global Pooled Equities inc UK	1,948,396	17.80	2,295,210	1,601,582
Bonds incl Bond Funds	600,083	5.50	633,088	567,078
Property Pooled Funds	247,201	10.80	273,899	220,503
Private Equity	90,722	30.10	118,029	63,415
Infrastructure Funds	38,173	17.20	44,739	31,607
Net derivative assets	5,593	0.00	5,593	5,593
Investment income due	17,995	0.00	17,995	17,995
Amounts receivable for sales	2,253	0.00	2,253	2,253
Amounts payable for purchases	(8,864)	0.00	(8,864)	(8,864)
Margin Cash Liability	(7,993)	0.00	(7,993)	(7,993)
<b>Total</b>	<b>5,334,407</b>		<b>6,165,993</b>	<b>4,502,821</b>

## 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 2019 and 31 March 2018 are set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset Type	31 March 2019 £'000	31 March 2018 £'000
Cash and cash equivalents	80,526	149,724
Cash Balances	5,573	26,508
Bonds		
– Directly held securities	363,728	353,090
– Pooled Funds	240,897	246,992
<b>Total</b>	<b>690,724</b>	<b>776,314</b>

## Interest rate risk – sensitivity analysis

The Council 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 2019 £'000	Change in year in the net assets available to pay benefits	
		+1% £'000	-1% £'000
Cash and cash equivalents	80,526	0	0
Cash Balances	5,573	0	0
Bonds			
– Directly held securities	363,728	(3,637)	3,637
– Pooled Funds	240,897	(2,409)	2,409
<b>Total change in assets available</b>	<b>690,724</b>	<b>(6,046)</b>	<b>6,046</b>

Asset Type	Carrying amount as at 31 march 2018 £'000	Change in year in the net assets available to pay benefits	
		+1% £'000	-1% £'000
Cash and cash equivalents	149,724	0	0
Cash Balances	26,508	0	0
Bonds			
– Directly held securities	353,090	(3,351)	3,351
– Pooled Funds	246,992	(2,470)	2,470
<b>Total change in assets available</b>	<b>776,314</b>	<b>(5,821)</b>	<b>5,821</b>

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.

### 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. The Fund is exposed to currency risk on these financial instruments. However, a large part (£329m) of the assets managed by Goldman Sachs Asset Management held in non GBP currencies is 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 2019 and 2018:

Currency exposure – asset type	Asset value 31 March 2019 £'000	Asset value 31 March 2018 £'000
Overseas Equities	216,693	1,267,432
Overseas Pooled Funds	2,807,551	1,331,382
Overseas Bonds	6,577	42,724
Overseas Private Equity, Infrastructure and Property funds	122,156	107,041
Non GBP Cash	15,287	38,240
<b>Total overseas assets</b>	<b>3,168,264</b>	<b>2,786,819</b>

### 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 Council has determined that the following movements in the values of financial assets denominated in foreign currency are reasonably possible for the 2018-19 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 2019 £'000	Change to net assets available to pay benefits +8.4% £'000	Change to net assets available to pay benefits -8.4% £'000
Overseas Equities	216,693	234,895	198,491
Overseas Pooled Funds	2,807,551	3,043,385	2,571,717
Overseas Bonds	6,577	7,129	6,025
Overseas Private Equity, Infrastructure and Property funds	122,156	132,417	111,895
Non GBP Cash	15,287	16,571	14,003
<b>Total change in assets available</b>	<b>3,168,264</b>	<b>3,434,398</b>	<b>2,902,130</b>

Currency exposure – asset type	Asset value as at 31 March 2018 £'000	Change to net assets available to pay benefits +8.4% £'000	Change to net assets available to pay benefits -8.4% £'000
Overseas Equities	1,267,432	1,373,896	1,160,968
Overseas Pooled Funds	1,331,382	1,443,218	1,219,546
Overseas Bonds	42,724	46,313	39,135
Overseas Private Equity, Infrastructure and Property funds	107,041	116,032	98,050
Non GBP Cash	38,240	41,452	35,028
<b>Total change in assets available</b>	<b>2,786,819</b>	<b>3,020,912</b>	<b>2,552,726</b>

## 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 Council's credit criteria. The Council 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 2019 £'000	Balance as at 31 March 2018 £'000
<b>Money Market Funds</b>			
Northern Trust Sterling Fund	AAAm	7,442	40,386
SSGA Liquidity Fund	AAAm	19	6,497
Blackrock USD Government Liquidity Fund	AAAm	6,222	6,519
Aberdeen Sterling Liquidity Fund	AAAm	3,750	39
Goldman Sachs Liquid Reserve Government Fund	AAAm	12,014	15,085
Aviva Investors Sterling Liquidity Fund	AAAm	14,996	8,184
Deutsche Managed Sterling Fund	AAAm	15,004	8,210
HSBC Global Liquidity Fund	AAAm	33	85
LGIM Liquidity Fund	AAAm	14,992	7,447
Insight Sterling Liquidity Fund	AAAm	16	7,414
		<b>74,488</b>	<b>99,866</b>
<b>Cash Plus Funds</b>			
Royal London Cash Plus Fund	AAAf	0	14,996
Payden Sterling Reserve Fund	AAAf	0	14,941
Aberdeen Ultra Short Duration Sterling Fund	AAAf	0	10,017
		<b>0</b>	<b>39,954</b>
<b>Bank Deposit Accounts</b>			
HSBC BIBCA	AA-	0	2,435
NatWest SIBA	BBB+	8	12
		<b>8</b>	<b>2,447</b>
<b>Bank Current Accounts</b>			
NatWest Current Account	BBB+	53	91
NatWest Current Account – Euro	BBB+	4,146	26,416
NatWest Current Account – USD	BBB+	732	1
Northern Trust – Current Accounts	AA-	3,939	5,695
Barclays – DTZ client monies account	A*+	2,733	1,762
		<b>11,603</b>	<b>33,965</b>
<b>Total</b>		<b>86,099</b>	<b>176,232</b>



## 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 2019 are due within one year.

### Refinancing risk

The key risk is that the Council will be bound to replenish a significant proportion of its Pension Fund financial instruments at a time of unfavourable interest rates. The Council 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 2016.

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 2016 valuation a maximum deficit recovery period of 17 years (2013- 20 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 2016 triennial valuation, the smoothed value of the Fund's assets at the valuation date was £4,556m and the liabilities were £5,103m. The assets therefore, represented 89% (2013 – 83%) of the Fund's accrued liabilities, allowing for future pay increases.

The contribution rate for the average employer, including payments to target full funding has increased from 20% to 20.9% of pensionable salaries in 2017-18 and to 21% in 2018-19 and 2019-20. The funding level 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 2016 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)		5.4% p.a.
Rate of general pay increases:	Long term	3.9% p.a.
	Short term	CPI for period 31 March 2016 to 31 March 2020
Rate of increases to pensions payment (in excess of guaranteed minimum pension):		2.4% 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.

Actuarial present value of promised retirement benefits	31 March 2019 £m	31 March 2018 £m
Present value of promised retirement benefits	(9,300.5)	(9,029.1)
Fair value of scheme assets at bid value	6,218.2	5,828.8
Net liability	(3,082.3)	(3,200.3)

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 66.9% 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 2016 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	3.9%
Inflation/Pensions increase rate	2.4%
Discount rate	2.4%

In December 2018 the Court of Appeal passed the McCloud judgement, which relates to age discrimination in relation to judges and firefighters pensions. Although the case only relates directly to these two schemes it is anticipated that the principles of the outcome could be accepted as applying to all public service schemes. Whilst there is uncertainty of how this judgement may affect LGPS members' past or future service benefits CIPFA has suggested that local authorities should consider the materiality of the impact. Our actuaries have used GAD's analysis to calculate the likely additional costs and have based it on all members who were active at 31 March 2012 until their retirement. This exercise has estimated the additional costs to be £70.5m (0.7% of the Fund's liabilities).

### 21. Current Assets

	31 March 2019 £'000	31 March 2018 £'000
<b>Debtors</b>		
– Contributions due – Employees	4,055	4,040
– Contributions due – Employers	12,690	12,592
– Sundry debtors	9,219	12,060
Total External Debtors	25,964	28,692
Cash	5,573	27,717
<b>Total</b>	<b>31,537</b>	<b>56,409</b>

Sundry Debtors includes a sum of £2.7m for rents and charges due from tenants of properties owned by the Pension Fund. Based on historic experience and information of similar properties, it can be expected that dues of £0.9m may not be fully received.

### 22. Current Liabilities

	31 March 2019 £'000	31 March 2018 £'000
<b>Creditors</b>		
– Benefits Payable	10,472	11,320
– Sundry Creditors	3,311	4,079
Total External Creditors	13,783	15,399
Owing to Kent County Council	4,683	3,094
<b>Total</b>	<b>18,466</b>	<b>18,493</b>

## 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 Equitable Life Assurance Company, Prudential Assurance Company or Standard Life Assurance Company. These amounts are included within the disclosure note figures below.

	Prudential		Standard Life		Equitable Life	
	2018–2019 £'000	2017–2018 £'000	2018–2019 £'000	2017–2018 £'000	2018–2019 £'000	2017–2018 £'000
Value at 1 April	8,480	7,951	2,087	2,373	534	614
Value at 31 March	8,636	8,480	2,017	2,087	424	534
Contributions paid	1,633	1,641	110	124	1	1

## 24. Related Party Transactions

The Kent Pension 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 County Council Superannuation Fund Committee is required to declare their interests at each meeting. None of the members of the Committee or senior officers undertook any material transactions with the Kent Pension Fund.

	Balance as at 31 March 2019 £'000	Balance as at 31 March 2018 £'000
Kent County Council is the largest single employer of members of the Pension Fund and during the year contributed:	71,127	71,592
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 Kent County Council to the Kent Pension Fund in respect of pension administration, governance arrangements, investment monitoring, legal and other services.	3,409	3,022
Year end balance due to Kent County Council arising out of transactions between Kent County Council and the Pension Fund	(4,683)	(3,094)

## Key management personnel

The employees of Kent County Council who held key positions in the financial management of the Kent Pension Fund during 2018-19 was the Director of Finance

Total remuneration payable to key management personnel is set out below:

	31 March 2019 £'000	31 March 2018 £'000
Salary	97	141
Allowances	4	8
Other	5	5
Employer's pension contributions	20	32
<b>Total</b>	<b>126</b>	<b>186</b>

## 25. Contingent Liabilities and Contractual Commitments

Outstanding capital commitments (investments) as at 31 March 2019 totalled £352.5m (31 March 2018: £89.3m)

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.

## 26. Contingent Assets

41 admitted body employers in the Kent Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Fund and payment will only be triggered in the event of employer default.

## Post Pool Reporting

The Pension Fund transitioned three mandates into the ACCESS pool during the year.

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

Pooled (ACCESS)		
Fund Manager	Asset Class	£'000
Baillie Gifford	Global Equities	1,299,300
Schroders	UK Equities	957,557
M&G	Global Equities	357,903
<b>Total Pooled</b>		<b>2,614,760</b>
Pooled Governance		
Fund Manager	Asset Class	£'000
UBS	UK Equities	336,049
UBS	Global Equities	318,271
<b>Total Pooled Governance</b>		<b>654,320</b>
Non-Pooled		
Fund Manager	Asset Class	£'000
Baillie Gifford	Global Equities	2,763
Schroders	Fixed Income	240,898
Schroders	Global Equities	292,095
DTZ	Property	543,548
Goldman Sachs	Fixed Interest	384,637
Woodford	UK Equities	259,654
BMO (Pyrford)	Absolute Return	424,373
Sarasin	Global Equities	253,960
Fidelity	Pooled Property	129,377
Ruffer	Absolute Return	67,970
Kames	Pooled Property	52,368
Impax	Global Equities	47,716
Partners Group	Infrastructure	48,211
Harbourvest	Private Equity	73,316
M&G	Pooled Property	31,604
YFM	Private Equity	28,488
Kent County Council Investment Team	Cash	55,040
<b>Total Non-Pooled</b>		<b>2,936,018</b>
<b>Grand Total</b>		<b>6,205,098</b>

For 2018-19, the ongoing costs of the investments broken down between pooled and non-pooled assets are detailed below:

	2018-2019 £'000	Cumulative £'000
<b>Pool Set up Costs</b>		
Strategic & Technical Advice	0	56
Legal	0	37
Project Management	0	53
ACCESS Support Unit	0	0
Other	0	19
<b>Total</b>	<b>0</b>	<b>166</b>
<b>Transition costs</b>	<b>363</b>	<b>363</b>

Pooling has enabled the funds to obtain fees and cost savings. In the past few years, pooling has enabled individual funds to negotiate lower fees as well as to do joint procurements such as for the UBS passive mandates. From 2018-19, bulk of the savings are anticipated to be achieved through pooling in ACCESS funds.

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

	2015–2016 £'000	2016–2017 £'000	2017–2018 £'000	2018–2019 £'000	Cumulative £'000
Set up costs	6	80	80	–	166
Pooling ongoing costs				137	137
Transition costs	–	–		363	363
Less fee savings/(costs)	(26)	242	776	1,436	2,428
Net savings/(costs)	(32)	162	696	936	1,763

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. From 2015, the Funds investment management fees went up by £5m. Of this the increase attributable to the increase in Fund value was £75m. However, with fees negotiations and pooling the Fund achieved a cumulative saving of £2.5m during this period.

For 2018-19, 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 Fund
	Direct £'000	Indirect £'000	Total £'000	Direct £'000	Indirect £'000	Total £'000	Total £'000
FM Fees		895	895	10,015	9,680	19,695	20,590
Asset Pool shared costs		137	137				137
Transaction costs		Not available		3,182	3,810	6,991	6,991
Custody		Not available		90		90	90
Other		Not available			1,355	1,355	1,355
Total			1,032	13,287	14,845	28,131	29,163

The fund's performance broken down into pooled and non-pooled assets is as below:

Asset Category	Opening Value		Closing Value		1 Yr Performance	Benchmark
	£'000	% of total fund	£'000	% of total fund		
ACCESS Pooled Investments						
UK Equity	–	–	958,000	15.4		
Global Equity	–	–	1,657,000	26.7		
Total Pooled Assets	–	–	2,615,000	42.2		
Under Pooled Governance						
UK Passive Equity	318,000	5.5	336,000	5.4	6.4	6.4
Global Passive Equity	285,000	4.9	318,000	5.1	11.5	12.0
Total Under Pooled Governance	603,000	10.4	654,000	10.5		
Assets Outside of the ACCESS Pool						
UK Actively managed Equity	1,174,000	20.2	260,000	4.2	(5.3)	6.4
Global Actively managed Equity	2,037,000	35.0	594,000	9.6	8.9	12.0
Property	733,000	12.6	757,000	12.2	7.1	4.9
Infrastructure	37,000	0.6	48,000	0.8	10.6	0.5
Private Equity	87,000	1.5	102,000	1.6	27.7	0.5
Cash	116,000	2.0	68,000	1.1	0.7	0.5
Absolute Return	410,000	7.1	492,000	7.9	3.1	7.4
Fixed Income	615,000	10.6	615,000	9.9	1.7	1.7
Total Non-Pooled Assets	5,209,000	89.6	2,936,000	47.3		
Grand Total	5,812,000	100.0	6,205,000	100.0		

1 year performance is not available for pooled investments as they were pooled only for part of the year.

# Independent Auditor's report

## **Independent auditor's report to the members of Kent County Council on the consistency of the pension fund financial statements included in the Pension Fund Annual Report.**

### **Opinion**

The pension fund financial statements of Kent Pension Fund (the 'pension fund') administered by Kent County Council (the "Authority") for the year ended 31 March 2019 which comprise the Fund Account, the Net Assets Statement and the notes to the pension fund financial statements, including a summary of significant accounting policies are derived from the audited pension fund financial statements for the year ended 31 March 2019 included in the Authority's Statement of Accounts (the "Statement of Accounts").

In our opinion, the accompanying pension fund financial statements are consistent, in all material respects, with the audited financial statements in accordance with proper practices as defined in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19 and applicable law.

### **Pension Fund Annual Report – Pension fund financial statements**

The Pension Fund Annual Report and the pension fund financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the Statement of Accounts. Reading the pension fund financial statements and the auditor's report thereon is not a substitute for reading the audited Statement of Accounts and the auditor's report thereon.

### **The audited financial statements and our Report thereon**

We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated 25 July 2019.

### **Head of Finance Operations (Acting Deputy s151) responsibilities for the pension fund financial statements in the Pension Fund Annual Report**

Under the Local Government Pension Scheme Regulations 2013 the Head of Finance Operations (Acting Deputy s151) of the Authority is responsible for the preparation of the pension fund financial statements, which must include the Fund Account, the Net Asset Statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension fund financial statements in both the Statement of Accounts and the Pension Fund Annual Report are set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

### **Auditor's responsibility**

Our responsibility is to express an opinion on whether the pension fund financial statements in the Pension Fund Annual Report are consistent, in all material respects, with the audited pension fund financial statements in the Statement of Accounts based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), Engagements to Report on Summary Financial Statements.

### **Use of our report**

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Paul Dossett**

Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor  
21 August 2019





# Kent County Council Superannuation Fund Report and Accounts

For the year ended 31 March 2019

