

Kent Pension Fund Report and Accounts

For the year ended 31 March 2023



Kent Pension Fund

Delivering an outstanding service to our customers

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If you have any comments on the annual report,

- please call 03000 416 431
- email investments.team@kent.gov.uk, or
- write to: Kent Pension Fund, Treasury and Investments,
Kent County Council, Room 3.08, Sessions House,
County Hall, Maidstone, Kent ME14 1XQ

Highlights

£7.8bn
Pension fund value
(FY22: £7.7bn)

301
Active employers in the scheme
(FY22: 304)

£298m
Received in contributions
(FY22: £280m)

£271m
Benefits paid
(FY22: £257m)

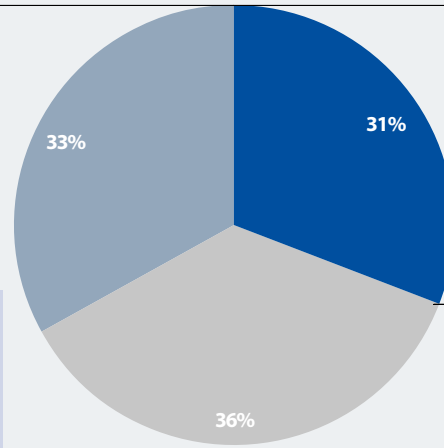
102%
Funded (2022)

Membership

49,902
Deferred members
(FY22: 49,577)

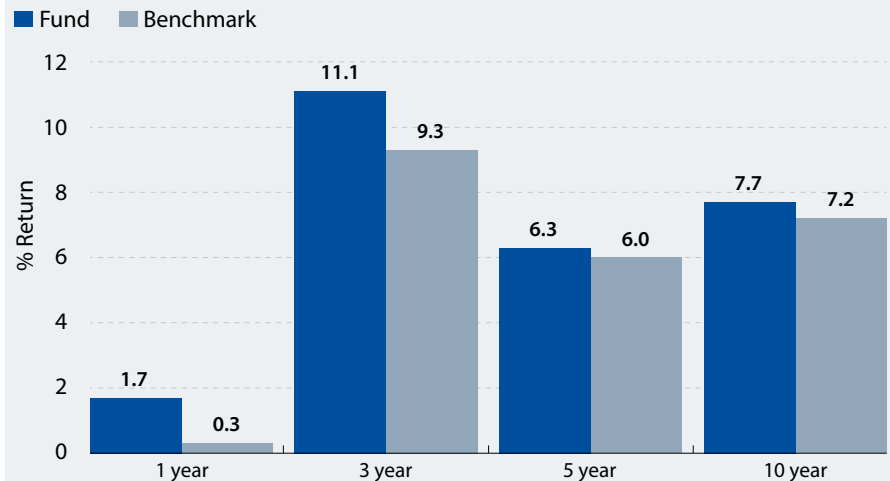
48,583
Pensioners
(FY22: 46,706)

Total membership
151,838
(FY22: 149,112)



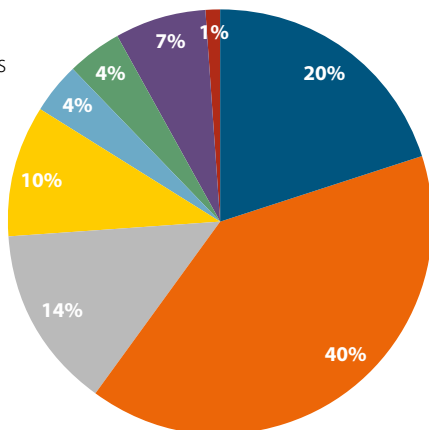
53,353
Active members
(FY22: 58,829)

Long term performance



Asset allocation

- UK Equities
- Overseas Equities
- Fixed Interest
- Property
- Private Equity
- Infrastructure
- Absolute Return
- Cash



Kent Pension Fund is a member of the ACCESS pool where we work with other local government pension funds to pool investments to significantly reduce costs, while maintaining investment performance.

£4.9m
Current year savings

£16.5m
Cumulative savings

57%

of assets outside ACCESS pool

43%

of assets inside ACCESS pool

Chairman's foreword

I am pleased to present the Annual Report and Accounts for the Kent Pension Fund for the year ended 31 March 2023.

It has been a busy year for the Fund, and one in which we have advanced a number of key workstreams: we have further strengthened our governance processes, successfully completed the latest triennial valuation of the Fund and enhanced our responsible investment activities. At the same time, we have sought to achieve the highest standards of service delivery for the Fund's members and employers.

The Fund has also successfully navigated particularly challenging investment conditions over the past twelve months. The Fund's investment strategy generated an overall positive return of 1.7% in 2022-23 (ahead of the benchmark return of 0.3%), in an environment where protecting capital has been paramount. The nature of the Fund's investment strategy means that returns can vary considerably from one year to the next, yet such an approach should deliver enhanced rewards in the longer term. Indeed, the Fund has now returned 11.1% per annum over the past three years, 6.3% over five years, and 7.7% over the last ten years, outperforming the benchmark over each of these time horizons.

As a result, the value of the Fund's assets has grown to £7.8bn at 31 March 2023, a gain of £0.1bn from the previous year. Assets valued at £3.4bn, amounting to 43% of the Fund, are now pooled via the ACCESS investment pool. The Fund is committed to pooling investment assets, and I am pleased by the pool's progress over the past twelve months, which you can read more about under the ACCESS Annual Report overleaf. The Kent Pension Fund has continued to be an active participant in the ACCESS project and during the year I represented the Fund on the ACCESS Joint Committee. Kent officers also continue to play a key role in the pool's development and the establishment of new structures for both listed and non-listed assets.

The Fund undertook its latest three yearly actuarial valuation during the year, and I am delighted to report that the funding level has improved to 102%, which is testament to a robust funding strategy and reflects our overwhelming priority to ensure adequate assets are available to pay pensions as they fall due. We need to ensure we maintain a solid funding position for the years ahead, while keeping employer contribution rates as low and as stable as possible. Employer contribution rates for 2023-2026 have now been established with this goal in mind.

Responsible investment has been at the heart of our investment decision making process throughout the year. The Fund sees itself as an active steward of the investment assets it owns and believes this approach will enhance real and sustainable returns over the long term. Climate has occupied a particularly important place within the Committee's work this year. The potential financial impact of climate change, as well the risks surrounding the transition to a low carbon economy, are significant for long term institutional investors like the Kent Pension Fund. The Fund has analysed the carbon footprint of the investment portfolio and undertaken climate scenario analysis during the year, exercises which will inform our strategy for managing climate risks and opportunities. The Committee has also actively monitored the engagement and voting efforts of its appointed investment managers throughout the year, including via participation in the Local Authority Pension Fund Forum. The responsible investment working group has continued to meet and to advance the Fund's work in this area.

The Fund's membership has increased, and it now supports some 151,838 scheme members. I thank officers for all their efforts over the last year in ensuring that these members, together with the Fund's 301 active employers, continue to receive an excellent level of service.

The administration service is focused on enhancing the engagement experience of our members and employers. The team has implemented a new call handling system this year and has progressed the Guaranteed Minimum Pension Rectification project. We have also continued the roll out of the i-connect web portal enabling employers to upload their data directly to the pensions database, which delivers efficiencies and simplifies the process for employers.

Good governance is critical to the Fund's long-term success, and I have been pleased by the significant progress the Fund has made in this area. The Fund has established and updated a number of key policies over the year, including a new Administration Strategy, alongside policies covering communications, data quality, breaches of law, discretions, abatements, conflicts of interest and training. Together, these tools help us to maintain high standards of service delivery, transparency and accountability. The Fund has also created a new, strengthened strategic business plan, which will guide our work over the coming years. As well as bringing together all of the Fund's key ongoing activities into one place, the business plan documents the priorities that we will pursue over the medium term and helps us to measure our progress and performance against those objectives.

I am looking forward to the work we have planned for the year ahead. Following on from the triennial valuation exercise last year, we are reviewing the Fund's investment strategy – an important undertaking to ensure the Fund's assets continue to be invested optimally. We will also establish a new cybersecurity approach, ensuring we have the right tools and resources in place to manage an emergent and evolving risk. Implementing the McCloud remedy, alongside other public sector pension schemes will, will be a core focus too, as will preparing for Pensions Dashboard.

We will need to coordinate this work whilst continuing to provide a first-rate service to scheme members and employers. It is a challenge I relish, and one which I know the rest of the Committee, the Pension Board and officers are excited to meet.

I want to note my thanks to Members of the Pension Fund Committee and the Pensions Board for their support to me as Chairman of the Committee and for their hard work and commitment during the year. Particular thanks are due to retiring Members for their years of service and I extend a warm welcome to some new faces on both the Board and Committee, together with all new members of the officer team who started during the year.

Finally, I want to pay tribute to the late Cllr Dan Daley, who we sadly lost in March 2023. Cllr Daley served on the Pension Fund Committee for 22 years, including time as its Vice Chairman. His contribution to the stewardship of the Kent Pension Fund is greatly missed.

Charlie Simkins
Chairman



ACCESS Annual Report 2022-2023

Foreword

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

Whilst our initial steps to collaborate as eleven Authorities started in 2016, it was in 2018 that our first pool investments were made.

Having jointly procured UBS to provide passive investment mandates, we started 2018 with the migration of assets from legacy passive managers to UBS with £10bn held in passive assets at the end of March 2023.

Following the appointment of Link Fund Solutions (LFS) as Authorised Contractual Scheme (ACS) Operator, we saw the first actively managed sub-funds launched towards the end of 2018. Our range and depth of sub-funds has grown substantially since then, with over £24bn invested within the ACS at the end of March 2023.

As investors with a long-term focus, we find ourselves within the relatively early stages of our pooling journey. However, given that some of the earliest sub-funds now have between four and five years of history, it is right to highlight the performance trends we are starting to see.

Beyond listed assets our Pool has undertaken significant work in relation to property – which is our first non-listed asset class. During the year our Implementation Adviser MJ Hudson has undertaken a procurement process for two property mandates: UK Core Property and Global Real Estate. Towards the end of 2022/23 these processes concluded and saw the appointment of CBRE to both mandates.

Work is currently underway with CBRE, our advisers and the ACCESS Authorities on establishing the necessary arrangements for these investment opportunities.

In the last twelve months we have published our updated Responsible Investment (RI) Guidelines and participated in the DLUHC consultation on climate related reporting, the outcomes of which we look forward to seeing. ACCESS also commenced the process for the procurement of advice and support for RI reporting which will conclude in later summer 2023.

In closing I would like to thank my fellow ten Joint Committee members, each representing their respective Authorities, along with the Officers who support them, and the ACCESS Support Unit (ASU).

Clr Mark Kemp-Gee,

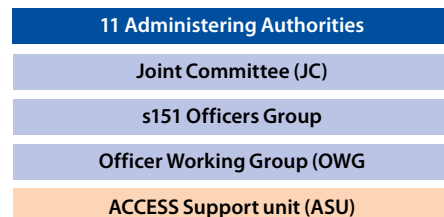
Chairman, ACCESS Joint Committee
Chairman of the Hampshire Pension Fund Committee and Board

Introduction

It has been another busy and fulfilling year supporting the ACCESS Pool.

Every twelve months a process is undertaken to develop both a Business Plan and Budget for the forthcoming financial year. The Business Plan is fundamental to how ACCESS activity is both scoped and monitored, and its development serves as an illustration of the Pool's governance arrangements and how interaction with key stakeholder groups is structured.

The process commences with initial drafting by the ACCESS Support Unit (ASU) and proceeds through detailed dialogue with the subject matter experts at each ACCESS Authority who come together to constitute the Officer Working Group (OWG). This is followed by consideration by the s151 Officers Group which has specific responsibility under the terms of the ACCESS Inter-Authority Agreement (IAA) to make recommendations to the Joint Committee on business planning and budget matters. Subsequently, the Joint Committee reviews and considers both the Business Plan which is then recommended to each ACCESS Authority. The Joint Committee also determines the annual budget required to deliver the Business Plan.



The key milestones within the 2022/23 Business Plan are outlined later in this Annual Report.

2022/23 also saw processes commence in relation to two of ACCESS's strategic partners. ACS Operator Link Fund Solutions announced arrangements which will see its business purchased by Waystone Group. The sale process of Implementation Adviser MJ Hudson to Apex also commenced. It is important to emphasise that the teams and systems supporting the ACCESS Pool remain unaltered as a consequence of these announcements.

Shortly after the end of the year, the ASU welcomed Alistair Coyle as a new Client Manager. Alistair joins us having worked for our colleagues at Link Fund Solutions and brings a wealth of both ACS Operator and ACCESS experience.

I would like to thank my ASU colleagues, the technical leads and the officers of the Authorities for their enthusiasm, support and hard work towards the continued progress of the Pool.

Kevin McDonald,

Director of ACCESS Support Unit

ACCESS Background

ACCESS has its origins in 2016 when 11 Local Government Pension Scheme (LGPS) Authorities agreed to begin working collectively to address the requirements of the Government's agenda for pooling LGPS investments.

The following strategic objectives are in place:

- 1 Enable the Councils to execute their fiduciary responsibilities to LGPS stakeholders, including scheme members and employers, as economically as possible.
- 2 Provide a range of asset types necessary to enable those participating Authorities to execute their locally-determined investment strategies as far as possible.
- 3 Enable the Councils to achieve the benefits of pooling investments, preserve the best aspects of what is currently done locally, and create the desired level of local decision making and control.

In order to achieve these objectives, the Councils have established a set of governing principles.

The governing principles are summarised below.

- Collaboration
- Objective evidence based decisions
- Professionalism
- No unnecessary complexity
- Value for money
- Risk management
- Equitable voice in governance
- Equitable cost sharing
- Evolution and innovation

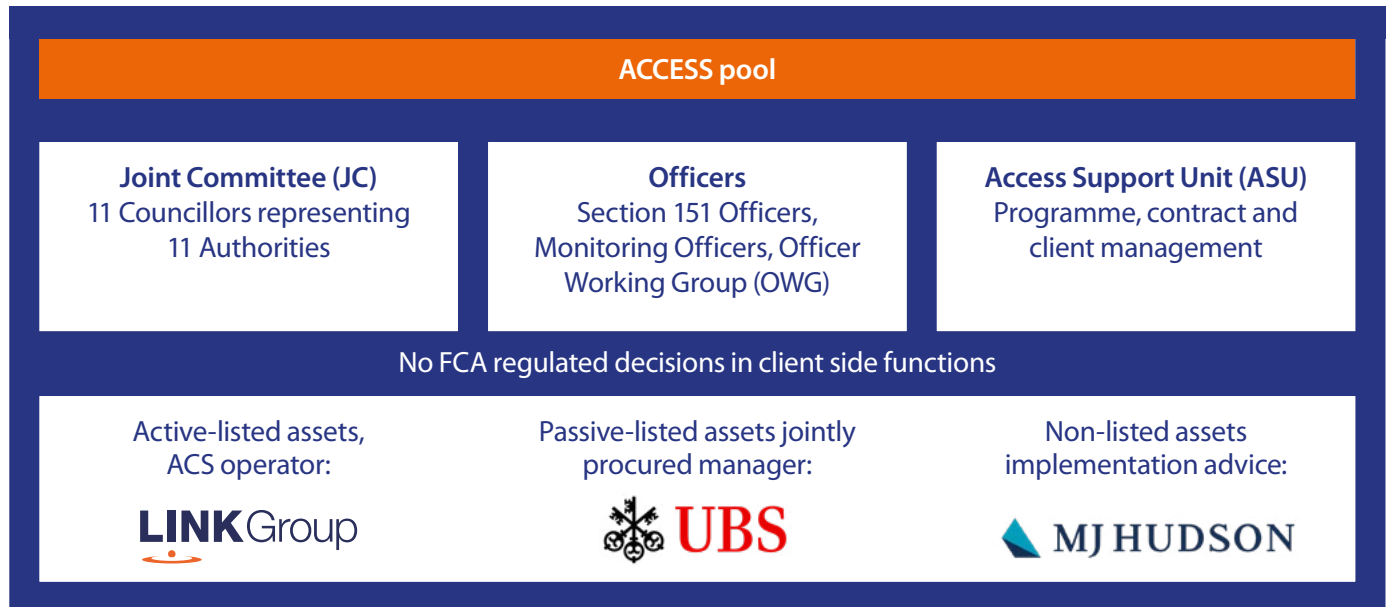
Implicit within the above principles is the democratic accountability and fiduciary duty of the Councils as Administering Authorities.

ACCESS LGPS Authorities



1		7	
2		8	
3		9	
4		10	
5		11	
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An overview of the Pool's governance structure is outlined below.



Key Statistics

3 Year Performance

14% p.a.

Members

1.2 million

Pooled Assets

As at March 2023

ACS

£24.5bn

UBS (1 jointly procured provider)

£9.9bn

Pooling Progress

59%

Employers

3,459

Pensioners

340,000

Cost & Savings

Since inception to March 2023

Gross Savings

£98.9m

Costs

£27.6m

Net Savings

£71.4m

Pooling Progress

Pooled assets represented 85% of all listed assets held by ACCESS Authorities and 59% of all assets held by ACCESS Authorities.

	£ Billion
Global Equity Funds	15,595
UK Equity Funds	2,590
Fixed Income	4,973
Diversified Growth	1,319
Passive Investments	9,940
Total Pooled Investments	34,417
Pooled Assets % of Total Listed Assets	85%
Pooled Assets % of Total Assets	59%

Pooling has continued throughout the year with the ACCESS Authorities investing within the sub-funds already set up.

One sub-fund was launched during the year in November 2022, which attracted £800 million funding from ACCESS Authorities that had not previously invested with the investment manager.

Performance

As at 31 March 2023 the ACCESS ACS contains a number of sub-funds across UK and Global Equities, Fixed Income and Diversified Growth Fund (DGF) Strategies.

Annualised investment performance for each of these asset classes is shown in the table below for the three years ending 31 March 2023 and since inception.

Asset class	£bn	Asset Managers	3 years to 31 March 2023 (annualised)			Since inception to 31 March 2023 (annualised)		
			Perf.	B/mark	+/-	Perf.	B/mark	+/-
UK equities	2.6	Schroders, Baillie Gifford, Liontrust & Blackrock	13.8%	13.5%	0.3%	6%	6.1%	(0.1%)
Global equities (growth)	10.9	Baillie Gifford, Longview, Fidelity, Newton, J O Hambro, Capital Mondrian, Arcadian	17.1%	16.0%	1.1%	13.0%	9.7%	3.3%
Global equities (value)	4.7	M&G, Dodge & Cox, Schroders, Macquarie						
Fixed income	5.0	Royal London, Baillie Gifford, M&G, Fidelity, Janus Henderson	(0.4%)	(1.7%)	1.3%	0.6%	0.2%	0.4%
DGF	1.3	Baillie Gifford, Ruffer, Newton	7.4%	10.0%	(2.6%)	4.7%	5.4%	(0.7%)
Total	24.5		14.0%	13.1%	0.9%	10.1%	7.5%	2.6%

Strongest investment outperformance, compared to benchmark, was seen from the Global Equities sub-funds which also account for the largest allocation of assets, £15.6 billion, 64% of the ACCESS Pool.

Although Fixed Income produced negative returns the investments outperformed the benchmark over the year.

Despite negative returns from Diversified Growth Funds and on UK Equities (since conception), the emerging trend is one of overall positive performance.

Savings

A budget for ongoing operational costs is set by the Joint Committee and is financed equally by each of the eleven Authorities.

The table below summarises the financial position for 2022/23 along with the cumulative position since the commencement of ACCESS activity in early 2016.

	2022 – 2023		2016 – 2023	
	Actual In Year £m	Budget In Year £m	Actual Cumulative to date £m	Budget Cumulative to date £m
Set Up Costs	–	–	1,824	1,400
Transition Costs	–	2,100	3,338	6,907
Ongoing Operational Costs	1,175	1,366	5,292	7,695
Operator and Depository Costs	4,979	4,787	17,128	20,938
Total Costs	6,154	8,253	27,582	36,940
Pool Fee Savings	28,645	17,800	98,945	65,550
Net Savings Realised	22,491	9,547	71,363	26,510

2022/23 saw an underspend primarily due to lower than anticipated costs of procurement and technical professional costs.

Operator and depository fees are payable by each Authority in relation to assets invested within the Authorised Contractual Scheme established by Link Fund Solutions as pool operator.

The 2022/23 fee savings have been calculated using the Chartered Institute of Public Finance and Accountancy (CIPFA) price variance methodology and based on the average asset values over the year. This approach highlights the combined level of investment fee savings, across all ACCESS Authorities stemming from reduced charges.

In summary, since inception ACCESS has demonstrated excellent value for money, maintaining expenditure broadly in line with the DLUHC submission whilst delivering an enhanced level of savings ahead of the timeline contained in the original proposal.

Business Plan

The activities within last year's 2022/23 Business Plan, are shown below. The ongoing nature of a number of areas result in milestones spanning different years.

- Review of the corporate governance manual.
- Revisions and sign off by the councils of the Inter-Authority Agreement.
- ACCESS Responsible Investment guidelines agreed by the Joint Committee and recommended to Councils.
- Agree the requirements for the UK Property and Global Property mandates.
 - Procurement for implementation adviser carried out by MJ Hudson in collaboration with the Hampshire procurement officer.
 - UK Property and Global Property awarded to CBRE.
- Procurement for an independent third party to review the effectiveness of the ACCESS Pool operations.

The Business Plan for **2023/24** was agreed by the Joint Committee in December 2022 and covers:

- Independent third-party business review and implementation of any outcomes.
- Launch of emerging market sub-funds.
- Continuance of the implementation of the alternative investment programme.
- Investment of indirect UK and global property mandates with CBRE.
- Responsible Investment Phase II procurement.
- Governance: the continued application of appropriate forms of governance throughout ACCESS including the commencement of both responsible investment reporting support for the Pool, and the second contract for communications support.
- Scheduled evaluation: preparation for, and the commencement of, the re-procurement of operator services in the penultimate year of the Operator contract.

Environmental, Social & Governance

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

Whilst the participating Authorities have an overriding fiduciary and public law duty to act in the best long-term interests of their Local Government Pension Scheme (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.

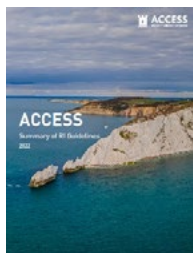
Responsible Investment Guidelines

Following the completion of a review led by Minerva Analytics, ACCESS has now published an updated Responsible Investment Guidelines. These have been developed around five pillars: governance, process, implementation, stewardship and monitoring/reporting.

The key high-level points of the Guidelines are:

- The Councils remain sovereign (particularly in relation to setting investment strategy). However, the opportunity exists for ACCESS to help coordinate RI approaches;
- All Councils agree that RI issues have the potential to impact investment returns over the short, medium and long-term;
- RI issues and concerns should be addressed primarily at the point of investment, whether that is in relation to an individual stock, or an entire portfolio;
- A number of RI priorities have been identified for the coming year, mostly associated with establishing a 'benchmark' of where the Councils' assets and asset managers sit in terms of RI concerns;
- Active stewardship remains the preferred approach when it comes to investments – with engagement over divestment being the Councils' combined approach;
- ACCESS, through the ASU and Link (the ACS Operator), will seek to ensure appropriately structured RI reporting is provided by the asset managers, so that each Council can meet its own RI reporting and communication objectives.

The Guidelines have been published in both summarised and full forms.



Voting

The ACCESS pool has a set of voting guidelines which seeks to protect and enhance the value of its shareholdings by promoting good practice in the corporate governance and management of those companies.

The guidelines set out the principles of good corporate governance and the means by which ACCESS will seek its influence on companies. The voting activity is reported to the Joint Committee on a quarterly basis.

During the year ACCESS voted at 2,801 meeting on 34,727 resolutions.

On a quarterly basis the votes can be summarised as below:

	Number of Meetings	Votes cast For	Votes cast Against	Votes cast Other	Total Votes Cast
June 2022	1,920	24,301	3,664	605	24,301
September 2022	350	3,870	368	51	4,289
December 2022	250	2,204	297	72	2,573
March 2023	281	3,180	391	65	3,564

Engagement

Link Fund Solutions arranges regular sessions with the Investment Managers to present to the Authorities Pension Fund Officers to demonstrate how they implement environmental, social and governance into their investment strategy and decision-making process.

These also give the investment manager the opportunity to discuss the engagement activities they have undertaken, what constructive dialogue was had and how they have used their influence to encourage the adoption of best practice.

Governance arrangements

The Pension Fund Committee

The Pension 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.

There were four full Committee meetings during the year, all were held in person with the option to join virtually. The Committee also participated in an away day to discuss Strategy and receive training.

The membership of the Committee during 2022-23 is detailed below.

Committee members

Employer representatives

All elected members (employer representatives) have full voting rights at the committee.



Charlie Simkins
Chairman
Kent County Council



Nick Chard
Vice Chairman
Kent County Council



Dan Daley
Kent County Council
up to 24/03/23



Penny Cole
Kent County Council
up to 24/01/2023



Perry Cole
Kent County Council



James McInroy
Kent County Council



John Burden
Gravesham Borough
Council



Nick Eden-Green
Canterbury City Council
up to 08/12/22



Paul Clokie
Ashford Borough Council
up to 22/06/22



Paul Bartlett
Kent County Council



Paul Cooper
Kent County Council



John Wright
Kent County Council



Richard Thorne
Medway Council



Mel Dawkins
Kent County Council



Paul Stepto
Kent County Council



Simon Webb
Kent County Council
joined 24/01/2023

Simon Sim
(Non-voting)
Staff representative
joined 09/01/23

Paul Doust
(Non-voting)
Kent Active Retirement
Representative
joined 01/12/22

Joe Parsons
(Non-voting)
Union representative
up to 28/09/22

Member Representatives

Member representatives do not have a vote but otherwise are treated equally in terms of access to papers, training and opportunity to contribute to the decision making process.

Kent Active Retirement Fellowship Representatives

Paul Doust

Union Representative

Joe Parsons (up to Sept. 22)

Kent County Council Staff Representative

Simon Sim

Local Pensions Board

The Board's role is to ensure effective and efficient governance and administration of the LGPS scheme including ensuring compliance with scheme regulations and other applicable legislation. The membership of the Board during 2022-23 is detailed below; there were two full Board meetings during the year. It is pleasing to report that all vacancies on the Board have been filled during the year.

Kent County Council Officers and Others

The day to day operations and management of the Fund and implementing the decisions of the Pension Fund Committee are delegated to the KCC Section 151 officer and their staff. This includes the power to seek professional advice and devolve day to day handling of the Fund's investments to professional fund managers and advisers within the scope of the regulations. KCC undertakes the monitoring and accounting for the investments of and income due to the Fund.

Key Personnel

Zena Cooke	Corporate Director of Finance and S151 Officer
Nick Buckland	Head of Pensions and Treasury

Board members

Employer Representatives	Representing
Robert Thomas, Chairperson	Kent County Council
Dylan Jeffrey, Vice Chairperson	Kent County Council
Alison Kilpatrick	Kent and Medway Fire
Cllr Rachel Carnac	District/Canterbury City Council

Member Representatives

Joe Parsons	Districts/Medway staff
Kelly King	Kent County Council staff
Alison Mings	Pensioner Representative
Grahame Ward	Pensioner Representative

Governance 2022-23

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

Pension Fund Committee

Member	Meetings attended
Charlie Simkins	3/4
Nick Chard	3/4
Paul Bartlett	3/4
John Burden	1/4
Paul Clokie (left Committee Jun. 2022)	0/1
Penny Cole (left Committee Jan. 2023)	3/3
Perry Cole	4/4
Paul Cooper/and substitute	2/4
Dan Daley	2/4
Mel Dawkins	3/4
Paul Doust (joined Committee Dec. 2022)	1/1
Nick Eden-Green (left Committee Dec. 2022)	3/3
James McInroy	3/4
Joe Parsons (left Committee Sept. 2022)	2/2
Simon Sim (joined Committee Jan. 2023)	1/1
Paul Stepto	4/4
Richard Thorne/substitute	2/4
Simon Webb (joined Committee Jan. 2023)	1/1
John Wright	3/4

Pensions Board

Member	Meetings attended
Robert Thomas	2/2
Dylan Jeffrey	2/2
Joe Parsons	2/2
Alison Kilpatrick	1/2
Cllr Rachel Carnac*	1/2
Grahame Ward*	1/2
Kelly King*	1/2
Alison Mings*	1/2

*Joined the Board after first meeting

Committee activity

Items considered by the Committee at its meetings in 2022/23 were as follows:

22/06/2022	28/09/2022	08/12/2022	29/03/2023
Fund Employer and Governance Matters	Fund Employer and Governance Matters	Committee work programme and Action Log	Fund Employer Matters
Pensions Administration	Update on National LGPS issues	Fund Business Plan – 2022/23 – 2024/25	Actuarial Valuation results
Report from the Pension Board	Pensions Administration	Fund Employer and Governance Matters	Funding Strategy Statement
ACCESS update	Training update	Pensions Administration	Pensions Administration
Fund position	Pension Fund Report and Accounts and External Audit	Annual Report	McCloud Remedy Update
Governance Review update	Report from the Pension Board	Report from the Pension Board	Report from the Pension Board
Responsible Investment update	ACCESS update	ACCESS update	Fund Position
Risk Register	Fund position	Fund position	Investment Manager Monitoring
Equity Protection update	Governance Review update	Governance Review update	Governance, Policies and Training
Cash Flow	Business Plan	Pension Fund Risk Register	Investment Strategy
Investment Strategy	Pension Fund Risk Register	Actuarial Valuation 2022 update	Responsible Investment update
Manager Presentation – DTZ Investors	Investment Strategy	Investment Strategy	Administration System procurement
Manager Presentation – Partners Group	Actuarial Valuation 2022 update	Responsible Investment update	ACCESS update
	Responsible Investment update		Employer Matters
			Business Plan
			Risk Register

Board activity

Items considered by the Board at its meetings in 2022/23 were as follows:

24/11/2022	14/03/2023
Fund Business Plan	Verbal update on the Pension Fund Committee
Pensions Administration	Fund Business Plan – 2022/23 – 2024-25
Pension Fund Annual Report and Accounts and External Audit	Pensions Administration
Fund Employer and Governance Matters	Pension Fund Annual Report and Accounts and External Audit
Governance review – update	Fund Employer and Governance Matters
Fund Position September 2022	Governance review – update
ACCESS update	Fund Position September 2022
Pension Fund Risk Register	ACCESS update
	Pension Fund Risk Register

Training

As an administering authority of the Local Government Pension Scheme, Kent County Council recognizes the importance of ensuring that all officers and members charged with financial management and decision making for the pension scheme are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.

In November 2022, a report was prepared on the LGPS National Knowledge Assessment, for Kent Pension Fund. The report was prepared by Hymans Robertson and followed a previous assessment undertaken in 2020. The report rated the knowledge and skills of members of the Pension Board and Pensions Fund Committee and from this a training plan was developed.

Training is undertaken, recorded and monitored as per the Kent Pension Fund Training Strategy (approved at Pension Fund Committee March 2022). The Strategy sets out strategic training objectives and the training vision, whilst incorporating CIPFA's 'Code of Practice on Public Sector Pensions Finance, Knowledge & Skills' and CIPFA's Knowledge & Skills Framework. Furthermore, the Kent Pension Fund Training Strategy explains the requirement for those on the Pensions Board and Pensions Fund Committee to have sufficient skills and knowledge to undertake their role.

To support the Training Plan, other training methods/resources are incorporated to pick up hot topics and to support learning requirements as they emerge. Members also take personal responsibility to maintain their Pensions knowledge and to ask Officers for assistance where extra support may be required to effectively undertake their role.

The main training events attended by committee and board members during 2022-23 were as follows:

Date	Topic	Provider
April 2022	Carbon Footprint Analysis	Mercer
May 2022	Responsible Investment	IIGCC
June 2022	Securities Lending	Northern Trust
March 2023	Investment Strategy Away Day	Mercer/DTZ

Committee members have also had an opportunity to gain an understanding of new asset classes and existing investment mandates from investment managers at the following Committee meetings:

Date	Topic	Provider
June 2022	Global equities	Baillie Gifford
September 2022	Alternative Investments/ Responsible investment	Baillie Gifford/ DTZ

In addition, one committee member completed the TPR Etoolkit during the year.

Individual members and officers have also attended training events organized by the Fund's investment managers and other external organizations as follows:

- Attendance at the PLSA Conference 2022, LGPS Forum, UNISON National LGPS Conference and other events related to finance, pensions, investments, governance and scrutiny.
- Training and updates as given at the Pension Board, Pension Fund Committee and the Fund's Employer Forum.
- Individual study, learning and Continued Professional Development to gain specific qualifications or broader understanding.

Fund managers



















Further details of the fund manager mandates can be found in the Investment Strategy Statement (ISS).

Other organisations providing services to the Kent Fund

Service	Organisation
Custodian	Northern Trust Company
Bankers	National Westminster Bank
Fund Actuary	Barnett Waddingham
Additional Voluntary Contributions (AVC) Providers	Utmost Life, (earlier Equitable Life Assurance) Prudential Assurance Company Standard Life Assurance
Investment Consultant	Mercer
Auditor	Grant Thornton
Legal Advisor	Invicta Law
Performance Measurers	Northern Trust Company CEM Benchmarking PIRC Limited
Scheme Administrator	Kent County Council
Administration Software Provider	Aquila Heywood

The Kent Pension Fund maintains the following statutory statements and policies; these are reviewed and updated regularly:

- Funding Strategy Statement
- Investment Strategy Statement
- Governance Compliance Statement
- Administration Strategy
- Communications Policy Statement
- Responsible Investment Policy
- Conflicts of Interest Policy
- Contributions Review Policy
- Deferred Debt and Debt Spreading Agreement Policies
- Training Strategy
- Recording and Reporting Breaches of the Law Policy
- Data Quality Policy

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

A copy of the latest triennial valuation can be found on the Pension Fund's website: https://www.kentpensionfund.co.uk/_data/assets/pdf/file/0003/149016/Valuation-report-March-2022.pdf

Risk Management

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

Objectives of Risk Management

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

Risk register

The Committee maintains active oversight of the Fund's key risks and maintains a risk register. Risks are classified into Governance, Investment & Funding and Administration risks. All risks are scored and assigned a target level and mitigations are put in place for risks measured at higher than target level. Risks scored at or below target level are monitored. The Pension Fund Committee formally considers risk at four of its five planned meetings during the year and receives regular training on general and specific risks.

The key risks currently identified include:

- Increased risk of cyber attacks.
- Implementation of changes necessitated by the McCloud judgement.
- risk of increased funding deficit.
- risk of pensions dashboard not being ready in time to comply with onboarding date.

Arrangements have been agreed for the management of these risks in order to mitigate their impact on the Fund. These are regularly reviewed, and the risk register updated for changes in the level of risks and for emerging new risks.

Governance risks

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

Investment and Funding 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). Further details of the Fund's policy on investment risk management are disclosed in the Fund's Investment Strategy Statement (ISS). These are reviewed regularly. The Fund has a well diversified portfolio of different asset classes and investment strategies managed by different managers. This greatly mitigates the risk of excessive reliance on particular asset classes and managers in times of stress in the market conditions. The Fund has a high exposure to equities which have high growth potential but are also exposed to higher risk. Upon advice from its investment advisors, the Fund has implemented an Equity Protection programme on its global equity assets to continue to benefit from high returns but protect it from significant losses. The Fund also operates an asset rebalancing policy to ensure that the asset allocation remains within its agreed risk profile.

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

Assurance over external service providers operations is provided by investment managers and custodian[s] who are required to provide annual AAF 01/06 reports and ISAE 3402 reports.

Administration risks

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

Kent County Council's Internal Audit Section conducts risk-based audits on the management of risk in the Pension Fund. During the year Kent County Council Internal Audit carried out a review of the service focusing on 6 key areas:

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

The outcome was adequate with good prospects for improvement.

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.

Financial Performance

Fund Trends

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

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Net Assets at 31 March (£'000)	6,218,169	5,716,878	7,513,632	7,702,425	7,847,952
No. of Contributors	51,345	51,685	52,725	52,829	53,353
Contributions (£'000)	238,331	250,263	267,955	280,431	297,692
Number of Pensioners	41,739	43,441	44,838	46,706	48,583
Benefits Paid (£'000)	235,953	243,832	247,448	257,277	270,995

Financial Summary

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

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Value of Fund at start of year	5,828,846	6,218,169	5,716,878	7,513,632	7,702,425
Revenue account for year					
– Contributions	238,331	250,263	267,955	280,431	297,692
– Transfers in	9,427	9,328	5,017	10,636	17,306
– Investment and other income net of expenditure					
Income on investments	114,315	139,858	115,258	140,759	158,696
Interest on cash	1,010	1,273	154	217	2,621
Stock lending income	1,042	42	33	58	103
Expenses on property	(4,212)	(6,209)	(4,199)	(7,591)	(8,506)
Management expenses	(27,184)	(25,606)	(27,277)	(34,840)	(32,502)
– Benefits	(235,953)	(243,832)	(247,448)	(257,277)	(270,995)
– Transfers out	(12,585)	(12,708)	(10,057)	(28,114)	(15,184)
Net Revenue	84,191	112,409	99,436	104,279	149,231
Increase (Decrease) in market value of investments in year	305,132	(613,700)	1,697,318	84,514	(3,704)
Increase (Decrease) in Fund during year	389,323	(501,291)	1,796,754	188,793	145,527
Value of Fund at end of year	6,218,169	5,716,878	7,513,632	7,702,425	7,847,952

The Fund increased in value over the course of the year as revenue, principally contributions and investment income, exceeded benefit payments and other expenditure.

Over the year, the Fund experienced a 1% increase in the number of contributors, leading to a 6.2% increase in contributions by amount compared to 2021/22 figures.

The number of pensioners saw an increase of 4% compared to the previous year, reaching a 16% rise since March 2019. Consequently, pension payments increased by 15% since March 2019.

Pension Fund Administration and Governance Costs

The following table compares actual Administration, Governance and Oversight costs against the budget for 2022-23.

	2022-23 Budget £	2022-23 Actual £
Pensions administration	2,537,405	2,557,738
IT expenses	902,595	680,638
Pensions payroll services	228,188	228,188
Payment services	16,400	17,267
Financial systems and services	64,700	64,700
Legal fees	84,243	134,899
Administration expenses	3,833,531	3,683,430
Actuarial fee (including cost of triennial valuation in 22-23)	370,000	420,169
Direct recovery of actuary, legal fees and admin costs	(235,000)	(494,445)
Subscriptions	64,355	62,438
ACCESS pooling costs	160,000	115,345
Investment accounting and oversight costs	640,000	684,522
Training	3,000	1,200
Performance measurement fees	30,000	13,684
Governance consultancy	–	–
Investment consultancy	270,000	304,353
Governance and oversight expenses	1,302,355	1,107,266
Custody	45,000	51,028
Transaction costs	675,000	165,716
Fund manager fees – fixed income	5,529,000	3,801,624
Fund manager fees – equities	13,016,000	13,343,379
Fund manager fees – Private equity/infrastructure	7,500,000	6,907,234
Fund manager fees – property	3,600,000	3,395,638
Investment management costs	29,645,000	27,664,619
Audit fee	42,000	45,511
Total	34,822,886	32,500,826

Transaction costs were lower than expected as there were fewer movements between funds this year.

Pooling costs were under budget as some planned projects have progressed slower than expected.

Investments

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

At its regular meetings during 2022-23 the Committee monitored the Fund's investment strategy and made recommendations regarding the Fund's asset allocation, agreeing that no changes be made as all actual allocations have fallen within the agreed benchmark.

The Fund's strategic asset allocation as at 1 April 2022 was as follows:

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
Total	100	

Asset Pooling

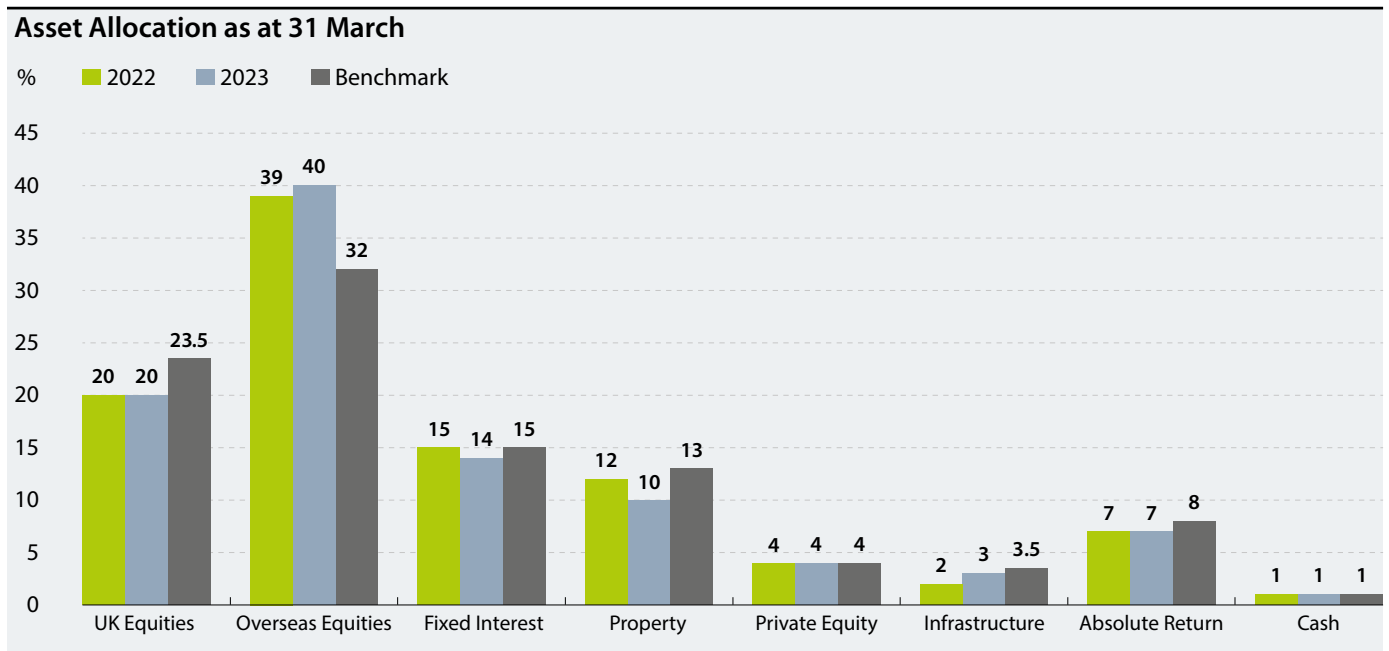
The Kent Pension Fund has made good progress in transitioning assets into the ACCESS Pool. (Please see section on ACCESS for further information about the Pool).

As at 31 March 2023 it had investments of £3.4 billion in four ACCESS sub-funds.

The Kent Pension Fund has achieved £16.4m of savings in pooling initiatives of which £6m are in relation to assets awaiting pooling.

Portfolio Distribution

The graph shows the Fund's actual portfolio distribution between the main asset-classes as at 31 March 2022 and 31 March 2023 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 2023:

Fund Managers	AUM (£m)
Schroders	1,829
Baillie Gifford	1,072
Insight	1,040
DTZ	546
Pyrford	382
M&G	851
Goldman Sachs	385
CQS	226
Sarasin	376
Others	1,142
Total	7,848

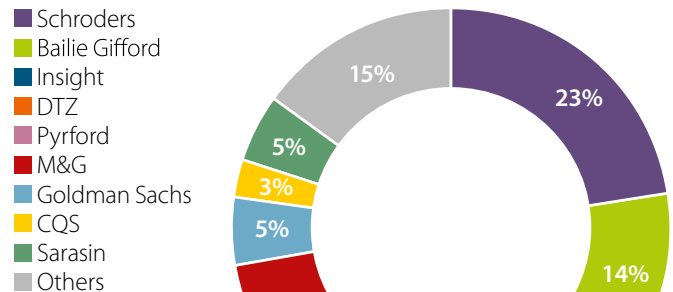
Investment performance 2022-23

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

AUM by fund manager as a proportion of the Fund

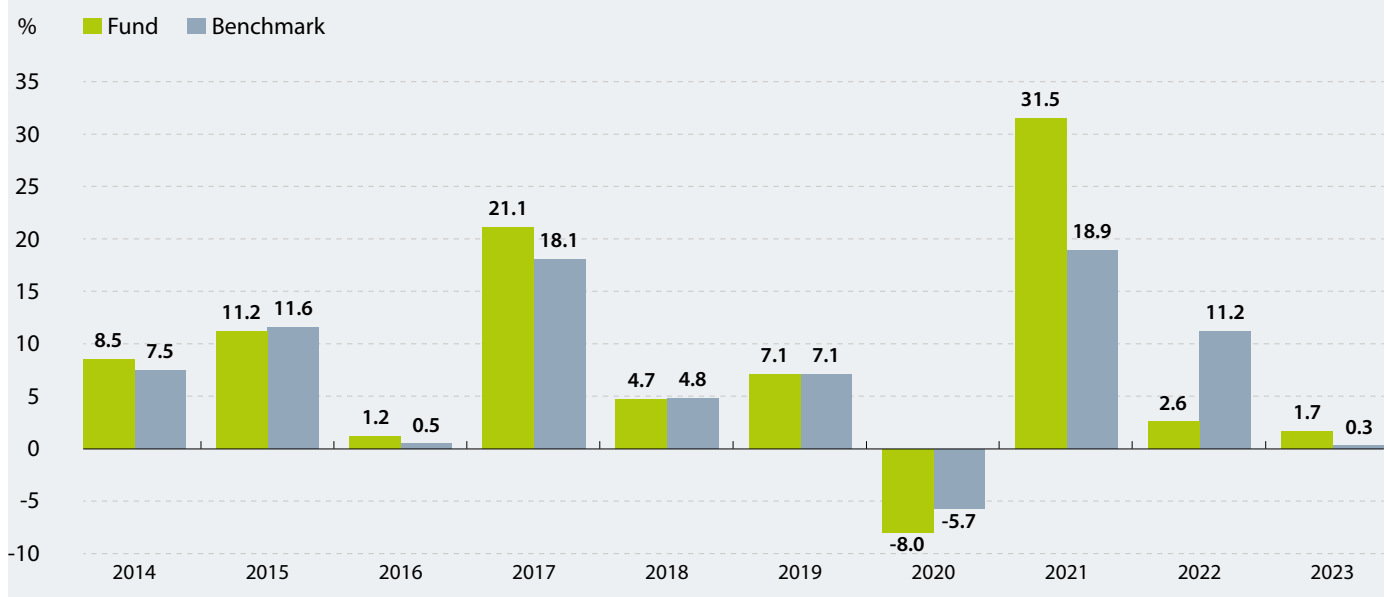


Total fund performance

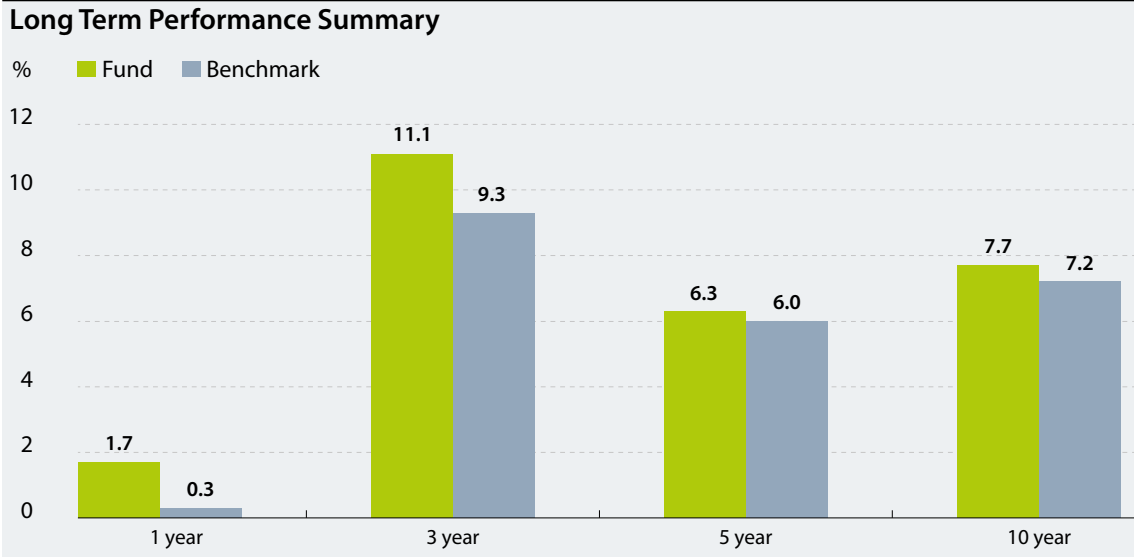
The graph below shows the relative performance of the investments over the last 10 years. The overall return on the investments for 2022-23 was 1.68% compared to the customised strategic benchmark of 0.33%.

For comparison the PIRC Local Authority Universe average annual fund return for 2022-23 was 1.6%.

Annual Investment Returns

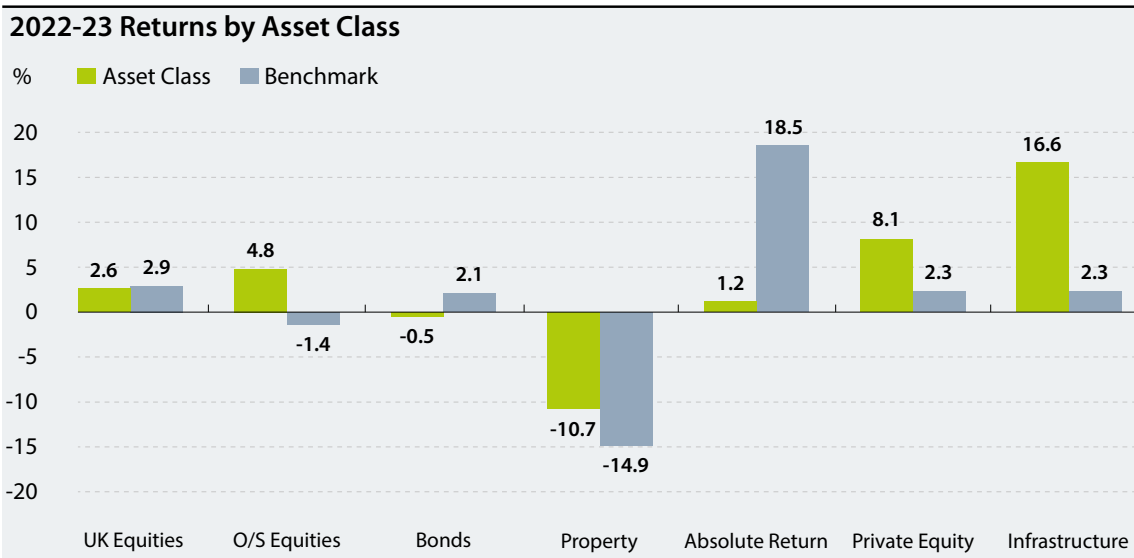


The graph below shows the long term performance of the Fund's investments compared against its Strategic benchmark.



Returns by Asset Class

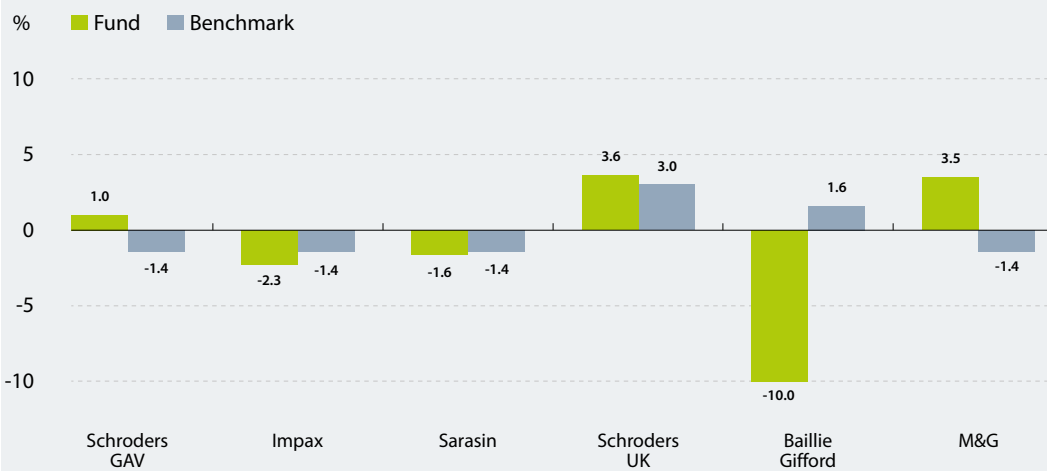
The analysis set out below shows the returns by asset class for 2022-23:



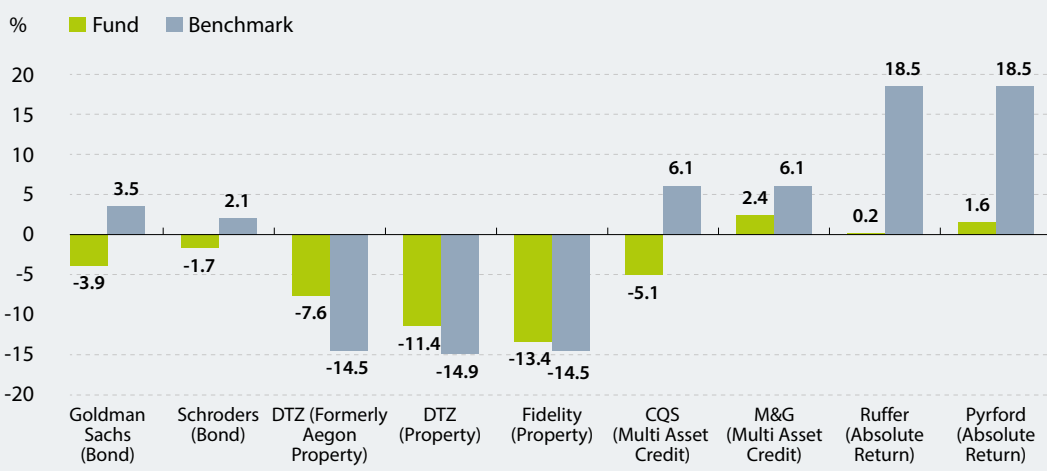
Performance by Fund Manager

The following graphs show the performance of the Equity and other Mandates compared to their benchmarks for the year ended 31 March 2023.

Returns by Fund Manager – Equities



Returns by Fund Manager – Other Mandates



Responsible Investment (RI) Policy

The Fund's RI policy can be viewed [here](#)

The Kent Pension Fund:

- Has a **responsible investment (RI) policy, which is part of its investment strategy** which explains how Environmental, Social, and Governance (ESG) factors will be considered when making investment decisions and how the Pension Fund expects its investment managers to engage with companies about ESG issues and take part in shareholder voting.
- Has set up an **RI working group to focus on responsible investment**. The group is made up of members of the Pension Fund Committee and makes recommendations to the Committee.
- Is a **signatory to the principles of responsible investment (PRI)** which sets out six principles for responsible investors to follow, and a member of the Local Authority Pension Fund Forum (LAPFF), a collaborative initiative that promotes the highest standards of corporate governance to protect the long-term value of local authority pension funds.
- **Expects its investment managers to be signatories to the UK Stewardship Code 2020** which is about how investors should act when making and owning investments.
- Provides training for the Pension Fund Committee.

Addressing climate change concerns

The Kent Pension Fund:

- Recognises it is consistent with its fiduciary duty to manage Environmental issues including climate change that may be financially material and expects those responsible for managing its investments to comply with the Fund's policy.
- Does not believe it should divest from companies involved in fossil fuels as that action of itself will not reduce the impact on the climate. The Fund believes that its policy of engagement with companies to encourage responsible investment behaviour will be more effective in terms of achieving change.
- Is actively monitoring and supporting the development of companies' management of environmental issues including those companies traditionally associated with fossil fuels. It is seeking out sustainable investment opportunities and for example holds units in a fund that invests in companies developing alternative sources of energy and cleaner uses of water and waste.
- Is a member of the **The Institutional Investors Group on Climate Change (IIGCC)**. The Fund monitors developments on climate change and uses the research undertaken to monitor and challenge our investment managers.

Developing the Fund's approach to ESG issues

The RI working group:

- Considers and progresses the further development of the Fund's RI policy and its implementation taking account of recent ESG initiatives; and
- Works with investment managers to enhance their reporting on ESG issues including regular updates on their engagement with companies on governance matters, and their voting activity.

The Kent Pension Fund:

- Is committed to improving its approach to and the processes associated with the implementation of its responsible investment policy and to ensure that these changes are consistent with the Fund's fiduciary duty to its members and local taxpayers.
- Will seek to align itself with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

RI Activity

Carbon Footprint Analysis:

- In collaboration with our investment advisor, Mercer, we conducted a comprehensive carbon footprint analysis of our listed equity and fixed income portfolios. This analysis covered 70.5% of our total Fund and provided valuable insights into the Fund's carbon intensity.
- As part of our carbon footprint analysis, we identified the portfolio's top contributors to carbon intensity and carried out an engagement exercise with our fund managers to understand how they are mitigating this risk.

Climate Scenario Analysis:

- With the support of the investment consultant, we conducted a climate scenario analysis to assess the Fund's resilience under three different climate scenarios: a rapid transition, an orderly transition, and a failed transition.
- This analysis helped us identify both the physical and transition risks associated with these scenarios and consider their impact on our portfolios over a 40-year time frame.

Engagement:

- As proud members of LAPFF, we actively participated in stewardship activities to promote responsible investment practices. Our collaboration with LAPFF allowed us to benefit from their voting alerts, which played a crucial role in influencing our engagement efforts. This enabled us to ensure our managers were carrying out the required due diligence and ensured we continue to be active owners of our assets.
- The Fund has also carried out various other engagement activities with our fund managers, across a number of topics ranging from net-zero targets to investor networks, ensuring that they align with our RI goals.

Voting

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

The ACCESS Pool has formulated its own voting policy and expects the investment managers managing ACCESS sub-funds to vote in accordance with their policy, on a comply or explain basis.

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

Voting by Managers 2022/23			
	Number of Resolutions		
	For	Against	Abstain
Baillie Gifford	2,621	80	59
Schroders UK Equity	871	19	0
Schroders GAV	6,620	813	154
M&G Global Dividend	590	65	28
Ruffer	257	49	3
Sarasin	464	188	32
Impax	661	63	22
Pyrford	863	58	2
Total	12,947	1,335	300

Administration

Who belongs to the Kent Pension Fund?

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

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

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

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

At 31 March 2023 there were 466 Employers in the Fund. During the year 17 organisations joined the Fund as either scheduled or admitted bodies following the transfer of staff from existing fund employers and as schools converted to academy trusts. Academy trusts also consolidated and other employers exited the Fund as their last active members left or retired. During the year 11 employers either ceased to be members of the Fund or merged with other employers.

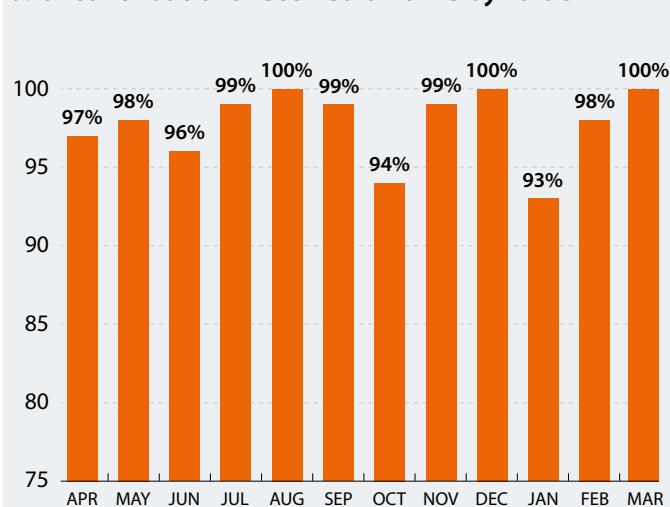
The following table shows a summary of the number of employers in the Fund analysed by employer type which are active (i.e. with contributing members) and ceased (i.e. with no active members but with some outstanding liabilities):

	Number of employers		
	Active	Ceased	Total
Scheduled Body	231	74	305
Admitted Body	70	91	161
Total	301	165	466

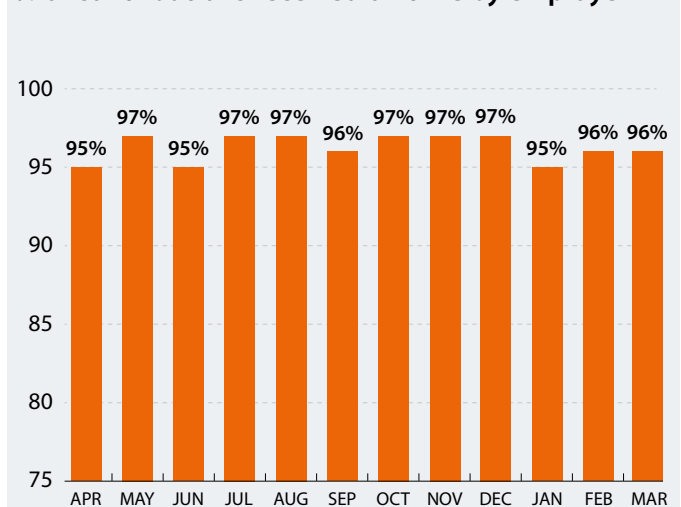
Amounts due from Employers

In 2022-23 KCC monitored the timely receipt of contributions by the deadline of the 19th of the following month the contributions relate to in two different measures: by value and by number of employers. The tables below show the performance over the 12-month period.

% of contributions received on time by value



% of contributions received on time by employer



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

The lower percentage reflects the difficulties some small employers have and some backdated admissions in the Fund. The option to levy interest on overdue contributions was not exercised. At 31st March 2023, contributions in respect of the March salaries totaling £21.3m due by 19 April had not been received.

On 31 March 2023 there were 48,583 pensioners, 49,902 deferred members, and 53,353 contributors, a total of 151,838 Scheme members.

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

Employer Type	Employers	Active Members	Deferred Members	Pensioner Members
Kent County Council (inc. Schools)	1	21,885	24,618	24,878
Local Authorities	13	8,217	9,960	13,078
Resolution Bodies	78	4,947	5,939	5,123
Transferee Admission Bodies	48	416	333	375
Community Admission Bodies	17	1,441	2,504	2,100
Academy Trusts	137	16,419	6,548	3,029
TOTAL		53,325 (plus 28 unallocated)	49,902	48,583

A full listing of contributing Scheme employers as at 31 March 2022 can be found in the Fund's 'Rates and Adjustments Certificate' (Appendix 5 of the Actuarial Valuation report) found here: [Report detailing the Actuarial valuation as at 31 March 2022 and Rates and Adjustment Certificate \(kentpensionfund.co.uk\)](https://www.kentpensionfund.co.uk/reports-and-accounts/2022-23/actuarial-valuation)

How the service is delivered

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

There are 72.04 full time equivalent members of staff involved in the administration of the scheme for Kent, split into three main teams supported by finance and systems colleagues:

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

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

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

The Pensions Section ran two Employer Focus Group meetings throughout the year. One in June held via MS Teams, attended by 97 people and one in December held at the Ashford International Hotel, attended by 116 people.

Scheme information for members is provided on the Pensions Section website. Members can view their own record including their annual benefit illustration via member self-service, as well as update personal details and run estimates. 6,337 members had registered for the Member Portal by 31 March 2023.

Key performance data

The Pension Section's administration performance against service standards for key casework is measured each week and is used internally to improve processes. Performance is reported to the Local Pension Board quarterly.

Type of Case	Target (days)	Number Processed	Processed within Target (%)
Initial Death Notification	15	1526	94
Survivors Pensions	15	519	74
Death Grant Payment	20	377	33
Balance of Payments/Overpayment Recovery	15	977	91
Retirement Benefits	20	2737	69
Retirement Estimates	20	4175	91
Refund Payment	20	931	91
Deferred Benefits	60	1682	31
LGPS Transfer In Estimates	20	278	75
Aggregation In Estimates	260	563	77
LGPS Transfer Out Estimates	20	431	34
LGPS Transfer In Actuals	20	136	15
Aggregation In Actuals	60	2433	22
LGPS Transfer Out Actuals	20	342	8
Non LGPS Transfer In Estimates	20	258	34
Non LGPS Transfer Out Estimates	20	475	44
Non LGPS Transfer In Actuals	20	180	13
Non LGPS Transfer Out Actuals	20	85	45
Pension Sharing on Divorce Estimates	6 weeks	357	97
Pension Sharing on Divorce Implementation	4 months	6	67
New Starters	30	16309	82
General Correspondence	15	7685	99
Change of Details	10	5692	99
Opt Outs	20	416	96
Lost Pension	20	181	88

Annual benefit illustrations were produced for 50,015 active members and for 49,975 deferred members by the statutory deadline of 31 August 2022.

Pension Savings Statements (PSS) were produced by the statutory deadline of 6 October for the 202 members who were identified as breaching the annual allowance limit in 2021/22, or who made a formal request to be provided with their pension input amount. Of these, 21 members have so far elected to use the scheme pays option to meet payment of a tax charge.

Internal Audit undertook a review of the administration of Kent Pension Fund between February and March 2023. The Audit findings were presented in April 2023. The audit involved a review of relevant documentation, interviews with key officers and sample testing of controls. Key focus areas of the audit were:

- Governance & oversight arrangements.
- Policies, procedures and staff training.
- System access, data security and data quality.
- Pension scheme administration.
- Compliance with scheme rules and regulations.
- Capacity and resourcing of the pension scheme administration team.

The Audit Opinion given was 'Adequate' meaning that internal control, governance and management of risk is adequate overall, however there were areas identified where elements of residual risk or weakness with some of the controls may put some of the system objectives at risk.

The Prospect for Improvement assessment was 'Good' meaning that there are satisfactory building blocks in place for future improvement with reasonable leadership, direction of travel and capacity in place.

The management action plans in place include a broad range of proposals that strengthen the Fund's strategies in recruitment (increasing capacity), procurement (outsourcing data rectification), governance (new policies and procedures) and offer digital solutions to manage demand. A number of these initiatives are to be delivered imminently or are in progress and were already integral elements in the Fund's Business Plan, to achieve the objective of delivering a best-in-class service to all members and employers.

Timeliness of contributions

All employer contributions due for 2022/23 have been received, except for new employers relating to backdated admissions. The last contribution payment was received on 26 June 2023. A total of £6.3m was paid late (£2.9m in 2021/22) which was 2.17% of the total contributions received. The average delay on all late payments received during 2022/23 was 9 days. Receipt of contributions is reviewed monthly to determine if any action is required. No late payment interest was charged for 2022/23. Mortality screening and National Fraud Initiative.

The Pensions Section run a monthly mortality screen to ensure that all deaths are reported promptly to the Fund and to minimise overpayments of pension. Overpayments are recovered by the Fund by written request to the estate, or, with permission from the beneficiary, from a death grant or dependant pension.

The Fund also participates in the bi-annual National Fraud Initiative (NFI). The 2021 NFI exercise identified eleven deaths with a total potential recovery of £12,890.

Value for money statement

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

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

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

Summary of activity in 2022/23

As well as the focus on processing casework, the Pensions Section also completed a number of projects.

- New and updated Fund policies resulting from 2021 Governance Review including an Administration Strategy, Communications Policy, Data Quality Policy, Breaches of Law Policy, Administering Authority Discretions, Abatement Policy, Conflict of Interests Policy and Training Policy
- Implemented a new call handling system to allow better contact with members
- Continued onboarding scheme employers to monthly data submissions
- Progresses the Guaranteed Minimum Pension Rectification project with an external supplier

Common and Conditional data scores were reported to the Pensions Regulator in October 2022. The results of this provided a score for Conditional data of 93.8% (92.4% in 2021). The score for Common data was measured as 95% (95.6% in 2021). An exercise to develop a Data Improvement Plan is in progress with data cleansing expecting to start quarter 3 2023/24. This should feed into an improvement in data scores in 2024.

What does membership cost and what are the benefits?

The Scheme operates tiered employee contribution rates set by Government. Employees pay a rising percentage depending on their pay band. The rates that apply from 1 April 2022 are set out in the following table:

Band	Main Section contribution rate 1/49th accrual	50:50 Section contribution rate 1/98th accrual	Pensionable pay range from 1 April 2022 based on the assessed pensionable pay you receive
Band 1	5.5%	2.75%	Up to £15,000
Band 2	5.8%	2.9%	£15,000 to £23,600
Band 3	6.5%	3.25%	£23,601 to £38,300
Band 4	6.8%	3.4%	£38,301 to £48,500
Band 5	8.5%	4.25%	£48,501 to £67,900
Band 6	9.9%	4.95%	£67,901 to £96,200
Band 7	10.5%	5.25%	£96,201 to £113,400
Band 8	11.4%	5.7%	£113,401 to £170,100
Band 9	12.5%	6.25%	£170,101 or more

Benefits

The normal retirement age for all members is the later of age 65 or their state pension age. At retirement, members will receive:

- a pension of 1/80th of their final year's pay for each year of membership before 1 April 2008, and
- a lump sum of 3/80ths of their final year's pay for each year of membership before 1 April 2008, and
- a pension of 1/60th of their final year's pay for each year of membership after 31 March 2008 until 31 March 2014, and
- a pension of 1/49th of their actual pay for each year of membership after 1 April 2014.

In addition to the lump sum for membership before 1 April 2008, each member can exchange part of their pension pot for a lump sum and will receive £12 for every £1 of pension given up. However, the total lump sum is limited to 25% of their pension pot's value.

HM Revenue and Customs (HMRC) values retirement benefits in defined benefit schemes like the Kent Scheme at £20 for each £1 of pension, whatever the person's age. For all pensions already in payment, the value will be £25 for each £1 of pension.

The average annual pension paid in 2022/23 was £5,042 (£5,038 in 2020/21).

Retirement age

The normal retirement age for members under the Scheme is the later of age 65 or their State Pension Age, but members can choose to retire from age 55 and receive their benefits immediately, although these may be reduced for early payment.

A total of 2,514 Scheme members retired during 2022/23, with an average retirement age of 62 years. Of this number, 1,689 (or 67.2%) took some form of early retirement including 123 ill health retirements and 933 members choosing to take a reduced pension.

Additional voluntary contributions

Scheme members can pay additional voluntary contributions (AVCs) if they wish to supplement their pension or get an extra tax-free retirement lump sum. The AVCs are invested separately from the Fund's main assets and are used to buy extra pension benefits on retirement. The Fund uses Prudential and Standard Life as its AVC providers. Members with existing AVCs with Equitable Life transferred to Utmost Life and Pensions in January 2020, following the positive vote by shareholders.

Complaints

If you have a complaint about the service, the Pensions Section staff will do their best to put things right. If you are still dissatisfied, you can write to Pensions Section, Invicta House, Maidstone, ME14 1XX. There were thirteen formal complaints made in 2022/23. These were all investigated, and changes were made to processes where appropriate.

Appeals

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

If the member is still dissatisfied, they can make a second stage appeal, which will be considered by the Pensions Administration Manager if an appeal against an employer decision, or the Head of Pensions and Treasury if an appeal against the Administering Authority. After this second stage, if the member wishes, the matter can be investigated by the Pensions Ombudsman. The Pensions Ombudsman are an independent organisation set up by law to deal with pension complaints. Contact details are:

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

The Fund considered five stage one Internal Dispute Resolution Procedure (IDRP) appeals against the Pension Fund during 2022/23. One of these proceeded to stage two of the IDRP process.

Actuary's Statement as at 31 March 2023

Introduction

The last full triennial valuation of the Kent Pension Fund (the Fund) was carried out as at 31 March 2022 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated 31 March 2023.

Asset value and funding level

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

- The smoothed value of the Fund's assets for funding purposes as at 31 March 2022 was £7,56bn.
- The Fund had a funding level of 102% i.e. the value of assets for funding purposes was 102% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a surplus of £181m.

Contribution rates

The employer contribution rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet:

- The annual accrual of benefits allowing for future pay increases and increases to pensions in payment when these fall due;
- plus an amount to reflect each participating employer's notional share of the Fund's assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date.

The primary rate of contribution on a whole Fund level was 20.5% of payroll p.a. The primary rate as defined by Regulation 62(5) is the employer's share of the cost of benefits accruing in each of the three years beginning 1 April 2023.

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

Details of each employer's contribution rate are contained in the Rates and Adjustments Certificate in the triennial valuation report.

Assumptions

The assumptions used to value the liabilities at 31 March 2022 are summarised below:

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

Full details of the demographic and other assumptions adopted as well as details of the derivation of the financial assumptions used can be found in the 2022 valuation report.

Updated position since the 2022 valuation

Assets

Returns over the year to 31 March 2023 have been lower than expected. As at 31 March 2023, in market value terms, the Fund assets were less than they were projected to be at the previous valuation.

Liabilities

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – the higher the real discount rate the lower the value of liabilities. As at 31 March 2023, the real discount rate is estimated to be higher than at the 2022 valuation due to a reduction in the long term rate of inflation.

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

The 2023 pension increase order is 10.1%. The increase in liabilities associated with this has however been more than offset by the reduction in the long-term inflation assumption. This short-term high inflation and longer term lower inflation is broadly consistent with what was assumed at the 2022 formal valuation.

Overall position

On balance, we estimate that the funding position has reduced slightly when compared on a consistent basis to 31 March 2022.

The change in the real discount rate since 31 March 2022 will place a lower value on the cost of future accrual which results in a lower primary contribution rate. The impact on secondary contributions will vary by employer.

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

Roisin McGuire FFA
Principal, Barnett Waddingham LLP
20 June 2023

Statement of Responsibilities for the Statement of Accounts

Kent County Council's Responsibilities

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Corporate Director of Finance;
- to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets; and
- to approve the Statement of Accounts.

I confirm that these Accounts were approved by the Governance and Audit Committee at its meeting on 28 February 2023 on behalf of Kent County Council.

Councillor Rosalind Binks
Chairman of the Governance and Audit Committee
28 February 2023

The Corporate Director of Finance's Responsibilities

The Corporate Director of Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Council Accounting in the United Kingdom (the Code), and is required to give a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2023.

In preparing this Statement of Accounts the Corporate Director of Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code.

The Corporate Director of Finance has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I confirm that these accounts give a true and fair view of the financial position of the Council at the reporting date and its income and expenditure for the year ended 31 March 2023.

Certificate of the Corporate Director of Finance

Zena Cooke
Corporate Director of Finance
28 February 2023

Pension Fund Accounts

Fund Account for the year ended 31 March

	Notes	2022-23 £'000	2021-22 £'000
Dealings with members, employers and others directly involved in the Fund			
Contributions	7	297,692	280,431
Transfers in from other pension funds	8	17,306	10,636
		314,998	291,067
Benefits	9	(270,995)	(257,277)
Payments to and on account of leavers	10	(15,184)	(28,114)
		(286,179)	(285,391)
Net additions from dealings with Members		28,819	5,676
Management expenses	11	(32,502)	(34,840)
Net withdrawals including fund management expenses		(3,683)	(29,164)
Returns on Investments			
Investment Income	13	153,112	133,600
Taxes on Income		(198)	(157)
Profits and losses on disposal of investments and changes in the market value of investments	15a	(3,704)	84,514
Net Return on Investments		149,210	217,957
Net increase/(decrease) in the Net Assets available for benefits during the year		145,527	188,793
Opening net assets of the scheme		7,702,425	7,513,632
Closing net assets of the scheme		7,847,952	7,702,425

Net Assets Statement as at 31 March

	Notes	2022-23 £'000	2021-22 £'000
Investment Assets		7,860,392	7,711,217
Investment Liabilities		(12,323)	(14,178)
Net Investment Assets	15	7,848,069	7,697,039
Current Assets	21	29,503	32,036
Current Liabilities	22	(29,620)	(26,650)
Net Assets available to fund benefits at the period end		7,847,952	7,702,425

Notes to the Pension Fund Accounts

1. Description of the Fund

General

The Kent Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by Kent County Council (KCC) for the purpose of providing pensions and other benefits for the pensionable employees of KCC, Medway Council, the district and borough councils in Kent and a number of other employers within the county area. The Fund is a reporting entity and KCC as the Administering Authority is required to include the Fund's accounts as 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 Pension Fund Committee (the Scheme Manager). The Local Pension Board assists the Scheme Manager to ensure the effective and efficient governance and administration of the Scheme.

Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join or remain in the Scheme or to make personal arrangements outside the Scheme. Employers in the Fund include Scheduled Bodies which are local authorities and similar entities whose staff are automatically entitled to be members of the Scheme; and Admission Bodies which participate in the Fund by virtue of an admission agreement made between the Authority and the relevant body. Admission bodies include voluntary, charitable and similar entities or private contractors undertaking a local authority function following a specific business transfer to the private sector.

There are 301 employers actively participating in the Fund and the profile of members is as detailed below:

	Kent County Council	Kent County Council	Other Employers	Other Employers	Total	Total
	31 Mar 2023	31 Mar 2022	31 Mar 2023	31 Mar 2022	31 Mar 2023	31 Mar 2022
Contributors	21,885	21,041	31,468	31,788	53,353	52,829
Pensioners	24,878	24,090	23,705	22,616	48,583	46,706
Deferred Pensioners	24,618	25,024	25,284	24,553	49,902	49,577
Total	71,381	70,155	80,457	78,957	151,838	144,112

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the Local Government Pension Scheme Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2023. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2022. Employers' contribution rates consist of a primary rate (representing the rate required to meet the cost of future accrual of benefits) and a secondary rate, which is an adjustment to the primary rate for employer specific circumstances (e.g. to allow for deficit recovery). Currently, employers' primary contribution rates range from 12.3% to 39.3% of pensionable pay.

Benefits

Pension benefits under the LGPS are based on the following:

	Service pre April 2008	Membership from 1 April 2008 to 31 March 2014	Membership from 1 April 2014
Pension	1/80 x final pensionable salary	1/60 x final pensionable salary	1/49 (or 1/98 if opted for 50/50 section) x career average revalued salary
Lump sum	Automatic lump sum of 3/80 x final pensionable salary.	No automatic lump sum	No automatic lump sum.
	In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

There is a range of other benefits provided under the Scheme including early retirement, ill health pensions and death benefits. For more details, please refer to the Kent Pension Fund website: www.kentpensionfund.co.uk

2. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2022-23 financial year and its position at 31 March 2023.

The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2022-23 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.

Going concern

The Statement of Accounts has been prepared on a going concern basis. The vast majority of employers in the pension scheme are scheduled bodies that have secure public sector funding, and therefore there should be no doubt in their ability to continue to make their pension contributions. Following the latest actuarial valuation and schedule of employer contribution prepayments, the Pension Fund has reviewed its cashflow forecast and is confident in its ability to meet its ongoing obligations to pay pensions from its cash balance for at least 12 months from the date of signing the accounts. In the event that investments need to be sold 82% of the Fund's investments can be converted into cash within 3 months.

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.

Notes to the Pension Fund Accounts continued

c) Investment income

Dividends, distributions, interest, and stock lending income on securities have been accounted for on an accruals basis and where appropriate from the date quoted as ex-dividend (XD). Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year. Where the Fund's investments are held in income accumulating funds that do not distribute income the accumulated income on such investments is reflected in the unit market price at the end of the year and is included in the realised and unrealised gains and losses during the year. Direct property related income mainly comprises of rental income which is recognised when it becomes due. Rental income is adjusted for provision for rent invoiced but collection of which is assessed as doubtful.

Fund Account – expense items

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the year end. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities providing the payment has been approved.

e) Taxation

The Fund has been accepted by the HM Revenue and Customs as a registered pension scheme in accordance with paragraph 1(1) of Schedule 36 to the Finance Act 2004 and, as such, qualifies for exemption from UK income tax on interest received and from capital gains tax on proceeds of investments sold. Tax is therefore only applicable to dividend income from equity investments. Income arising from overseas investments is subject to deduction of withholding tax unless exemption is permitted by and obtained from the country of origin. Investment income is shown gross of tax, and any recoverable tax at the end of the year is included in accrued investment income.

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

f) Management expenses

All expenses are accounted for on an accruals basis. Costs relating to KCC staff involved in the administration, governance and oversight of the Fund, and overheads incurred by KCC and recharged to the Fund at the end of the year. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. Fees incurred include fees directly paid to fund managers as well as fees deducted from the funds by pooled fund managers which is grossed up to increase the income from these investments.

Net Assets Statement

g) Financial assets

Financial assets other than cash and debtors are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. Any purchase or sale of securities is recognised upon trade and any unsettled transactions at the year-end are recorded as amounts receivable for sales and amounts payable for purchases. From the trade date any gains or losses arising from changes in the fair value of the asset are recognised by the Fund. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 and IFRS 9. For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

The values of investments as shown in the Net Assets Statement have been determined as follows:

- Quoted investments are stated at market value based on the closing bid price quoted on the relevant stock exchange on the final day of the accounting period.
- Fixed 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 flow and foreign exchange rate movements to the year end.
- Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, the change in market value also includes income which is reinvested in the fund.
- Debtors/receivables being short duration receivables with no stated interest rate are measured at original invoice amount. Debtors are adjusted for provision made for doubtful debts relating to rent income.

h) Freehold and Leasehold Properties

The freehold and leasehold properties were valued at open market prices in accordance with the valuation standards laid down by the Royal Institution of Chartered Surveyors. The last valuation was undertaken by Colliers International, as at 31 December 2022. The valuer's opinion of market value and existing use value was primarily derived using comparable recent market transactions on arm's length terms. The results of the valuation have then been indexed in line with the MSCI Monthly Index movement to 31 March 2023. The indexation is carried out by DTZ, who are managers of the Fund's direct property portfolio.

i) Derivatives

The Fund uses derivative instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes. At the reporting date the Fund only held forward currency contracts. The future value of the forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract. Under the European Market Infrastructure Regulations the Fund's forward currency contracts are required to be covered by margin cash. These amounts are included in cash or cash equivalents held by the Fund and reflected in a corresponding margin cash liability under investment liabilities.

j) Foreign currency transactions

Assets and liabilities in foreign currency are translated into sterling at spot market exchange rates ruling at the year-end. All foreign currency transactions including income are translated into sterling at spot market exchange rates ruling at the transaction date. All realised currency exchange gains or losses are included in change in market value of assets.

k) Cash and cash equivalents

Cash comprises cash at bank and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value. Cash and cash equivalents managed by fund managers and cash equivalents managed by KCC are included in investments. All other cash is included in current assets.

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. As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 20).

n) Contingent assets and liabilities

A contingent asset/liability arises where an event has taken place that gives the Fund a possible right/obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Fund. Contingent assets/liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an inflow/outflow of resources will be required or the amount of the right/obligation cannot be measured reliably. Contingent assets/liabilities are not recognised in the balance sheet but disclosed in a note to the accounts.

o) Pooling expenses

The Fund is member of the ACCESS pool, a group of 11 LGPS Administering Authorities who, as part of a Government initiative, have agreed to pool their investments to achieve cost and scale benefits. Pooling costs included in the Fund's accounts reflect the Fund's proportion of the cost of the governance arrangements of the pool.

p) Additional Voluntary Contributions

The Fund provides an additional voluntary contribution (AVC) scheme for its members, assets of which are invested separately from those of the Fund. AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of funds) Regulations 2016 but are disclosed for information in note 23.

Notes to the Pension Fund Accounts continued

4. Critical judgements in applying accounting policy

The Fund's investment portfolio includes a number of directly owned properties which are leased commercially to various tenants with rental periods. The Fund has determined that these contracts all constitute operating lease arrangements under the classifications permitted by the Code, therefore the properties are retained on the net asset statement at fair value.

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 £112m. A 0.1% increase in assumed earnings inflation would increase the value of liabilities by approx. £9m, and a one year increase to the life expectancy assumptions would increase the value of the liabilities by approx. £290m.
Private Equity and Infrastructure and other level 3 investments (Note 17)	Valuation of unquoted private equity and infrastructure investments is highly subjective and inherently based on forward looking estimates and judgements involving many factors. They are valued by the investment managers using guidelines set out in the British Venture Capital Association.	The total private equity including infrastructure and other level 3 investments on the financial statements are £615m. Potential change in valuation due to changes in these factors is estimated in Note 17.
Freehold and Leasehold Property and Pooled Property Funds (Note 17)	Valuation techniques are used to determine the fair values of directly held property and pooled property funds. Where possible these valuation techniques are based on observable data, but where this is not possible management uses the best available data. Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property.	The effect of 10% variations in the factors supporting the valuation would be an increase or decrease in the value of directly held property and property pooled funds of £78m on a fair value of £782m. Details of potential factors affecting the valuation are in Note 17.

6. Events after the reporting date

There have been no events since 31 March 2023, up to the date when these accounts were authorised, that require or do not require any adjustment to these accounts.

7. Contributions receivable

	2022-23 £'000	2021-22 £'000
By Category		
Employees' contributions	66,582	63,125
Employers' contributions		
– normal contributions	192,792	182,404
– deficit recovery contributions	35,993	30,445
– augmentation contributions	2,325	4,457
Total Employers' contributions	231,110	217,306
Total contributions receivable	297,692	280,431
By type of employer		
Kent County Council	109,234	104,902
Scheduled bodies	174,513	161,935
Admitted bodies	13,945	13,594
Total	297,692	280,431

8. Transfers in from other pension funds

	2022-23 £'000	2021-22 £'000
Individual	17,306	10,636
Group	0	0
Total	17,306	10,636

9. Benefits payable

	2022-23 £'000	2021-22 £'000
By category		
Pensions	227,129	216,199
Retirement Commutation and lump sum benefits	36,188	34,572
Death benefits	7,678	6,506
Total	270,995	257,277
By type of employer		
Kent County Council	121,133	115,210
Scheduled bodies	133,453	126,398
Admitted bodies	16,409	15,669
Total	270,995	257,277

10. Payments to and on account of leavers

	2022-23 £'000	2021-22 £'000
Group transfers	0	11,320
Individual transfers	14,009	15,364
Payments/refunds for members joining state scheme	3	0
Refunds of contributions	1,172	1,430
Total	15,184	28,114

Notes to the Pension Fund Accounts continued

11. Management expenses

	Notes	2022-23 £'000	2021-22 £'000
Administration costs		3,684	3,645
Governance and oversight costs		992	843
Investment management expenses	12	27,665	30,220
Audit fees		46	41
Pooling expenses		115	91
Total		32,502	34,840

12. Investment management expenses

	Notes	2022-23 £'000	2021-22 £'000
Investment managers fees	12a	27,448	29,525
Transaction costs		166	652
Custody fees		51	43
Total		27,665	30,220

The management fees disclosed above include all investment management fees directly incurred by the fund including those charged on pooled fund investments.

In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. These indirect costs are not separately provided to the Pension Fund.

12a. Investment management fees

	2022-23 £'000	2021-22 £'000
Fixed income	3,802	4,004
Equities	13,343	14,755
Private equity/infrastructure	6,907	7,243
Property	3,396	3,523
Total	27,448	29,525

13. Summary of income from investments

	Notes	2022-23		2021-2022	
		£'000	%	£'000	%
Bonds		15,606	10.2	14,423	10.8
Equities		7,257	4.7	4,682	3.5
Pooled Investments		97,769	63.9	84,048	62.9
Private equity/infrastructure		11,271	7.4	9,190	6.9
Property	14	11,456	7.4	14,533	10.9
Pooled property investments		7,028	4.6	6,449	4.8
Cash and cash equivalents		2,621	1.7	217	0.2
Stock lending		103	0.1	58	0.0
Total before taxes		153,112	100.0	133,600	100.0

14. Property Income and Expenditure

	2022-23 £'000	2021-22 £'000
Rental Income from investment properties	19,962	20,799
Direct operating expenses	(8,506)	(6,266)
Net operating income from property	11,456	14,533

Rental income for 2022-23 is net of provision for doubtful debts of £4.7m, (2021-22 £4.5m).

15. Investments

	Market Value as at 31 March 2023 £'000	Market Value as at 31 March 2022 £'000
Investment Assets		
Bonds	356,101	379,028
Equities	363,714	371,946
Pooled investments		
– Fixed Income	711,013	721,635
– Equities	4,312,029	4,125,358
– Absolute Return	573,683	567,162
Private equity/infrastructure	614,963	464,955
Property	501,584	577,934
Pooled property investments	280,305	324,285
Derivatives – forward currency contracts	5,562	472
Investment cash and cash equivalents	127,035	155,306
Investment income due	14,404	13,800
Amounts receivable for sales	0	788
Margin cash	0	8,548
Total investment assets	7,860,392	7,711,217
Investment liabilities		
Amounts payable for purchases	(2,169)	(800)
Margin cash liability	(5,010)	0
Provision for doubtful debts	(4,735)	(4,544)
Derivatives – forward currency contracts	(409)	(8,834)
Total investment liabilities	(12,323)	(14,178)
Net investment assets	7,848,069	7,697,039

Investment income due (debtors) includes a sum of £7.5m (2021-22 £7.3m) for rents and service charges payable by tenants of properties owned by the Pension Fund. Due to continued effects of the pandemic on rent collection, there is a high likelihood that a significant portion will not be fully recovered. A provision of £4.7m (2021-22 £4.5m) has therefore been made for doubtful rent debts.

Notes to the Pension Fund Accounts continued

15a. Reconciliation of movements in investments and derivatives

	Market Value as at 31 March 2022 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Change in Market Value £'000	Market Value as at 31 March 2023 £'000
Bonds	379,027	62,081	(73,921)	(11,086)	356,101
Equities	371,946	127,202	(124,305)	(11,129)	363,714
Pooled investments	5,414,155	84,969	(1,309)	98,909	5,596,724
Private equity/infrastructure	464,955	132,147	(36,525)	54,386	614,963
Property	577,934	0	0	(76,350)	501,584
Pooled property investments	324,287	1,251	(6,983)	(38,250)	280,305
	7,532,304	407,650	(243,043)	16,480	7,713,391
Derivative contracts					
– Forward currency contracts	(8,362)	3,286,774	(3,252,871)	(20,388)	5,153
	7,523,942	3,694,424	(3,495,914)	(3,908)	7,718,544
Other Investment balances					
– Investment Cash and cash equivalents	155,305	0	0	206	127,035
– Amounts receivable for sales	788	0	0	0	0
– Amounts payable for purchases	(800)	0	0	0	(2,169)
– Margin cash liability	8,548	0	0	0	(5,010)
– Investment Income due	13,800	0	0	0	14,404
– Provision for doubtful debt	(4,544)	0	0	0	(4,735)
Net investment assets	7,697,039	0	0	(3,702)	7,848,069

	Market Value as at 31 March 21 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Change in Market Value £'000	Market Value as at 31 March 2022 £'000
Bonds	401,001	98,117	(99,920)	(20,171)	379,027
Equities	348,033	100,464	(100,596)	24,045	371,946
Pooled investments	5,343,724	565,122	(347,421)	(147,270)	5,414,155
Private equity/infrastructure	274,023	141,701	(57,219)	106,450	464,955
Property	493,314	0	0	84,620	577,934
Pooled property investments	281,718	2,031	(6,264)	46,802	324,287
	7,141,813	907,435	(611,420)	94,476	7,532,304
Derivative contracts					
– Forward currency contracts	962	3,098,406	(3,097,674)	(10,056)	(8,362)
	7,142,775	4,005,841	(3,709,094)	84,420	7,523,942
Other investment balances					
– Investment cash and cash equivalents	201,228	0	0	96	155,305
– Cash pending issue of units	150,000	0	0	0	0
– Amounts receivable for sales		0	0	0	788
– Amounts payable for purchases	(561)	0	0	0	(800)
– Margin cash asset	1,025	0	0	0	8,548
– Investment income due	15,996	0	0	0	13,800
– Provision for doubtful debt	(6,287)	0	0	0	(4,544)
Net investment assets	7,504,176	0	0	84,516	7,697,039

15b. Analysis of Derivative Contracts

Objectives and policy for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and the investment manager.

Open forward currency contracts

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant portion of the Fund's fixed income portfolio managed by Goldman Sachs Asset Management is invested in overseas securities. To reduce the volatility associated with fluctuating currency rates, the investment manager hedges the overseas exposure of the portfolio.

Settlement	Currency bought	Local value 000's	Currency sold	Local value 000's	Asset value £'000	Liability value £'000
Up to one month	GBP	75,124	EUR	(85,014)	423	0
Up to one month	GBP	1,142	EUR	(1,293)	6	0
Up to one month	EUR	46	GBP	(41)	0	(1)
Up to one month	GBP	2,074	EUR	(2,338)	20	0
Up to one month	GBP	129	EUR	(146)	1	0
Up to one month	EUR	806	GBP	(723)	0	(14)
Up to one month	EUR	2,600	GBP	(2,295)	0	(10)
Up to one month	EUR	607	GBP	(535)	0	(2)
Up to one month	GBP	1,412	EUR	(1,599)	7	0
Up to one month	EUR	86,296	GBP	(76,082)	0	(255)
Up to one month	GBP	77	USD	(95)	0	0
Up to one month	GBP	40	USD	(49)	0	0
Up to one month	USD	49	GBP	(40)	0	0
Up to one month	GBP	57	EUR	(65)	0	0
Up to one month	GBP	40	USD	(49)	0	0
Up to two months	GBP	2,292	USD	(2,815)	17	0
Up to two months	USD	2,323	GBP	(1,929)	0	(52)
Up to two months	GBP	113,355	USD	(137,389)	2,335	0
Up to two months	GBP	113,375	USD	(137,389)	2,355	0
Up to two months	USD	1,387	GBP	(1,151)	0	(30)
Up to one month	GBP	420	USD	(508)	9	0
Up to one month	GBP	1,455	USD	(1,734)	54	0
Up to one month	USD	397	GBP	(328)	0	(7)
Up to one month	GBP	2,212	USD	(2,671)	53	0
Up to one month	USD	3,610	GBP	(2,943)	0	(26)
Up to one month	USD	336	GBP	(273)	0	(2)
Up to one month	GBP	2,180	USD	(2,673)	20	0
Up to one month	USD	329	GBP	(268)	0	(2)
Up to one month	USD	3,183	GBP	(2,580)	0	(8)
Up to one month	USD	378	GBP	(305)	0	0
Up to one month	GBP	428	USD	(530)	0	0
Up to one month	GBP	702	USD	(868)	0	0
Up to one month	GBP	76,361	EUR	(86,340)	262	0
					5,562	(409)
Net forward currency contracts at 31 March 2023						5,153
Prior year comparative						
Open forward currency contracts at 31 March 2022						472 (8,834)
Net forward currency contracts at 31 March 2022						(8,362)

Notes to the Pension Fund Accounts continued

15c. Property Holdings

	Year ending 31 March 2023 £'000	Year ending 31 March 2022 £'000
Opening Balance	577,934	493,314
Additions	0	0
Disposals	0	0
Net increase/decrease in market value	(76,350)	84,620
Closing Balance	501,584	577,934

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 2023 £'000	Year ending 31 March 2022 £'000
Within one year	16,935	16,584
Between one and five years	41,290	42,579
Later than five years	32,204	33,268
Total	90,429	92,431

The above disclosures have been reduced by a credit loss allowance of 0.35% per annum reflecting the Fund's expected loss from late or non-recovery of rents from tenants. This has been based on the Fund's own historic experience but also information on similar properties received from the Fund's property letting agents. The income has also been reduced to take into account the possibility of tenants taking advantage of break clauses in their non cancellable operating lease contracts to terminate tenancies.

15d. Investments analysed by fund manager

	Market Value as at 31 March 2023		Market Value as at 31 March 2022	
	£'000	%	£'000	%
Investments managed by Link for the ACCESS Pool				
Baillie Gifford	1,071,672	13.7	1,190,077	15.5
M&G	536,060	6.8	517,812	6.7
Ruffer	191,519	2.4	191,066	2.5
Schroders	1,589,355	20.3	1,543,993	20.1
	3,388,606	43.2	3,442,948	44.7
Investments managed outside the ACCESS Pool				
CQS	226,095	2.9	238,310	3.1
DTZ	545,702	7.0	633,444	8.2
Fidelity	141,308	1.8	163,219	2.1
Goldman Sachs	385,314	4.9	400,917	5.2
HarbourVest	259,578	3.3	233,070	3.0
Impax	72,807	0.9	74,516	1.0
Insight	1,039,867	13.2	791,269	10.3
Kames	32,132	0.4	43,723	0.6
Kent County Council investment team	86,957	1.1	126,483	1.6
M&G	314,552	4.0	308,336	4.0
Partners Group	273,163	3.5	174,936	2.3
Pyrford	382,164	4.9	376,095	4.9
Sarasin	375,518	4.8	381,253	5.0
Schroders	239,281	3.0	243,353	3.2
YFM	82,222	1.0	56,948	0.7
Link Fund Solutions (previously Woodford)	2,803	0.0	8,219	0.1
	4,459,463	56.8	4,254,091	55.3
Total	7,848,069	100	7,697,039	100

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

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

	31 March 2022	
Investments	£'000	% of net assets
LF ACCESS Global Equity Core Fund	1,189,548	15.5
LF ACCESS UK Equity Fund	1,142,840	14.9
LDI Solutions Plus ICAV Active (Insight)	791,269	10.3
Pyrford Global Total Return Fund	517,812	6.7

15f. Stock lending

The Custodians undertake a programme of stock lending to approved UK counterparties against non-cash collateral mainly comprising of Sovereigns and Treasury Bonds. The programme lends directly held global equities and bonds to approved borrowers against a collateral of Government and Supranational fixed interest securities of developed countries, which is marked to market on a daily basis. Securities on loan are included at market value in net assets on the basis that they will be returned to the Fund at the end of the loan term. Net income from securities lending received from the custodian is shown as income from investments in the Fund Account.

The amount of securities on loan at year end, analysed by asset class and a description of the collateral is set out in the table below.

Loan Type	31 March 2023		31 March 2022		Collateral Type
	Market Value £'000	Collateral Value £'000	Market Value £'000	Collateral Value £'000	
Equities	6,483	6,571	2,762	2,881	Treasury Notes and other Government debt
Bonds	33,470	34,854	33,144	34,560	Treasury Notes and other Government debt
Total	39,953	41,606	35,906	37,441	

Notes to the Pension Fund Accounts continued

16. Financial instruments

16a. Classification of financial instruments

The following table analyses the carrying amounts of financial assets and liabilities by category and Net Assets Statement heading.

	31 March 2023			31 March 2022		
	at fair value through profit and loss £'000	Assets at amortised cost £'000	Financial liabilities at amortised cost £'000	Fair value through profit and loss £'000	Assets at amortised cost £'000	Financial liabilities at amortised cost £'000
Financial Assets						
Bonds	356,101			379,027		
Equities	363,714			371,946		
Pooled investments	5,596,724			5,414,154		
Property pooled investments	280,305			324,285		
Private equity/infrastructure	614,963			464,955		
Derivative contracts	5,562			472		
Cash & cash equivalents	116,870	11,894		144,833	13,151	
Other investment balances		14,404			23,137	
Debtors/receivables		6,474			7,942	
	7,334,239	32,772	0	7,099,672	44,230	0
Financial Liabilities						
Derivative contracts	(409)			(8,834)		
Other investment balances			(11,904)			(5,344)
Creditors			(11,874)			(11,019)
	(409)	0	(23,778)	(8,834)	0	(16,363)
Total	7,333,830	32,772	(23,778)	7,090,838	44,230	(16,363)

16b. Net gains and losses on financial instruments

	31 March 2023 £'000	31 March 2022 £'000
Fair value through profit and loss	72,442	(200)
Assets at amortised cost	206	96
Total	72,648	(104)

17. Valuation of assets and liabilities carried at Fair Value

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets are carried at and have been valued using fair value techniques.

Description of Asset	Valuation Hierarchy	Basis of Valuation	Observable and unobservable inputs	Key sensitivities affecting the valuation provided
Quoted equities	1	Bid Market price on last day of accounting period	Not required	Not required
Quoted bonds	1	Market value on last day of accounting period	Not required	Not required
Quoted pooled investments	1	Net Asset Value/Bid prices on last day of accounting period	Net Asset Values	Not required
Cash and cash equivalents	1	Carrying value is deemed to be fair value due to short term nature of these instruments	Not required	Not required
Unquoted pooled investments including pooled property	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
Quoted funds in administration	3	Net asset value/bid prices on last day of accounting period	Net asset values/or if the fund holds illiquid assets, valuation of underlying investment/assets/companies/EBITDA multiples	If the fund holds illiquid assets, estimation techniques used in valuations, changes in market conditions, industry specific conditions
Forward exchange contracts	2	Market forward exchange rates on the last day of accounting period	Wide range of deals executed in the currency markets, exchange rate risk	Not required
Bespoke fund for equity protection programme assets	2	Net asset value of Fund based on valuation of underlying assets with quoted prices for bond holdings and market prices for derivatives	Wide range of deals executed in the bond holdings but limited comparable transactions for specialist equity derivatives	Valuation of derivatives is affected by the equity and foreign exchange market conditions

Note: Quoted fund in administration refers to the UK equities Fund managed by Link (earlier Woodford). Bespoke Fund for Equity Protection programme assets is managed by Insight.

Notes to the Pension Fund Accounts continued

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation methods described above, are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2023.

	Assessed valuation range (+/-)	Value as at 31 March 2023 £'000	Value on increase £'000	Value on decrease £'000
Private equity	23.7%	341,800	422,807	260,793
Infrastructure	11.7%	273,163	305,123	241,203
Other level 3 investments	23.7%	2,803	3,467	2,139
Total		617,766	731,397	504,135

	Assessed valuation range (+/-)	Value as at 31 March 2022 £'000	Value on increase £'000	Value on decrease £'000
Private equity	23.7%	290,018	358,752	221,284
Infrastructure	11.7%	174,936	195,404	154,468
Other level 3 investments	23.7%	8,219	10,167	6,271
Total		473,173	564,323	382,023

17a. Fair Value Hierarchy

Level 1

Assets and liabilities at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Investments include quoted equities, quoted fixed interest securities, quoted index linked securities and quoted unit trusts.

Level 2

Assets and liabilities at Level 2 are those where quoted market prices are not available or where valuation techniques are used to determine fair value. These techniques use inputs that are based significantly on observable market data. Investments include derivatives, direct property investments, property unit trusts and investments in Link pooled funds for ACCESS.

Level 3

Assets and liabilities at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data and are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. They include private equity and infrastructure investments the values of which are based on valuations provided by the general partners to the funds in which the Pension Fund has invested. Assurances over the valuation are gained from the independent audit of the accounts. These assets also include investments in quoted funds that were in administration as at 31 March 2023 and are invested in illiquid underlying assets.

These valuations are prepared by the fund managers in accordance with generally accepted accounting principles and the requirements of the law where these companies are incorporated. Valuations are usually undertaken periodically by the fund managers, who provide a detailed breakdown of the valuations of underlying assets as well as a reconciliation of movements in fair values. Cash flow adjustments are used to roll forward the valuations where the latest valuation information is not available at the time of reporting.

The following table provides an analysis of the assets and liabilities of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'000
Values at 31 March 2023				
Financial assets at fair value through profit and loss				
Bonds	356,101			356,101
Equities	363,714			363,714
Pooled investments	694,252	4,899,671	2,803	5,596,725
Pooled property investments		280,305		280,305
Private equity and infrastructure			614,963	614,963
Derivatives		5,562		5,562
Cash deposits	128,764			128,764
Other Investment balances	9,393			9,393
Non-Financial assets at fair value through profit and loss				
Property		501,584		501,584
Financial liabilities at fair value through profit and loss				
Derivatives		(409)		(409)
Other investment liabilities	(6,904)			(6,904)
Net Investment assets	1,545,320	5,686,713	617,766	7,849,798
Values at 31 March 2022				
Financial assets at fair value through profit and loss				
Bonds	379,027			379,027
Equities	371,946			371,946
Pooled investments	693,947	4,711,989	8,219	5,414,155
Pooled property investments		324,285		324,285
Private equity and infrastructure			464,955	464,955
Derivatives		472		472
Cash deposits	157,984			157,984
Other investment balances	23,137			23,137
Non-Financial assets at fair value through profit and loss				
Property		577,934		577,934
Financial liabilities at fair value through profit and loss				
Derivatives		(8,834)		(8,834)
Other investment liabilities	(5,344)			(5,344)
Net investment assets	1,620,697	5,605,846	473,174	7,699,717

Notes to the Pension Fund Accounts continued

17b. Reconciliation of fair value measurements within level 3

	Pvt Equity	Infrastructure	Other	Total £'000
Market value 1 April 2022	290,018	174,936	8,220	473,174
Transfers into level 3				0
Transfers out of level 3				0
Purchases during the year	53,759	78,389	0	132,148
Sales during the year	(25,371)	(11,153)	(1,308)	(37,832)
Unrealised gains/losses	8,254	29,813	(4,109)	33,958
Realised gains/losses	15,140	1,178		16,318
Market value 31 March 2023	341,800	273,163	2,803	617,766

18. Nature and extent of risks arising From financial instruments

Risk and risk management

The Fund's primary long-term risk is that the value of its assets will fall short that of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Council manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Kent Pension Fund Committee. Risk management policies are established to identify and analyse the risks faced by the Council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

18a. Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk. In general, excessive volatility in market risk is managed through diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risks, the Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market. The Fund is exposed to security and derivative price risks. This arises from investments held by the Fund for which the future price is uncertain. All security investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The possible loss from shares sold short is unlimited. The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments and their activity is monitored by the Council to ensure it is within limits specified in the Fund's investment strategy.

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 2022-23 reporting period.

Asset type	Potential Market Movements (+/-)
UK equities	15.4
Overseas equities	15.6
Global pooled equities inc UK	15.7
Bonds	7.6
Property	9.0
Infrastructure	11.7
Private equity	23.7

The potential price changes disclosed above are based on predicted volatilities calculated by our fund managers. The analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same. Had the market price of the Fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits would have been as follows (the prior year comparator is shown below):

Asset type	Value as at 31 March 2023 £'000	Percentage change %	Value on increase £'000	Value on decrease £'000
Cash and cash equivalents	128,764	0.00	128,764	128,764
Investment portfolio assets:				
UK equities	55,534	15.40	64,086	46,982
Overseas equities	308,180	15.60	356,256	260,104
Global pooled equities inc UK	4,885,711	15.70	5,652,768	4,118,655
Bonds inc. bond funds	1,067,114	7.60	1,148,215	986,013
Property pooled funds	280,305	9.00	305,533	255,078
Private equity	341,800	11.70	381,791	301,809
Infrastructure funds	273,163	23.70	337,903	208,423
Derivative assets	5,562	0.00	5,562	5,562
Total	7,346,133		8,380,878	6,311,390

The Fund has an equities downside protection programme which will protect the fund from falls up to 20% in global equity markets and will cap the returns to 10% for equities over the year. The current programme will run until March 2024.

Asset type	Value as at 31 March 2022 £'000	Percentage change %	Value on increase £'000	Value on decrease £'000
Cash and cash equivalents	157,984	0.00	157,984	157,984
Investment portfolio assets:				
UK equities	40,908	15.40	47,208	34,608
Overseas equities	331,038	15.60	382,680	279,396
Global pooled equities inc. UK	4,692,519	15.70	5,429,244	3,955,794
Bonds inc. bond funds	1,100,662	7.60	1,184,312	1,017,012
Property pooled funds	324,285	9.00	353,471	295,099
Private equity	290,018	11.70	323,950	256,086
Infrastructure funds	174,936	23.70	216,396	133,476
Derivative assets	0	0.00	0	0
Total	7,112,350		8,095,245	6,129,455

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 2023 and 31 March 2022 are set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset type	31 March 2023 £'000	31 March 2022 £'000
Cash and cash equivalents	127,035	155,309
Cash balances	1,729	2,679
Bonds		
– Directly held securities	356,101	379,027
– Pooled funds	711,013	721,635
Total change in assets available	1,195,878	1,258,650

Interest rate risk – sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A one percent movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy. The Fund's investment advisor has advised that long-term average rates are expected to move less than one percent from one year to the next and experience suggests that such movements are likely. The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- one percent change in interest rates:

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

Asset type	Carrying amount as at 31 March 2022 £'000	Change in year in the net assets available to pay benefits	
		+1% £'000	(1%) £'000
Cash and cash equivalents	155,309	0	0
Cash balances	2,679	0	0
Bonds			
– Directly held securities	379,027	(14,100)	14,100
– Pooled funds	721,635	(2,442)	2,442
Total change in assets available	1,258,650	(16,542)	16,542

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 and the Fund is exposed to currency risk on these financial instruments. However, a significant proportion of the investments managed by Goldman Sachs Asset Management and all investments in the CQS Fund are hedged for currency risk through forward currency contracts. The Fund's currency rate risk is routinely monitored by the Council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the range of exposure to current fluctuations. The following table summarises the Fund's currency exposure excluding the hedged investments as at 31 March 2023 and 2022:

Currency exposure – asset type	Asset value	Asset value
	31 March 2023 £'000	31 March 2022 £'000
Overseas equities	308,180	331,088
Overseas pooled funds	3,944,244	3,781,449
Overseas bonds	0	0
Overseas private equity, infrastructure and property funds	532,741	408,007
Non GBP cash	3,116	2,640
Total overseas assets	4,788,281	4,523,184

Currency risk – sensitivity analysis

Following analysis of historical data and expected currency movement during the financial year, in consultation with the fund's investment advisors, the Fund has determined that the following movements in the values of financial assets denominated in foreign currency are reasonably possible for the 2022-23 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	Change to net assets	
	31 March 2023 £'000	+7.2% £'000	(7.2%) £'000
Overseas equities	308,180	330,368	285,991
Overseas pooled funds	3,944,244	4,228,230	3,660,259
Overseas bonds	0	0	0
Overseas private equity, infrastructure and property funds	532,741	571,098	494,384
Non GBP cash	3,116	3,340	2,892
Total change in assets available	4,788,281	5,133,036	4,443,526

Currency exposure – asset type	Asset value as at	Change to net assets	
	31 March 2022 £'000	+7.2% £'000	(7.2%) £'000
Overseas equities	331,038	354,873	307,203
Overseas pooled funds	3,781,449	4,053,713	3,509,185
Overseas bonds	0	0	0
Overseas private equity, infrastructure and property funds	408,007	437,384	378,630
Non GBP Cash	2,640	2,830	2,450
Total change in assets available	4,523,134	4,848,800	4,197,468

Notes to the Pension Fund Accounts continued

18b. Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment of a receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties. Derivative contracts are also covered by margins which provide collateral against risk of default by the counterparties.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the Fund's credit criteria. The Fund has also set limits as to the maximum amount that may be placed with any one financial institution. The Fund's cash was held with the following institutions:

	Rating	Balance as at 31 March 2023 £'000	Balance as at 31 March 2022 £'000
Money market funds			
Northern Trust Sterling Fund	AAAm	12,295	8,615
SSGA Liquidity Fund	AAAm	0	0
Blackrock ICS	AAAm	43,648	2,072
Blackrock USD Government Liquidity Fund	AAAm	3,047	0
Aberdeen Sterling Liquidity Fund	AAAm	88	33,097
Goldman Sachs Liquid Reserve Government Fund	AAAm	17,481	11,246
Aviva Investors Sterling Liquidity Fund	AAAm	6,409	56,926
Federated (PR) Short-term GBP Prime Fund	AAAm	0	0
Deutsche Managed Sterling Fund	AAAm	3,923	7
HSBC Global Liquidity Fund	AAAm	0	23
LGIM Liquidity Fund	AAAm	28,043	32,847
Insight Sterling Liquidity Fund	AAAm	0	0
		114,933	144,833
Bank deposit accounts			
NatWest SIBA	A+	1,799	1,513
		1,799	1,513
Bank current accounts			
NatWest current account	A-	50	50
NatWest current account – Euro	A+	891	192
NatWest current account – USD	A+	651	10
Northern Trust – current accounts	AA-	8,214	8,825
Barclays – DTZ client monies account	A+	2,225	2,561
		12,032	11,638
Total cash and cash equivalents		128,764	157,984

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 2023 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 2022.

The key elements of the funding policy are:

- To ensure the long-term solvency of the Fund and ensure that sufficient funds are available to meet all the benefits as they fall due for payment.
- To ensure employer contribution rates are as stable as possible.
- To minimise the long term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return.
- To reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so.

At the 2022 valuation a maximum deficit recovery period of 11 years (2019 – 14 years) is used for all employers. Shorter recovery periods have been used where affordable. This will provide a buffer for future adverse experience and reduce the interest cost paid by employers. For Transferee Admission Bodies the deficit recovery period is set equal to the future working life of current employees or the remaining contract period, whichever is the shorter.

In the 2022 triennial valuation, the smoothed value of the Fund's assets at the valuation date was £7,555m and the liabilities were £7,374m. The assets therefore, represented 102% (2019 – 98%) of the Fund's accrued liabilities, allowing for future pay increases.

The contribution rate for the average employer, including payments to target full funding has increased from 20.9% to 21.1% of pensionable salaries in 2020-21 and to 21.2% in 2021-22 and 21.3% in 2022-23. 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 2022 actuarial assumptions were as follows:

Valuation of Assets:	Assets have been valued at a 6 month smoothed market rate	
Rate of return on investments (discount rate)	4.5% p.a.	
Rate of general pay increases:	Long term	3.9% p.a.
	Short term	N/A
Assumed pension increases	2.9% p.a.	

Notes to the Pension Fund Accounts continued

20. Actuarial present value of promised retirement benefits

	31 March 2023 £m	31 March 2022 £m
Actuarial present value of promised retirement benefits		
Present value of promised retirement benefits	(7,735.4)	(11,778.8)
Fair value of scheme assets at bid value	7,831.8	7,702.4
Net liability	96.4	(4,076.4)

The Fund accounts do not take account of liabilities to pay pensions and other benefits in the future. Based on the latest valuation, the fair value of net assets of the Fund represents 101% of the actuarial valuation of the promised retirement benefits. Future liabilities will be funded from future contributions from employers.

The liability above being calculated on an IAS 19 basis and differs from the results of the 2022 triennial funding valuation because IAS 19 stipulates a discount rate rather than a rate which reflects a market rate.

Assumptions used:	% p.a.
Salary increase rate	3.85%
Inflation/Pensions increase rate	2.85%
Discount rate	4.80%

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

21. Current Assets

	31 March 2023 £'000	31 March 2022 £'000
Debtors		
– Contributions due – employees	4,759	5,039
– Contributions due – employers	16,541	16,376
	21,300	21,415
Sundry Debtors	6,474	7,942
Total Debtors	27,774	29,357
Cash	1,729	2,679
Total Current Assets	29,503	32,036

22. Current Liabilities

	31 March 2023 £'000	31 March 2022 £'000
Creditors		
– Benefits payable	17,746	15,631
– Sundry creditors	11,874	11,019
Total current liabilities	29,620	26,650

23. Additional Voluntary Contributions

Scheme members have the option to make additional voluntary contributions to enhance their pension benefits. In accordance with regulation 4(2)(b) of the LGPS (Management and Investment of Funds) Regulations 2009, these AVC contributions are not included within the Pension Fund Accounts. These contributions are paid to the AVC provider directly by the employer and are invested separately from the Pension Fund, with either Utmost Life, Prudential Assurance Company or Standard Life Assurance Company. These amounts are included within the disclosure note figures below.

	Prudential	Prudential	Standard Life	Standard Life	Utmost Life	Utmost Life
	2022-2023	2021-2022	2022-2023	2021-2022	2022-2023	2021-2022
	£'000	£'000	£'000	£'000	£'000	£'000
Value at 1 April	10,286	9,711	2,043	2,032	330	404
Value at 31 March	10,054	10,286	1,914	2,043	277	330
Contributions paid	2,309	1,762	186	120	3	1

24. Related Party Transactions

The Fund is required to disclose material transactions with related parties, not disclosed elsewhere, in a note to the financial statements. During the year each member of the Kent Pension Fund Committee is required to declare their interests at each meeting. None of the members of the Committee or senior officers undertook any transactions with the Fund.

	2022-2023	2021-2022
	£'000	£'000
Kent County Council is the largest single employer of members of the Pension Fund and during the year contributed:	83,624	79,585
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.	4,118	3,910
Year end balance due to Kent County Council arising out of transactions between Kent County Council and the Pension Fund.	(6,934)	(6,181)

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

Key management personnel

The employees of Kent County Council who held key positions in the financial management of the Kent Pension Fund during 2022-23 was the Director of Finance (and their interim whilst the Director of Finance was on maternity leave) and the Head of Pensions and Treasury (new post appointed February 2022).

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

	31 March 2023	31 March 2022
	£'000	£'000
Salary	303	164
Allowances	16	9
Other	0	0
Employer's pension contributions	58	37
Total	377	210

25. Contingent liabilities

There are no contingent liabilities as at 31 March 2023.

26. Contractual commitments

Outstanding capital commitments (investments) as at 31 March 2023 totalled £386.82m (31 March 2022: £495.41m).

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.

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

Pooled (ACCESS)		
Fund Manager	Asset Class	£'000
Baillie Gifford	Global Equities	1,071,672
Schroders	UK Equities	1,184,303
Schroders	Global Equity	405,052
M&G	Global Equities	536,060
Ruffer	Absolute Return	191,519
Total Pooled		3,388,606

Non-Pooled		
Fund Manager	Asset Class	£'000
Schroders	Fixed Income	239,281
DTZ	Property	545,702
Goldman Sachs	Fixed Interest	385,314
Woodford	UK Equities	2,803
BMO (Pyrford)	Absolute Return	382,164
CQS	Fixed Income	226,095
Sarasin	Global Equities	375,518
Fidelity	Pooled Property	141,308
Kames	Pooled Property	32,132
Impax	Global Equities	72,807
Insight	Equity Protection	1,039,867
Partners Group	Infrastructure	273,163
Harbourvest	Private Equity	259,578
M&G	Pooled Property	68,554
M&G AO	Fixed Income	245,998
YFM	Private Equity	82,222
Kent County Council Investment Team	Cash	86,957
Total Non-Pooled		4,459,463
Grand Total		7,848,069

For 2022-23 the ongoing costs of the investments broken down between pooled and non-pooled assets are detailed below:

Pool Set up Costs	2022-2023 £'000	Cumulative £'000	ACCESS
Strategic & Technical Advice	0	56	614
Legal	0	37	409
Project Management	0	53	588
ACCESS Support Unit	0	0	3
Other	0	19	210
Total	0	166*	1,824
Transition costs		608	

The Pooled ACS was operational in 2017-18 and all set up costs were incurred prior to that, so no costs attributable to set up for 2022-23.

*1/11th of total ACCESS costs

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

	2016–2017 £'000	2016–2017 £'000	2017–2018 £'000	2018–2019 £'000	2019–2020 £'000	2020–2021 £'000	2021–2022 £'000	2022–2023 £'000	Cumulative £'000
Set up costs	6	80	80	–	–	–	–	–	166
Pooling ongoing costs				137	87	82	91	115	512
Transition costs	–	–		363	–	245	–	–	608
Fee savings	26	242	776	1,436	1,596	3,968	4,774	4,872	17,639
Net savings	32	162	696	936	1,509	3,641	4,683	4,757	16,353*

*Of the above total cumulative savings of £16.35m, £6.01m relates to investments awaiting pooling.

The investment managers are paid ad valorem fees on the assets under their management. As a result, the fees in absolute terms goes up as the investments appreciate in value.

For 2022-23, the ongoing costs of the investments broken down between pooled and non-pooled assets are detailed below. These costs have been compiled from information provided by the fund managers who have signed up to the LGA cost transparency code.

	Asset Pool			Non Asset Pool			Total £'000
	Direct £'000	Indirect £'000	Total £'000	Direct £'000	Indirect £'000	Total £'000	
FM Fees	–	9,038.94	9,038.94	4,668.67	14,887.82	19,556.48	28,595.42
Pool shared (ASU)	115.34	–	115.34	–	–	–	115.34
Transaction costs	–	2,530.40	2,530.40	165.72	1,154.15	1,319.87	3,850.26
Custody	–	–	–	51.03	–	51.03	51.03
Other – pooled fund costs	–	443.02	443.02	–	3,019.60	3,019.60	3,462.62
Total	115.34	12,012.36	12,127.70	4,885.41	19,061.57	23,946.98	36,074.68

Asset Allocation and Performance:

Asset Category	Opening Value		Closing Value		1 Yr Performance %	Benchmark %
	£'000	% of total fund	£'000	% of total fund		
ACCESS Pooled Investments						
UK Equity	1,143	14.8	1,184	15.1	3.63	2.95
Global Equity	2,109	27.4	2,013	25.6	(4.57)	(1.43)
Absolute Return	191	2.5	192	2.4	0.24	18.51
Total Pooled Assets	3,442	44.7	3,389	43.2	N/A	N/A
Under Pooled Governance						
UK Passive Equity	–	0.0	–	0.0	0.0	0.0
Global Passive Equity	–	0.0	–	0.0	0.0	0.0
Total Under Pooled Governance	–	–	–	–		
Assets Outside of the ACCESS Pool						
UK Equity	8	0.1	3	0.0	(53.56)	2.92
Global Equity	456	5.9	448	5.7	(1.71)	(1.43)
Equity Protection	791	10.3	1,040	13.2	31.42	(1.43)
Property	908	11.8	788	10.0	(10.65)	(14.87)
Infrastructure	175	2.3	273	3.5	16.55	2.27
Private Equity	290	3.8	342	4.4	8.34	2.27
Cash	127	1.6	87	1.1	2.25	2.27
Absolute Return	376	4.9	382	4.9	1.61	18.51
Fixed Income	1,123	14.6	1,097	14.0	(2.33)	4.28
Total Non-Pooled Assets	4,255	55.3	4,459	56.8	N/A	N/A
Grand Total	7,697	100.0	7,848	100.0	1.68	0.33

Independent Auditor's report

Independent auditor's report to the members of Kent County Council on the consistency of the pension fund financial statements of the Kent Pension Fund 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 2023 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 2023 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 2022/23 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 31 March 2023.

Section 151 Officer's responsibilities for the pension fund financial statements in the Pension Fund Annual Report

Under the Local Government Pension Scheme Regulations 2013 the Section 151 Corporate Director of Finance 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 2022/23.

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 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
London

31 March 2023

Kent Pension Fund Report and Accounts

For the year ended 31 March 2023



Kent Pension Fund

Delivering an outstanding service to our customers