



AGENDA

SUPERANNUATION FUND COMMITTEE

Friday, 23rd November, 2007 at 10.00 am
Medway Room, Sessions House, County
Hall, Maidstone

Ask for: **Mary Cooper**
Telephone **01622 694354**

UNRESTRICTED ITEMS

(During these items the meeting is likely to be open to the public)

A. COMMITTEE BUSINESS

1. Substitutes
2. Declarations of Interests by Members in items on the Agenda for this meeting.
3. Minutes - 14 September 2007 (Pages 1 - 4)

B. MOTION TO EXCLUDE THE PRESS AND PUBLIC FOR EXEMPT ITEMS

That under Section 100A of the Local Government Act 1972 the press and public be excluded from the meeting for the following business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of part 1 of Schedule 12A of the Act.

EXEMPT ITEMS

(During these items the meeting is likely NOT to be open to the press and public)

C. MATTERS FOR REPORT/DECISION BY THE COMMITTEE

1. Minutes - 14 September 2007 (Pages 5 - 6)
2. Baillie Gifford
3. GMO
4. Fund Structure (Pages 7 - 10)

12 noon - 1pm - Lunch

UNRESTRICTED ITEMS

(During these items the meeting is likely to be open to the public)

D. MATTERS FOR REPORT/DECISION BY THE COMMITTEE

1. Fund Position Statement (Pages 11 - 18)
2. Pensions Administration (Pages 19 - 24)

3. Climate Change (Pages 25 - 28)
4. Process for Admission to the Fund (Pages 29 - 36)
5. Application for Admission to the Fund (Pages 37 - 38)

Stuart Ballard
Head of Democratic Services
Legal and Democratic Services
(01622) 694002

Thursday, 15 November 2007

- (i) *Please note that any background documents referred to in the accompanying papers maybe inspected by arrangement with the officer responsible for preparing the relevant report.*
- (ii) *In accordance with the current arrangements for meetings, representatives of the Managers have been given notice of the meeting and will be in attendance for Items C2 and C3.*

KENT COUNTY COUNCIL

SUPERANNUATION FUND COMMITTEE

MINUTES of a meeting of the Superannuation Fund Committee held at the offices of Schroders Investment Management Ltd, 31 Gresham Street, London EC2V 7QA on Friday, 14 September 2007.

PRESENT: Mr J E Scholes (Chairman), Mr J Burden, Mr P Clokie, Mr J A Davies, Mrs J De Rochefort, Mr M J Fittock, Mr J F London, Mr R A Marsh, Mr J I Muckle, Mr R Packham, Mr P Turner (substitute for Mr S Richards), and Mrs M Wiggins.

IN ATTENDANCE: Head of Financial Services, Mr N Vickers and the Democratic Services Manager, Mrs M Cooper.

UNRESTRICTED ITEMS

18. Membership

The Committee noted the appointment of Mr J Simmonds to replace Mr R Parry and welcomed Mr J Burden and Mr R Packham, District Council Representatives, to their first meeting.

19. Minutes – 15 June 2007

RESOLVED that the Minutes of the meeting held on 15 June 2007 are correctly recorded and that they be signed by the Chairman.

20. Dates of meetings 2008

RESOLVED that the following dates for 2008 be agreed:-

7 March 2008
6 June 2008
12 September 2008
21 November 2008

21. PricewaterhouseCoopers Audit

(Item D1 – Report by Director of Finance)

(Janet Eilbeck and Collette Archer of PWC were in attendance for this item)

RESOLVED that:-

- (a) the report be noted and the recommendations accepted;
- (b) the Chairman to write to remaining offenders who are late making contribution payment; and
- (c) the Director of Finance to raise with DCLG the question of sanctions.

22. Fund Position Statement
(Item D2 – Report by Director of Finance)

RESOLVED that the report be noted.

23. Statement of Investment Principles
(Item D3 – Report by Director of Finance)

RESOLVED that:-

- (a) the revised Statement of Investment Principles be approved subject to the temporary deletion of Paragraph 11.3; and
- (b) a report on the social environment and ethical responsibilities of investment Managers be presented to the next meeting (Paragraph 11.3 refers).

24. Annual Report and Accounts
(Item D4)

RESOLVED that the Annual Report and Accounts for 2006-07 be formally adopted and printed.

25. Admissions to the Fund
(Item D5 – Report by Director of Finance)

RESOLVED that a decision on the admission of Circle Anglia be deferred and a further report be submitted to the next meeting.

EXEMPT ITEMS
(Open Access to Minutes)

26. Schroders Investment Management Ltd
(Item C1)
(Geoff Day, Birgitta Bostrom, Jonathan Harris, Sue Noffke and Justin Abercrombie of Schroders were in attendance for this item)

(1) The Committee received a presentation by Johanna Kyrklund on the “Benefits of Diversification”

(2) The Committee requested a letter be sent to Schroders thanking them for their hospitality. It was noted that meetings of the Committee would be rotated amongst all Fund Managers in the future.

(3) RESOLVED that the report be noted.

SUMMARY OF EXEMPT ITEM
(Where Access to Minutes Remains Restricted)

27. Fund Structure
(Item C2 – Report by Director of Finance)

The Committee agreed a number of issues relating to the structure and management of the Fund.

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item C1

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item C4

Document is Restricted

This page is intentionally left blank

By: Acting Director of Finance
To: Superannuation Fund Committee - 23 November 2007
Subject: **FUND POSITION STATEMENT**
Clarification: Unrestricted

Summary: To provide a summary of the Fund asset allocation and performance.

FOR INFORMATION

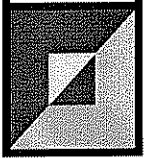
INTRODUCTION

1. Attached is the Fund Position Statement report.
2. Members are asked to note this report.

Katherine Gray
Senior Accountant (Investments)
Ext: 4642

This page is intentionally left blank

Classification: Unrestricted
Item: DI refers

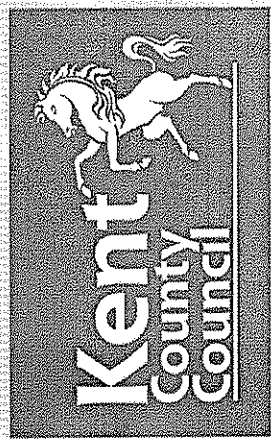


FUND POSITION STATEMENT

Summary of Fund Asset Allocation and Performance Superannuation Fund Committee

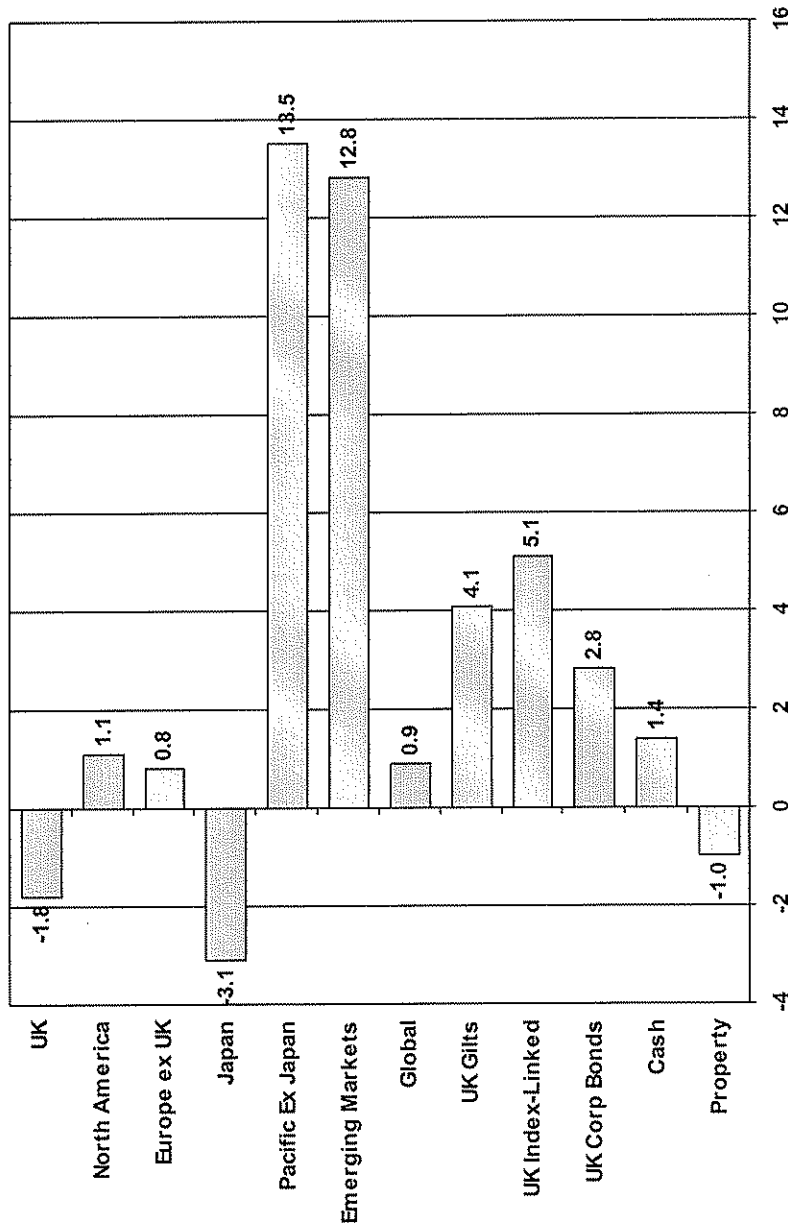
23 November 2007

By: Director of Finance



Kent County Council
Superannuation Fund 2007
Nick Vickers—Head of Financial Services

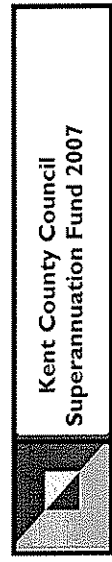
Market Returns-3 months to 30 September 2007



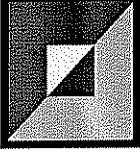
- Equity markets generally had a difficult quarter with most markets showing losses or small gains due to the disruption in the credit and money markets.
- The exception to this is emerging markets which posted double digit returns for a second successive quarter, and the Pacific region excluding Japan which was the top performer this quarter.

- The UK equity market posted negative returns during the quarter where investors have shunned equities favouring less risky assets such as bonds resulting from problems in the US sub prime lending market.
- This has contributed to fixed interest investments showing good returns in the quarter.

- Property returns were negative this quarter where the predicted market slowing is starting to take effect.

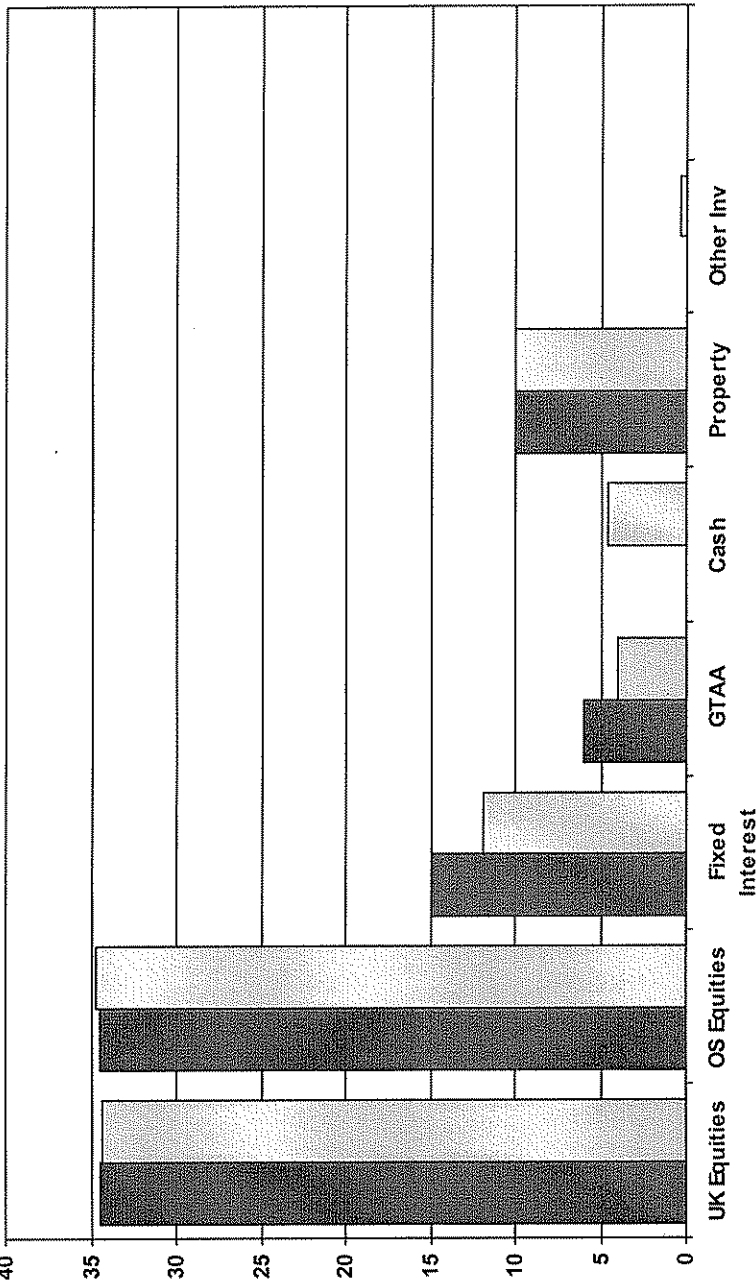


Classification: Unrestricted
Item: DI refers



Kent Fund Asset Allocation vs Fund Benchmark

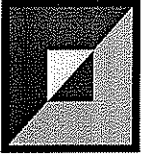
Asset Class	Kent Fund		Benchmark	
	£m	%	%	%
UK Equities	916	34.8	34.8	34.5
Overseas Equities	960	36.5	36.5	34.5
Fixed Interest	355	13.5	13.5	15
UK Property	250	9.5	9.5	10
European Property	13	0.5	0.5	1
GTAA	62	2.4	2.4	5
Cash	61	2.3	2.3	-
Other Inv	15	0.5	0.5	-
Total Value	2,632	100.0	100.0	100



■ Kent Fund Asset Allocation
□ Benchmark

Asset Distribution Fund Manager

Classification: Unrestricted
Item: D1 refers



Values (GBP) '000	Mandate	Value at 30/06/07	Transactions	Capital Gain / loss	Income	Value at 30/09/07	% Fund	Benchmark
Schroders	UK Equity	445,517	3,788	-13,714	3,799	435,591	17	Customised
Invesco	UK Equity	269,876	687	-5,138		265,424	10	Customised
Societe Generale	UK Equity	206,080	1,381	-8,650	1,523	198,811	8	Customised
Alliance Bernstein	Global Equity	297,109	1,232	1,675	1,181	300,016	11	MSCI World
Ballie Gifford	Global Equity	405,635	1,758	10,292	1,888	417,685	16	Customised
GMO	Global Quantative	176,360		687		177,046	7	MSCI World
Schroders	Global Quantative	128,603		-2,898		125,706	5	MSCI World
Goldman Sachs	Fixed Interest	187,080	1,739	2,729	2,652	191,547	7	ML £ Broad Market
Schroders	Fixed Interest	145,039		3,161		148,200	6	ML £ Broad Market
DIZ	Property UK	260,007	7,508	514	2,761	251,985	10	IPD All Properties Index
DTZ	Property Europe	11,838	1,219			13,057	0	IPD All Properties Index
Goldman Sachs	Global TAA	104,208		42,463		61,745	2	LIBID 7 Day Rate
Internally Managed	Cash	22,282	21,396	713	431	44,390	1	LIBID 7 Day Rate
Black Rock (ML)	Transition	1,375		-85		1,290	-	-
Societe Generale	Transition	19	-15	-4		-	-	-
Total Fund		2,661,028	25,675	-54,209	14,234	2,632,494	100	Kent Combined Fund

Performance Returns to 30 September 2007

Classification:
Unrestricted
Item: DI refers

	Quarter		1 year		3 years	
	Fund %	Benchmark %	Fund %	Benchmark %	Fund %	Benchmark %
Total Fund	-1.5	0.4	8.6	10.0	14.4	14.4
UK Equity						
Schroders UK	-2.2	-1.8	13.6	12.2	15.3	15.3
Societe Generale	-3.5	-1.8	10.3	12.2	15.2	16.9
Invesco	-1.9	-1.8	-	-	-	-
Overseas Equity						
Alliance Bernstein	1.0	0.9	13.2	11.6	-	-
Baillie Gifford	3.0	2.4	16.8	17.0	19.6	18.6
GMO	0.4	0.9	13.2	11.6	-	-
Schroders GAV	-2.3	0.9	15.4	11.6	-	-
Fixed Interest						
Goldmans Fixed Interest	2.9	2.8	0.3	-0.2	4.2	4.1
Schroders Fixed Interest	2.2	2.8	-0.4	-0.2	-	-
GTAA	40.7	1.4	46.5	5.5	7.4	4.9
Property						
UK Property	0.9	-1.0	13.9	7.2	18.5	15.0
European Property	-	-1.0	-	-	-	-

• The fund decreased in value by £29m in the quarter

• The fund underperformed the benchmark for the quarter posting a return of -1.5% compared to a benchmark return of 0.4%, placing us 100th against the WMILA average

• Most of the investment mandates underperformed against their benchmarks in the quarter except for Alliance Bernstein, Baillie Gifford, Goldman Fixed Interest and DIZ

• GTAA fell sharply this quarter losing £43m in value from last quarter

• The 1 year performance is 8.6% against the benchmark of 10% - placing us 88th against the WMILA average

• Our 3 year performance is 14.4% against a benchmark return of 14.4%. This places us 57th against the WMILA average

Fund Structure

UK Equities

Schroders
+1.5%
£436m

Soc Gen
+2.0%
£199m

Invesco
Unconstrained
£265m

Global Equities

Baillie Gifford
+1.5%
£418m

**Alliance
Bernstein**
+3.0%
£300m

GMO
+3.0%
£177m

Schroders
+3.0 - +4.0%
£126m

Fixed Interest

Goldman Sachs
+0.75%
£192m

Schroders
+1.0%
£148m

Alternative

DTZ
UK Property
£252m

DTZ
Europe Property
Eur 35m (£25m)
£13m invested
as at 30.09.07

Goldman Sachs
GTAA
£62m

Kent Cash
£44m

Henderson
Secondary PFI
£10m
£9.5m invested

YFM Private
Equity £4m
£1m invested
as at 30.09.07

**Market Value approx £2,632bn
as at 30 September 2007.**

By: Acting Director of Finance
To: Superannuation Fund Committee – 23 November 2007
Subject: **PENSIONS ADMINISTRATION**
Classification: Unrestricted

Summary: To advise members on a range of administration issues including:-

- Key Performance Indicators
- CIPFA Benchmark Survey 2006/07
- AXISe Employer Software Proposals
- Other Topical Issues

FOR INFORMATION

INTRODUCTION

1. Members are provided with Key Performance Indicator (KPI) results on a 6 monthly basis and our achievements in the annual CIPFA survey.

KEY PERFORMANCE INDICATORS

2. Attached at Appendix 1 are our results against KPI targets comparing the last two 6 monthly periods (6 months to April 2007 and 6 months to October 2007)
3. I am pleased to confirm that the high standards achieved in the previous period have been exceeded during the last 6 months despite this has been a very busy period for the Pensions Section.
4. Despite resources have been engaged in the preparation of data for the valuation of the scheme during the last 6 months, the section have improved on a very high level of performance in the key performance areas reported for the previous 6 months.

CIPFA BENCHMARK SURVEY 2006/07

5. The Pension Scheme participates in the annual CIPFA Benchmarking survey. The survey compares administration costs for the LGPS across the UK. Our results are compared with the 53 scheme participants and against a selected group of 16 other peer group shire authorities.

6. The peer group consists of the following Local Authorities:-

Bedfordshire	Gloucestershire	Northumberland
Buckinghamshire	Hampshire	Nottinghamshire
Cambridgeshire	Lancashire	Staffordshire
Cheshire	Lincolnshire	Surrey
Devon	Norfolk	
Essex	Northamptonshire	

7. The results shown at Appendix 2 reflect well upon the achievements of the Pensions Section. Headline achievements are:-

- Rank 12th out of 53 authorities (whole scheme) and 5th out of 17 authorities (peer group) in terms of administration costs per scheme member.
- Our overall cost per member is £5.50 lower than the whole scheme average.
- Payroll (pensioner) costs are very low, ranking Kent in 3rd place out of 17 peer group participants. This follows the return of Pensions Payroll to the AXISE payroll system from Capita, with the savings that this decision produced.
- Despite our existing investment in technology, we rank 6th in the peer group and some £1 per scheme member cheaper than the whole scheme average for IT costs.
- Surprisingly our costs per member for staff are lower than both the peer group (£2895 lower per FTE) and the whole scheme comparator (£5059 lower per FTE). In contrast we administer fewer members per FTE than both the peer group and whole scheme. These results reflect our policy of recruiting highly qualified trainees from University/School. Our staff turnover is lower than the whole scheme/peer group results.
- We are the second best qualified section in the whole of the survey and one of only two authorities with 60% or more staff holding either a PMI or IPPM qualification. This I am confident endorses our introduction of a career structure' to replace the traditional graded structure.

8. I believe the results confirm 'good value for money' is being delivered to scheme members in Kent. Whilst the survey does not measure 'quality of service' to any detailed extent our achievements against KPIs, as shown earlier in this report, suggest the figures, are not at the cost of service standards. We have a high percentage of employers and our scheme membership structure is very similar to other authorities. The results are particularly pleasing, given our close proximity to London.

AXISe 'EMPLOYER' INTERNET

9. We have plans to extend our use of IT software and seek Members approval to introduce a further software package on offer from the Heywood and Co (Aquila Group) suite used almost exclusively by the LGPS (86 of 89 authorities use AXISe software).
10. AXISe 'Employer' internet enables scheme employers to connect direct with the AXISe database and perform various 'self service' transactions. Connection is via a secure connection and all transactions can, during the testing phase, be monitored/authorised by the section.
11. The software enables employers to undertake the following transactions on a self service/remote basis:-
 - New starts, leavers and hour change amendments/advice
 - Change of address notification
 - Estimates
 - Contribution Posting
 - Enables the pension section to 'assign' tasks via system for scheme employers
12. It is proposed to set up around 8-10 employers during a testing/pilot period. During this period employers will only be permitted to access their own employee records. No access will be given to the imaged documents of employees for confidentiality reasons.
13. All transactions will be processed via a daily report, monitored by the Pension Section, who will authorise the transactions having checked consistency/accuracy.
14. A project plan is being prepared detailing the timeframe for testing, during which, it is intended to identify risks/benefits/audit requirements prior to the system being rolled out to other employers.
15. The 'one off' software cost is £45,724 in year 1 with ongoing costs (maintenance, license fees) of £6224 per annum. These costs have to be met to engage in the testing/pilot period.
16. Despite the initial cost mentioned above I am satisfied that this is the way forward for the future of the section. It will replace the high levels of data exchange in paper format. Our previous IT developments in 'Document Imaging' and 'workflow' have been highly successful.
17. In addition, I believe the transfer of responsibility, for the initial data input will improve the error rate currently seen in employer paper advices to the section.
18. Overall I think this initiative has the potential for a very significant impact in the future. Members are asked to confirm their agreement to the purchase of this software to enable the 'pilot' to be progressed in 2008.

OTHER TOPICAL ISSUES

Valuation

19. All data was despatched to Hymans Robertson in the first week of August this year. The results of the scheme valuation will be reported to employers on 13 November.

New Look LGPS

20. Members were advised of the key design features of the new look LGPS in my report in June 2007.
21. Consultation continues in terms of the existing member protections under the 85 year rule. Final decision for the proposed new 'ill health' regulations are also awaited. The other broad features are to remain unchanged.
22. It is expected that the extension of protection under the 85 year rule for existing members, which has been the subject of particular debate between CLG/Employers/Trade Unions over the last 12 months, will be agreed. Protection will be extended for existing members, if this is the outcome of the consultation, through to 2020 in common with Scotland.
23. I regret to inform members that actuarial factors to support the amendments to the scheme for introduction on 1 April 2008, remain outstanding. CLG and GAD (Government Actuaries Department) had promised the factors by 1 October 2008 but it now seems they will not be available until the calendar year end with some to be delayed until the spring of 2008.
24. This will result in our partners at Heywood and Co being unable to fully develop the administration system, in readiness for the launch date (1 April 2008). The result will be a number of complex calculations being manually processed by Pension Sections across the UK.
25. Appropriate representations have been made to CLG, via the CLASS Group Management Team (Consortium for Local Government Pension Managers) for which I act as Chairperson. I am not confident that these overtures will result in improvement of the likely development timetable.

RECOMMENDATION

31. Members are asked to recommend the acquisition of AXISe Employer Internet.
32. Members are asked to note the remainder of this report.

Patrick Luscombe
Pensions Manager
Extension 4714

**Achievements against Benchmark Targets
and Performance Indicators**

Case Type	Target Time	6 months to April 2007		6 months to October 2007	
		Number	% in target	Number	% in target
Calculation and payment of benefit award	10 days from receipt of all paperwork	662	98%	803	99%
Calculation and payment of dependant benefit	10 days from receipt of all paperwork	158	99%	165	100%
Provision of benefit estimate	20 days from receipt of all paperwork	1063	94%	1077	97%
Reply to correspondence	Full reply within ten working days	578	95%	558	98%

**CIPFA Benchmark 2006/07
Administration Costs**

Cost Centre	KCC	Average Peer Group	Average all Authorities	Rank out of 17 (peer group)
Staff costs per scheme member (excluding payroll)	£9.16	£9.40	£9.89	7 th
Costs per member of staff (FTE)	£23464	£26359	£28523	3 rd
Number of scheme members per FTE	2562	2982	3081	6 th
Payroll costs per scheme member	£1.44	£2.87	£4.14	3 rd
Payroll costs per pensioner	£6.67	£14.04	£18.52	4 th
Communication per member	£1.73	£0.78	£0.91	15 th
Actuarial costs per member	£1.78	£0.93	£1.07	16 th
IT costs per member	£1.40	£1.91	£2.49	6 th
Accommodation costs per member	£0.81	£0.69	£0.74	12 th
Total admin costs per member	£17.16	£19.68	£22.66	5th

By: Acting Director of Finance
To: Superannuation Fund Committee – 23 November 2007
Subject: **CLIMATE CHANGE**
Classification: Unrestricted

Summary: To seek agreement to join the Institutional Investors Group on Climate Change.

FOR DECISION

INTRODUCTION

1. For many years considerations of “ethical” investment have focussed on the issue of investing in companies whose products are perceived as being unethical. As a Fund we have not imposed “ethical” restrictions on managers in-part because of our fiduciary responsibility to maximize returns and also because of the difficulty of achieving a consensus on what we should not invest in.
2. There are now emerging a range of different issues relating to investment such as the environment and climate change which pension funds as responsible long term investors need to give consideration to. This report specifically addresses climate change.

INSTITUTIONAL INVESTORS GROUP ON CLIMATE CHANGE

3. The Institutional Investors Group on Climate Change (IIGCC) is a forum for collaboration between pension funds and other institutional investors on issues related to climate change. IIGCC seeks to:
 - (1) Promote better understanding of the implications of climate change amongst its members and other institutional investors.
 - (2) Encourage companies and markets in-which IIGCC members invest to address any material risks and opportunities to their business associated with climate change and a shift to a lower carbon economy.

IIGCC MEMBERS

ABP Investments
Baptist Union of Great Britain
BBC Pension Trust
BEDFORDSHIRE COUNTY COUNCIL PENSION FUND
Blackrock
BNP Paribas Asset Management
CCLA Investment Management
Central Finance Board of the Methodist Church
Climate Change Capital
Co-operative Insurance Society
CORPORATION OF LONDON PENSION FUND
Credit Agricole Asset Management
ENVIRONMENTAL AGENCY PENSION FUND
Ethos Foundation
FEC Management
Generation Investment Management
GREATER MANCHESTER PENSION FUND
Henderson Global Investors
Hermes
HSBC Investments
Integral Development Asset Management
Insight Investments
Joseph Rowntree Charitable Trust
LONDON BOROUGH OF HOUNSLOW PENSION FUND
LONDON BOROUGH OF ISLINGTON PENSION FUND
MERSEYSIDE PENSION FUND
Morley Fund Management
Northern Trust
PGGM Investments
PruPIM
Schroders
The Church Commissioners for England
Transport of London Pension Fund
Universities Superannuation Scheme
WEST MIDLANDS PENSION FUND
WEST YORKSHIRE PENSION FUND

This page is intentionally left blank

By: Acting Director of Finance
To: Superannuation Fund Committee – 23 November 2007
Subject: **PROCESS FOR ADMISSION TO THE FUND**
Classification: Unrestricted

Summary: To report on the process for organisations to participate in the Superannuation Fund by means of an admission agreement

FOR DECISION

BACKGROUND

1. The current Local Government Pension Scheme Regulations (LGPSR) allow for employees of non-Scheme employers to become members of the Scheme. Non - Scheme employers are organisations which may participate in the Pension Scheme by means of an admission agreement.
2. Regulations 5, 5A and 5B of the LGPSR set out the criteria for admission to participate in the Pension Scheme. There are two types of admission bodies: Community Admission Body (CAB) and Transferee Admission Body (TAB). The definitions of these two types of admission body are set out in the extract from the LGPSR attached as Appendix 1.

COMMUNITY ADMISSION BODIES

3. The Superannuation Fund Group in 1990 stipulated that admission applications should meet the following criteria:
 - (1) Organisations must employ 20 or more people, but those with a lesser number would be accepted only if they had been set up to take over a function divested either from the County or District Councils; and
 - (2) No organisation wholly based outside the County is admitted.

4. The current policy for an admission under the CAB route is that admissions must meet the criteria set by the Superannuation Fund Group in 1990 and comply with the LGPSR.
5. The Superannuation Fund committee has to the power not to agree an application from a CAB even though the application complies with the agreed criteria and the LGPSR.
6. The committee can decide whether to retain or delete the 1990 criteria. Our view is that the first point relating to the size of the organisation should be deleted. However, we recommend retention of the criteria requiring the work of the staff in the applicant body to be undertaken in Kent.

TRANSFEEE ADMISSION BODIES

7. Admission to the Pension Scheme is automatic subject to the legal agreements being made between the parties and the provision of a form of Bond to cover the actuarially assessed liabilities that will arise on early termination of the contract.
8. Where the TAB and the Scheme employer letting the contract meet the requirements of the LGPSR, the Administering Authority must enter into an admission agreement with the TAB. The Superannuation Fund Committee cannot refuse the admission. The policy set out in paragraph 3 of this report does not therefore apply to TAB applications.

RECOMMENDATION

9. Members are asked to:
 - (1) Note the procedure on admissions to the Pension Scheme;
 - (2) As the policy set out in paragraph 3 of this report can only be applied to CAB applications, members are asked to agree to delete paragraph 3(1) of this policy, and retain paragraph 3 (2).

Jane Gibbons
Group Accountant (Investments & Treasury)
Ext. 4625

Extract from the LGPS Regulations

Employees of non-Scheme employers: community admission bodies

5. - (1) Subject to the requirements of this regulation and regulation 5B, an administering authority may make an admission agreement with any community admission body.

(2) These are community admission bodies -

(a) a body, other than the governors or managers of a voluntary school, which provides a public service in the United Kingdom otherwise than for the purposes of gain and which either -

- (i) has sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest, whether because the operations of the body are dependent on the operations of the Scheme employer or otherwise, or
- (ii) is approved by the Secretary of State for the purposes of admission to the Scheme;

(b) a body, other than the governors or managers of a voluntary school, to the funds of which any Scheme employer contributes;

(c) a body representative -

- (i) of local authorities,
- (ii) of local authorities and officers of local authorities,
- (iii) of officers of local authorities which is formed for the purpose of consultation as to the common interests of local authorities and the discussion of matters relating to local government, or
- (iv) of Scheme employers;

(d) the Housing Corporation;

(e) the Commission for the New Towns;

(f) a company for the time being subject to the influence of a local authority as described in section 69 of the Local Government and Housing Act 1989; and

(g) a company for the time being subject to the influence of a Scheme employer listed in Schedule 2 (other than a local authority) as described in section 69 of the Local Government and Housing Act 1989 as if references in that section to a local authority were references to the listed Scheme employer.

(3) Approval under paragraph (2)(a)(ii) may be subject to such conditions as the Secretary of State thinks fit and he may withdraw approval at any time if such conditions are not met.

(4) Where, at the date that the admission agreement is made with a body within paragraph (2)(b), the contributions paid to the body by any one or more Scheme employers equal in total 50% or less of the total amount it receives from all sources, it must be a term of the admission agreement that the Scheme employer who provides funding (and, if more than one, all of them) guarantees the liability of the body to pay all amounts due from it under the Regulations.

(5) For the purposes of paragraph (2)(c) and (f), "local authority" includes the Greater London Authority.

Employees of non-Scheme employers: transferee admission bodies

5A. - (1) Subject to the requirements of this regulation and regulation 5B, an administering authority may make an admission agreement with any transferee admission body.

(2) A transferee admission body is a body, other than a community admission body, that is providing, or will provide -

(a) a service or assets in connection with the exercise of a function of a Scheme employer as a result of -

(i) the transfer of the service or assets by means of a contract or other arrangement;

(ii) a direction made under section 15 of the Local Government Act 1999; or

(iii) directions made under section 497A of the Education Act 1996; or

(b) a public service and which is approved by the Secretary of State for the purposes of admission to the Scheme.

(3) Only those employees of the transferee admission body who are employed in connection with the provision of the service or assets referred to in paragraph (2) are eligible to be members of the Scheme.

(4) In the case of an admission agreement with a transferee admission body under paragraph (2)(a) the Scheme employer, if it is not also the administering authority, must be a party to the admission agreement.

(5) Approval under paragraph (2)(b) may be subject to such conditions as the Secretary of State thinks fit and he may withdraw approval at any time if such conditions are not met.

(6) An admission agreement with a transferee admission body shall require that:

(a) in the case of a body under -

(i) paragraph 2(a), the Scheme employer; or

(ii) paragraph 2(b), the transferee admission body, to the satisfaction of the administering authority,

shall carry out an assessment, taking account of actuarial advice, of the level of risk arising on premature termination of the provision of the service or assets by reason of the insolvency, winding up or liquidation of the transferee admission body, and

(b) that where the level of risk identified by the assessment is such as to require it, the transferee admission body shall enter into an indemnity or bond to meet the level of risk identified.

(7) The indemnity or bond must be with -

(a) a person who has permission under Part 4 of the Financial Services and Markets Act 2000 to accept deposits or to effect and carry out contracts of general insurance;

(b) an EEA firm of the kind mentioned in paragraph 5(b) and (d) of Schedule 3 to that Act, which has permission under paragraph 15 of that Schedule (as a result of qualifying for authorisation under paragraph 12 of that Schedule) to accept deposits or to effect and carry out contracts of general insurance; or

(c) a person who does not require permission under that Act to accept deposits, by way of business, in the United Kingdom.

(8) An admission agreement with a transferee admission body shall make provision for the relevant matters set out in Schedule 2A.

(9) Where a transferee admission body undertakes to meet the relevant requirements of this regulation, and -

(a) in the case of a body under paragraph 2(a), the Scheme employer undertakes to meet the relevant requirements of this regulation;
or

(b) in the case of a body under paragraph (2)(b), the Secretary of State approves the body for admission to the Scheme and the conditions, if any, to which the approval is subject have been met;

an administering authority must admit to the Scheme the eligible employees of the transferee admission body specified by the body and where it does so, the terms on which it does so are the admission agreement for the purposes of these Regulations.

Requirements for admission agreements

5B. - (1) In regulations 5 and 5A an admission agreement is an agreement that all or any specified class of the admission body's employees may be members.

(2) An admission agreement must terminate if the admission body ceases to be such a body and may make such other provision about its termination as the parties consider appropriate.

(3) When an administering authority makes an admission agreement, it must promptly inform the Secretary of State of the date the agreement takes effect, the admission body's name and, in the case of an admission agreement with a transferee admission body under paragraph 5A(2)(a), the name of the relevant Scheme employer.

(4) An administering authority must notify the Commissioners of the Inland Revenue of the admission of an admission body within the time prescribed in regulations made under section 605 of the Taxes Act and provide such information as may be so prescribed.

(5) An administering authority and an admission body may make an admission agreement despite the fact that they do not exercise their functions or provide services or assets in areas that overlap or adjoin each other.

(6) Any question which may arise between the parties to an admission agreement relating to the construction of the agreement or the rights and obligations under that agreement shall be referred in writing for determination to the Secretary of State.

(7) An employee of an admission body may not be a member if he is a member of another occupational pension scheme (within the meaning of section 1 of the Pension Schemes Act 1993) other than where the accrual of benefits under the occupational pension scheme would not affect approval of the Scheme as an approved scheme.

(8) These Regulations apply to employment with an admission body in which the employee is an active member in the same way as if the admission body were a Scheme employer.

By: Acting Director of Finance
To: Superannuation Fund Committee – 23 November 2007
Subject: **APPLICATION FOR ADMISSION TO THE FUND**
Classification: Unrestricted
Summary: To report on the request from ReMade South East Limited to participate in the Superannuation Fund

FOR DECISION

1. ReMade Kent and Medway is a KCC funded project which is moving to an independent status to take effect from 1 April 2008. The employees, finance and legal liabilities are to be transferred to a company limited by guarantee which will be known as ReMade South East Ltd.

The company will work with both the private sector and local authorities to identify landfill alternatives for waste management. Funding for the company is from a number of sources – including KCC, Medway Council and bids (mainly from central Government). There is core funding from KCC for the first two years of the project

There are currently three employees employed on the project who will be transferred to the new company. The application to join the Pension Fund has been made to ensure the continued pension provision of those employees.

The application has been made under Regulation 5(2)(a)(i) of the Local Government Scheme Regulations. There is no requirement under this Regulation for a form of Bond or indemnity to be provided. However, as there is no certainty of the company continuing to operate should the funding cease it has been agreed that ReMade will be asked to provide a bond. The Fund actuary has been asked to calculate the level of bond, together with the employer contribution rate.

2. The completed questionnaire and Memorandum and Articles have been examined by Legal Services to ensure compliance with the Local Government Pension Scheme Regulations. Legal Services have given a favourable opinion.

RECOMMENDATION

3. Members are asked to agree the admission of ReMade South East Limited to the Pension Fund.

Jane Gibbons
Group Accountant (Investments & Treasury)
Ext. 4625

This page is intentionally left blank