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Date: 10 March 2017

Dear Member

SUPERANNUATION FUND COMMITTEE - FRIDAY, 17 MARCH 2017

Please find enclosed for consideration at next Friday, 17 March 2017 meeting of the Superannuation Fund Committee, a replacement version of the report for agenda Item 4.

Agenda Item No

B4 **Employer Issues** (Pages 3 - 10)

Please accept my apologies for any inconvenience caused.

Yours sincerely

A handwritten signature in black ink, appearing to be 'John Lynch', is written over a faint, light blue circular stamp.

John Lynch
Head of Democratic Services

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By: Chairman Superannuation Fund Committee
Corporate Director Finance and Procurement

To: Superannuation Fund Committee – 17 March 2017

Subject: **Fund Employer Matters**

Classification: Unrestricted

Summary: To report on employer related matters, applications to join the Superannuation Fund and a number of admission matters.

FOR DECISION

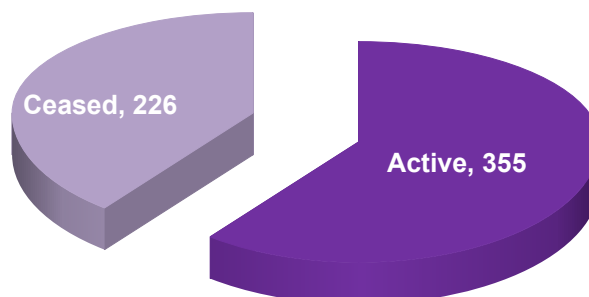
INTRODUCTION

1. This report sets out information on employer related matters and applications from organisations to become admitted bodies within the Superannuation Fund. It also advises of three contract extensions. The Committee's approval is sought to enter into these agreements.
2. The Committee is advised that the minutes of the admission matters are to be signed at the end of today's meeting to facilitate completion on the desired dates.

EMPLOYERS IN THE FUND AT 31 DECEMBER 2016

3. There are currently a total of 581 employers in the Kent Pension Fund.

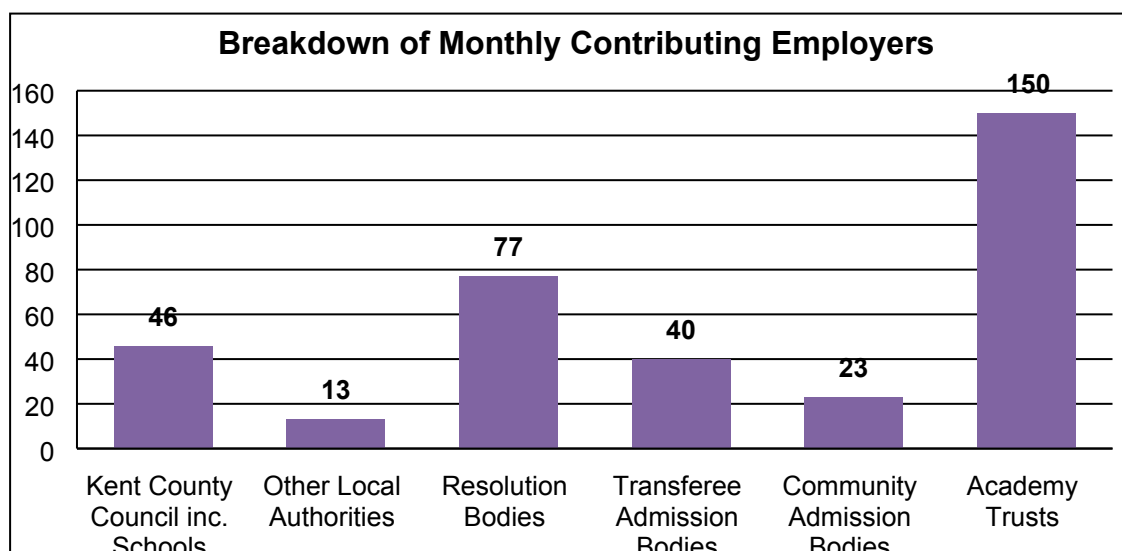
Split of Employers between Active and Ceased



4. During the 3 months to the end of December 2016 the number of Active employers who are regularly paying contributions has increased from 352 to 355 as the result of 7 new employers joining the Fund, being 4

parish councils and 3 new academy trusts. The number of Ceased employers has increased from 222 to 226. These no longer have active contributing members in the LGPS and the Fund has an existing or future liability to pay pensions.

5. The following chart shows the Employers from whom the Fund receives monthly contributions, by Employer Group.



6. The following is a list of new Active / Ceased employers in the Kent Pension Fund

Active employers	Effective date
<i>Scheduled Bodies</i>	
Harrietsham Parish Council	1 October
Meopham Parish Council	1 October
Westbere Parish Council	1 October
Smeeth Parish Council	1 November
<i>Academy Trusts</i>	
The Island Learning Trust	1 November
Tenterden Schools Trust	1 December
The Pilgrim Multi Academy Trust	1 December

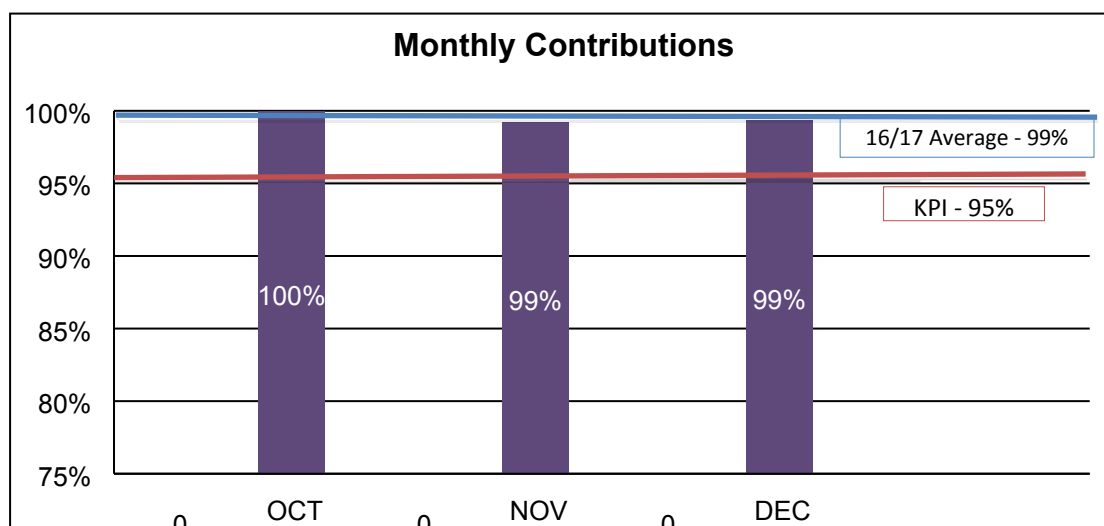
Ceased Employers	Effective date
<i>Kent County Council Incl Schools</i>	
Bredgar School	30 November
<i>Transferee Admission Bodies</i>	
Compass Group UK & Ireland	30 November
<i>Academy Trusts</i>	
Homewood School and 6th Form Centre Trust	30 November
The Lilac Sky Schools Academies Trust	31 December

CONTRIBUTIONS FROM EMPLOYERS QUARTER 3 2016/17

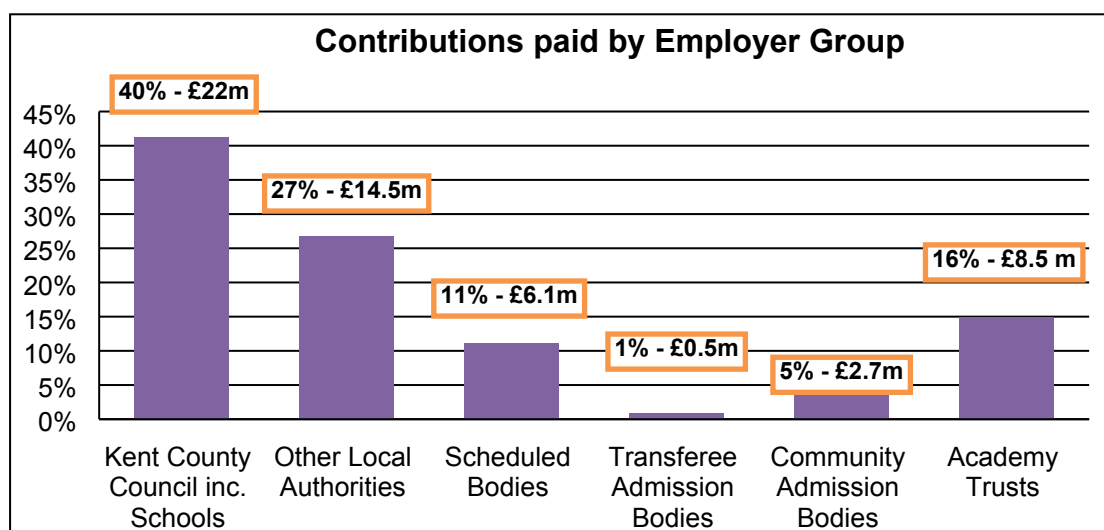
7. In quarter 3 2016 - 17 the Fund received £54.3m from Employers in respect of their monthly contributions (employer and employee) as follows:

	October £	November £	December £
Received Early	8,892,461	9,166,195	10,772,224
Cash on 19th	9,128,726	8,750,509	7,311,203
Received Late	6,314	146,689	120,405
Total	18,027,501	18,063,393	18,203,832

8. KCC monitors the timing of receipt of these contributions compared to a KPI of 95%. During quarter 3 2016-17 the KPI has been exceeded each month with an average 99% of all contributions being received on or before the due date.



9. The following table shows that KCC and other local authorities have paid £36.5m, 67% of all contributions received from employers.



MONITOR CLEANING SERVICES LTD

10. St. Anselm's Catholic School, an academy in the Kent Catholic Schools Partnership multi academy trust, is awarding a 3 year contract with a possible 2 year extension, for cleaning services, although the effective date is not yet known. This involves the transfer of approximately 10 employees from the Kent Catholic Schools Partnership to Monitor Cleaning Services Ltd.
11. To ensure the continuity of pension arrangements for these employees, Monitor Cleaning Services Ltd has applied for admission to the Superannuation Fund.
12. The admission application has been made under Schedule 2 Part 3 1 (d) (i) of the Local Government Pension Scheme Regulations 2013, as amended, and under this regulation the admitted body is required to provide a form of bond or indemnity.
13. The Fund Actuary has assessed the level of bond at £22,000 for the first year and the employer's contribution rate has been set as 20.2% for a closed agreement.
14. The completed questionnaires and supporting documents provided by the Monitor Cleaning Services Ltd have been examined by Officers to ensure compliance with the Local Government Pension Scheme Regulations, and Legal Services have given a favourable opinion on the application.

MITIE SECURITY LTD

15. Mitie Security Ltd is a Transferee Admission Body which joined the Superannuation Fund on 1 April 2015 following the transfer of staff from North Kent College.
16. As this contract has been extended to 31 July 2018 it is necessary to extend the original admission agreement by way of a Deed of Modification.

CAPITA IT SOLUTIONS LTD (re St George's School Broadstairs)

17. Capita Managed IT Solutions Ltd is a transferee admission body in the Superannuation Fund following the transfer of staff from KCC on 20 December 2012.
18. As this contract has been extended to 20 February 2019 it is necessary to extend the original admission agreement by way of a Deed of Modification.

MYTIME ACTIVE

19. Mytime Active is a transferee admission body in the Kent Superannuation Fund following the transfer of staff from Maidstone Borough Council on 1 January 2011. The commercial contract relates to the running of Cobtree Golf Course in Maidstone.
20. At the time Mytime joined the Fund in 2011 a bond was not required as the risk was assessed as being limited to early retirement strain costs and none of the transferring staff were near age 55 when, on early retirement, such costs can arise.
21. A new contract has now been agreed with Mytime Active to run from 1 April 2017 for 20 years with a possible 5 year extension.
22. It is proposed that the original admission agreement is further extended by a Deed of Modification and Mytime Active is now required to put a bond in place which the actuary has calculated as £17,000 for the first year.
23. The bond's value reflects the actuary's assessment of risk which is now more cautious and also extends to unpaid contributions, expenses and the potential for a deficit when an employer leaves the Superannuation Fund.

RUSSET HOMES LTD

24. Russet Homes Ltd (which changed its name from Tonbridge & Malling Housing Association in 2005) is a Community Admission Body. It has been an employer in the Superannuation Fund under an open Admission Agreement since 25 February 1991.
25. Russet Homes Ltd and Circle Thirty Three Housing Trust Ltd, along with a number of other housing associations, are subsidiaries of Clarion Housing Group Ltd. Clarion has advised KCC that it has been engaged over the last year or so in consolidating its subsidiaries and that it is doing this by transferring the engagements, employees and property of some subsidiaries to other subsidiaries in the Clarion Group. As part of that process, KCC has been advised that Russet Homes Ltd will be passing a resolution to transfer its engagements, employees and property to Circle Thirty Three Housing Trust Ltd.
26. Circle Thirty Three Housing Trust Ltd who will receive staff from Russet wish to enter into an admission agreement so that the staff transferring to it can continue to participate in the Kent Pension Fund. Legal Services have approved the application of Circle Thirty Three to be admitted to the Fund on the basis that a bond is also provided in relation to risk identified by the Fund Actuary further to the usual risk assessment.

27. Clarion Housing Group Ltd and Russet Homes Ltd accept that the transfer of staff will result in Russet becoming an exiting employer and necessitate that a closing valuation be obtained. Where the valuation reveals a deficit, it would usually result in the deficit being collected from the exiting employer. As at 31 March 2016 the indicative exit liability was £13m.
28. Circle Thirty Three and Clarion have proposed that if Circle take on the liability for all of the former Russet employees that were admitted to the Fund under the Russet admission agreement including deferred and pensioner members, the Fund is permitted to certify that no exit payment is due at the time of exit. They have asked the Fund to agree to do this in order that current assets can be applied to its community purposes and on the basis that any final exit payment will take into account liability for all the Russet and Circle employees who have participated in the Fund under the two admission agreements.
29. Legal Services have advised that the LGPS regulations are not specific on the extent to which deferral of the exit payment is properly capable of deferment as proposed. They advise that were the Fund were to agree to the proposal, it should be on the basis that Circle Thirty Three Housing Trust Ltd and Clarion Housing Group Ltd be required to give an indemnity for the value of the exit payment as part of the new admission arrangement so as to mitigate the risk arising.

COMPASS CONTRACT SERVICES (UK) LIMITED

30. A verbal report will be provided to the Committee.

RECOMMENDATION

31. Members are asked to note the employer report and to agree:
 - a) to the admission to the Kent County Council Superannuation Fund of Monitor Cleaning Services Ltd; and
 - b) that a Deed of Modification be entered into with Mitie Security Ltd; and
 - c) that a Deed of Modification be entered into with CAPITA IT Solutions Ltd; and
 - d) that a Deed of Modification and Bond be entered into with Mytime Active Ltd; and
 - e) to the admission to the Kent County Council Superannuation Fund of Circle Thirty Three Housing Trust Ltd, and that Circle Thirty Three Housing Trust Ltd and Clarion Housing Group Ltd be required to give an indemnity for the value of the exit payment that would have been due from Russet Homes Ltd, as part of the new admission arrangement; and

- f) that the Chairman may sign the minutes relating to recommendations a) to e) at the end of today's meeting.
- g) that once legal agreements have been prepared for these matters the Kent County Council seal can be affixed to the legal documents.

Steven Tagg
Treasury and Investments
03000 416747

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