

**SUPERANNUATION FUND COMMITTEE**

**Friday, 18th September, 2009**

**10.00 am**

**Medway Room, Sessions House, County Hall,  
Maidstone**





## **AGENDA**

### **SUPERANNUATION FUND COMMITTEE**

**Friday, 18th September, 2009 at 10.00 am**      Ask for:      **Geoff Rudd**  
**Medway Room, Sessions House, County Hall, Maidstone**      Telephone:      **01622 694358**

#### **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 - 3 July 2009 (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 (Pages 5 - 6)
2. Schroder Investment Management
3. Fund Position Statement (Pages 7 - 10)
4. Fixed Income Mandates (Pages 11 - 22)
5. Alternative Investments Implementation (Pages 23 - 28)

#### **UNRESTRICTED ITEMS**

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

#### **D. MATTERS FOR REPORT/DECISION BY THE COMMITTEE**

1. External Audit
2. Treasury Strategy (Pages 29 - 32)
3. LGPS Consultation (Pages 33 - 38)

4. Fund Position Statement (Pages 39 - 46)
5. Admissions to the Fund (Pages 47 - 50)

Peter Sass  
Head of Democratic Services and Local Leadership  
(01622) 694002

**Thursday, 10 September 2009**

- (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**

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**SUPERANNUATION FUND COMMITTEE**

MINUTES of a meeting of the Superannuation Fund Committee held in the Medway Room, Sessions House, County Hall, Maidstone on Friday, 3 July 2009.

PRESENT: Mr J E Scholes (Chairman), Mr D S Daley (Vice-Chairman), Mrs J De Rochefort, Ms A Dickensen, Mr R Packham, Mr R J Parry, Mr S Richards, Mr M V Snelling, Mr R Tolputt (Substitute for Mr J A Davies) and Mrs M Wiggins.

ALSO PRESENT: Mr D Boyd, Hymans Robertson, Ms S Carey and Mr J Simmonds.

IN ATTENDANCE: Ms L McMullan (Director of Finance), Mr N Vickers (Head of Financial Services) and Mr G Rudd (Assistant Democratic Services Manager).

**UNRESTRICTED ITEMS**

**12. Election of Vice Chairman**

*(Item A3)*

Mr J E Scholes moved, Mr M V Snelling seconded that Mr D S Daley be appointed Vice-Chairman.

**13. Membership**

Mr Scholes welcomed Mr Jarvis as a new Member of the Committee.

**14. Minutes - 6 March 2009**

*(Item A4)*

RESOLVED that the Minutes of the meeting held on 6 March 2009 are correctly recorded and that they be signed by the Chairman.

**15. Superannuation Fund Reports and Accounts Audit 2008-09**

*(Item D1- Report by the Director of Finance)*

*(Mr D Wells, Mr G Brown and Mr J Jacobs and of the Audit Commission were in attendance for this item)*

(1) In addition to the draft annual report submitted by the Director of Finance Mr D Wells provided the Committee with a report summarising the findings from the 2008/09 Superannuation Fund Audit.

(2) Mr Scholes confirmed that he was comfortable with the report and formally recorded his thanks to the staff responsible for the work involved.

(3) RESOLVED that the reports be noted and agreed.

**16. Cash and Treasury management position of the Fund**

*(Item D2 - Report by the Director of Finance)*

RESOLVED that the report be noted.

**17. Pensions Administration**

*(Item D3 - Report by the Director of Finance)*

RESOLVED unanimously that:-

- (a) the contents of the report be noted and that the recommendation regarding the endorsement of the additional internal IS costs in respect of the AXISE Employer development at a maximum of £30k be agreed; and
- (b) the recommendation regarding the endorsement of the contract with FTB at an annual cost of £7,600 be agreed.

**18. Fund Position Statement**

*(Item D4 –Report by the Director of Finance)*

RESOLVED that the report be noted.

**19. Investment Advice**

*(Item D5 -Report by the Director of Finance)*

RESOLVED that the report be noted.

**20. Application for Admission to the Fund**

*(Item D6 - Report by the Director of Finance)*

RESOLVED that:-

- (a) admission to the Fund of Kent Community Housing Trust and the Orchard Theatre as HQ Theatres be approved; and
- (b) that the change of agreement on Thanet Community Housing Association/Orbit be noted.

**21. Minutes - 6 March 2009**

*(Item C1)*

RESOLVED that the Minutes of the meeting held on 6 March 2009 are correctly recorded and that they be signed by the Chairman.

**22. Invesco**

*(Item C2)*

*(Mr W Deer and Mr H Ferrand were in attendance for this item)*

RESOLVED that the report be noted

**23. DTZ**

*(Item C3)*

*(Mr M Callow, Mr P O’Gorman and Mr C Sim were in attendance for this item)*

RESOLVED that the report be noted.

**24. Actuarial Services Tender**

*(Item C6 -Report by Director of Finance)*

RESOLVED that the report be noted.

**25. Fund Structure**

*(Item C4- Report by the Director of Finance)*

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

**26. Review of Fixed Income Mandates**

*(Item C5 -Report by the Director of Finance)*

The Committee agreed a number of issues relating to the review of the Fund’s existing Fixed Income mandates.

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

Agenda Item C1

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

Agenda Item C3

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Agenda Item C4

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of the Local Government Act 1972.

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

Agenda Item C5

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By: Chairman Superannuation Fund Committee  
 Director of Finance

To: Superannuation Fund Committee – 18 September 2009

Subject: **TREASURY STRATEGY**

Classification: Unrestricted

Summary: To make proposals for the Fund's treasury strategy.

**FOR DECISION**

**INTRODUCTION**

1. The Fund's cash balances have historically been managed by KCC and invested in accordance with the KCC's Treasury Strategy. This paper proposes options for how the Cash should be managed moving forwards.

**BACKGROUND**

2. Prior to September 2007 the Fund held only transactional Cash, basically excess of income over expenditure from scheme employers and other income such as rents. The average balance 2002-03 to August 2007 was:

	£m
2002-03	21.1
2003-04	13.0
2004-05	11.4
2005-06	10.0
2006-07	11.8
2007 (to August)	19.9

Cash was passed out to the investment managers on a quarterly basis.

3. In September 2007 the Committee decided to hold Cash as a deliberate investment decision – this was supplemented by the £55m proceeds from the withdrawal from the Goldman Sachs Global Tactical Asset Allocation Fund.
4. At the beginning of October 2008 the Fund had a cash holding of £160m and £16m was in Icelandic banks. We have now received around £1m back in the first Heritable dividend payment. Anticipated recoveries are around £13m. At 31 July Cash held was £131.5m – despite £70m being put back into equities earlier in the year. The issue of the amount of Cash held is addressed in item .
5. The Fund Cash has been held co-mingled with KCC Cash up to now. Since October 2008 KCC has put all new and maturing monies in the Government Debt

Management Office. Since September 2007 the Fund has received a pro rata share of actual interest earned as opposed to the LIBID rate previously received.

## **CASH MANAGEMENT OPTIONS**

6. The rationale for Fund Cash being co-mingled with KCC Cash in that as can be seen in paragraph 2 it was relatively small and a separate Fund Treasury Strategy was not required. The Committee now has the choice of whether to continue to co-mingle with KCC (but receive actual interest) or set up its own cash management arrangements.

### **7. Manage with KCC Cash**

(1) The Chairman is a member of the newly established Treasury Advisory Group which will advise KCC's Director of Finance and Cabinet Member for Finance on treasury issues. At a meeting on 3 September TAG received a report proposing the following:

- The use of cash deposits, call accounts and fixed deposits, with selected financial institutions and the DMO.
- The criteria for selecting financial institutions were:
  - Access to the UK Government Credit Guarantee Scheme
  - Credit rating / other information
  - Reputational issues – in the event of failure how could their use be justified.
  - Managed exposure to other parts of the same banking group.
- The available institutions were then Abbey National, HSBC, HBOS / Lloyds TSB, Royal Bank of Scotland and Barclays.
- The 5 institutions would have a maximum limit each of £40m. Other deposits would only be placed with the DMO.
- Deposits could not be made for longer than 6 months.

This proposal will now go forward to Cabinet which will agree any significant changes to it.

Internal control processes and governance arrangements have been strengthened. These proposals have been worked up with support from a different firm of treasury advisors, Arlingclose, and KCC is out to tender for treasury advisers.

- (2) The Fund therefore has the options of its funds being managed on a co-mingled basis against the parameters set out above. In-addition to the Chairman's involvement through TAG a quarterly report would be made to Committee.

8. **Segregated Cash Portfolio**

- (1) A totally segregated portfolio could be set up with separate bank accounts. The Committee would have to take decisions on:
- Asset classes
  - Criteria for selecting counterparties.
  - Counterparty limits
  - Duration of deposits
- (2) Given that the Cash is only being held short term External Managers are not a practical option for managing the Cash.

**RECOMMENDATION**

9. Members are asked to decide whether they want Cash managed with KCC funds or a segregated cash portfolio.

**Nick Vickers**  
**Head of Financial Services**  
**Extension 4603**

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By: Chairman Superannuation Fund Committee  
Director of Finance

To: Superannuation Fund Committee – 18 September 2009

Subject: **LGPS CONSULTATIONS**

Classification: Unrestricted

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Summary: To propose responses to DCLG consultation papers on the LGPS.

## **FOR INFORMATION**

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### **LOCAL GOVERNMENT PENSION SCHEME DELIVERING AFFORDABILITY VIABILITY AND FAIRNESS**

1. The DCLG consultation document is attached in Appendix 1. This is a crucial document as it sets out practical options for administering authorities to manage the outcomes of the 2010 actuarial valuation. It is motivated by negative investment returns of Funds since 2007 which mean that fund deficits will have substantially increased.
2. The draft response in Appendix 2 welcomes this consultation and of the two options proposed prefers the Financing Plan proposal – this is also the view of Hymans Robertson.

### **LOCAL GOVERNMENT PENSION SCHEME**

3. The consultation paper in Appendix 3 goes back to a long run DCLG theme of representation on pension / investment panels / committees. Some highly successful Funds still have limited representation or use much smaller panels for key decisions. This issue has been extensively debated in the past and the outcome for Kent is a relatively large committee with a wide spread of representation – there is no desire or intention to re-visit this issue.
4. The one request made in the draft response in Appendix 4 is that the Medway Council representative be given full voting rights. We have always been advised that we cannot do this under existing legislation and it seems wholly inappropriate to Medway's status as the second largest employer in the Fund.

## **RECOMMENDATION**

5. Members are asked to agree the response.

**Nick Vickers**  
**Head of Financial Services**  
**Extension 4603**

## **DRAFT**

Mr T Crossley  
Deputy Director  
Workforce, Pay and Pensions  
Local Government Finance Directorate  
Zone 5 / F5 Eland House  
Bressenden Place  
London  
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**Corporate Finance**  
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Direct Dial: (01622) 694603  
Ask for: Nick Vickers  
e-mail address: [Nick.vickers@kent.gov.uk](mailto:Nick.vickers@kent.gov.uk)  
Date: 10 August 2009

Dear Terry

### **LGPS Delivering, Affordability, Viability and Fairness**

Thank you for your letter of 25 June. This is the response of Kent County Council as the administering authority for the Kent Pension Fund. Before going on to make detailed comments we would like to say that we welcome the document as it recognises and proposes ways of managing the catastrophic position local authorities face for the 2010 valuation.

Although there has been some recovery in equity markets in May Hymans Robertson were estimating a funding level of 53% for the Fund, down 20%, which implies an increase in employer contribution rate of 8%. There will be factors which effect small employers which could increase this even further. So we definitely need regulatory help in the short term.

### **Financing Plan**

We find this the more attractive of the 2 options proposed. The Fund has liabilities which look out as much as 80 years ahead and we should take a long term view of the liabilities with assurance in the short to medium term from our strong cashflows. We are currently out to tender for actuarial services and the cashflow issue is one which we have repeatedly come back to in discussion with the actuaries who have responded to the tender.

So we fully support the proposed approach in paragraph 31.

We believe that the concerns expressed in paragraph 33 can be specifically addressed through the implementation of a new scheme before the 2013 valuation. We will return to this below.

The approach taken has to be seen as a way of managing negative investment returns prior to a fundamental reappraisal of the scheme.

## **Local Funding Targets**

For reasons you will be well aware of we strongly oppose any move away from administering authorities having to move away from a 100% funding target. The main reasons for this are:

- The dreadful long term consequences of the change to 75% funding in 1989.
- The reputational impact on the funding basis of the LGPS. As you have personally repeatedly pointed out the LGPS is in the strongest funding position of any of the public sector schemes and this seems to attract particular opprobrium to the LGPS.

## **Revised Employee Contribution Tariff**

We have argued for many years that a significant increase in employer contribution rates is required. We therefore support the proposed changes to increase employee rates but do not agree with any reductions.

We would like to come back to earlier comments about the fundamental changes which we believe have to be made to the scheme. Far too much of the increasing cost burden falls upon the employer and this is made worse when investment returns are poor. We know the Council Tax payer cannot stump up more and a mindlessly optimistic long term view of investment returns does not help either.

This only leaves the option of more effectively managing the liabilities and that means looking very seriously at scheme benefits. A more basic scheme, probably on a CARE basis, is we feel inevitable. We would also allow for individuals to have the option of paying more for a higher level of benefit. We eagerly await the consultation document we understand is coming on the future of the scheme.

Yours sincerely

**James Scholes**  
**Chairman**  
**Superannuation Fund Committee**

**Lynda McMullan**  
**Director of Finance**

Mr T Crossley  
Deputy Director  
Workforce, Pay and Pensions  
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Direct Dial: (01622) 694603  
Ask for: Nick Vickers  
e-mail address: [Nick.vickers@kent.gov.uk](mailto:Nick.vickers@kent.gov.uk)  
Date: 10 August 2009

Dear Terry

### **Local Government Pension Scheme**

Thank you for your letter of 13 May. This is the response of Kent County Council as administering authority for the Kent Pension Fund.

We believe that there is already a well established statutory framework for the way the administering authority operates and you set this out in paragraph 7. As a principle we would ask that you do not look to be overly prescriptive.

The 89 funds are very different ranging from the way very large stand alone pension authorities, through the County Council funds including Kent with over 200 employers in the scheme to London boroughs with only a handful of employers. What good governance is will vary from fund to fund.

The main concern which we have relates to Section 13 of the Local Government and Housing Act 1989 which allows for representatives of district councils to have voting rights. We support this and have 3 district council representatives. Unfortunately we are not able to give the unitary Medway Council representative voting rights. Medway Council has around 10% of the total membership of the scheme and it seems ridiculous that the Medway Council representative cannot have voting rights. We would like to see this changed at the earliest opportunity.

We fully support the principle of equal access to training for all members of the committee – including for us the pensioner, trade union and staff representatives. We find it difficult to see how you can legislate for something which should be a matter of basic common sense.

Consultations such as this are helpful as they raise the profile of the governance issues and makes committees or panels look at their practices. We suggest an approach based on regular surveys and sharing best practice.

Yours sincerely

**James Scholes**  
**Chairman**  
**Superannuation Fund Committee**

**Lynda McMullan**  
**Director of Finance**

By: Chairman Superannuation Fund Committee  
Director of Finance

To: Superannuation Fund Committee – 18 September 2009

Subject: **FUND POSITION STATEMENT**

Clarification: Unrestricted

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

FOR INFORMATION

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### **INTRODUCTION**

1. Attached is the Fund Position Statement report.

### **RECOMMENDATION**

2. Members are asked to note this report.

**Paul Leeves**  
**Senior Accountant (Investments)**  
**Ext: 4642**

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# FUND POSITION STATEMENT

Classification: Unrestricted  
Item: D1 refers

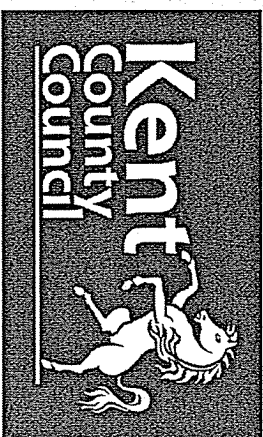
## Summary of Fund Asset Allocation and Performance

### Superannuation Fund Committee

18th September 2009

By: Chairman Superannuation Fund Committee

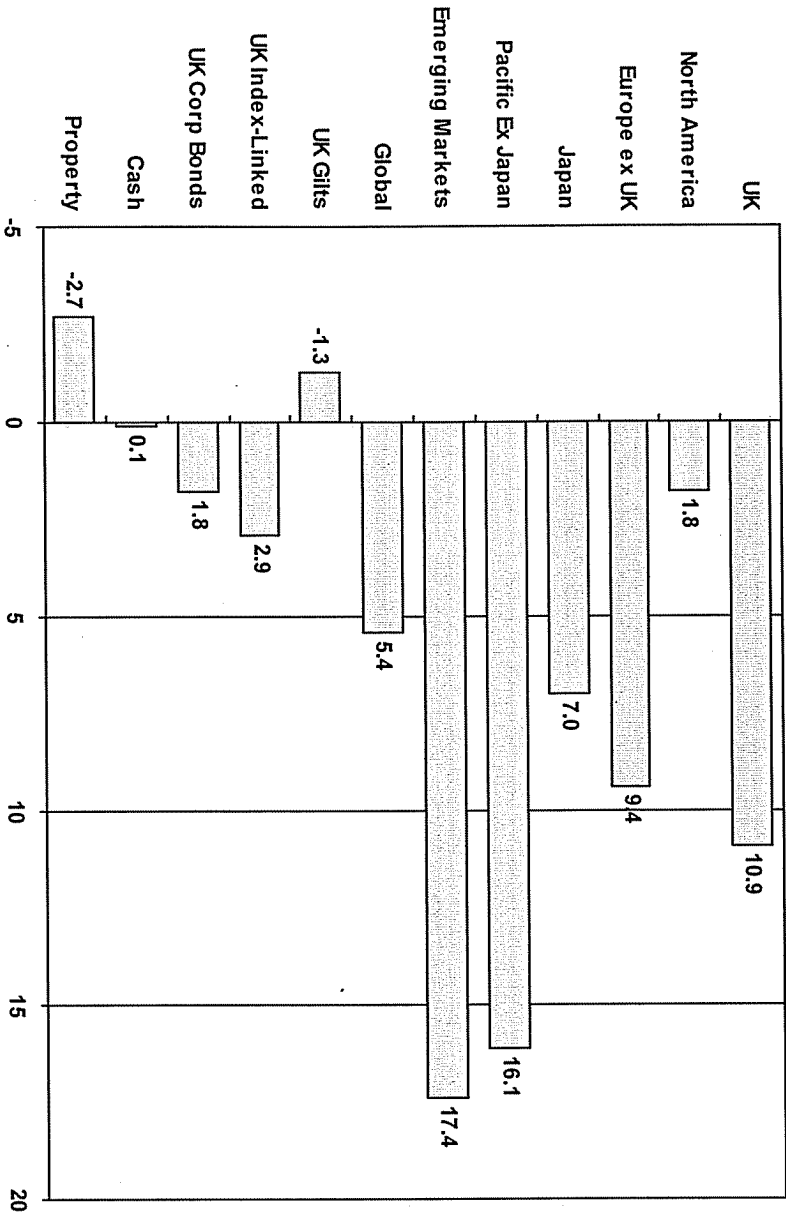
Director of Finance



Kent County Council  
Superannuation Fund 2009

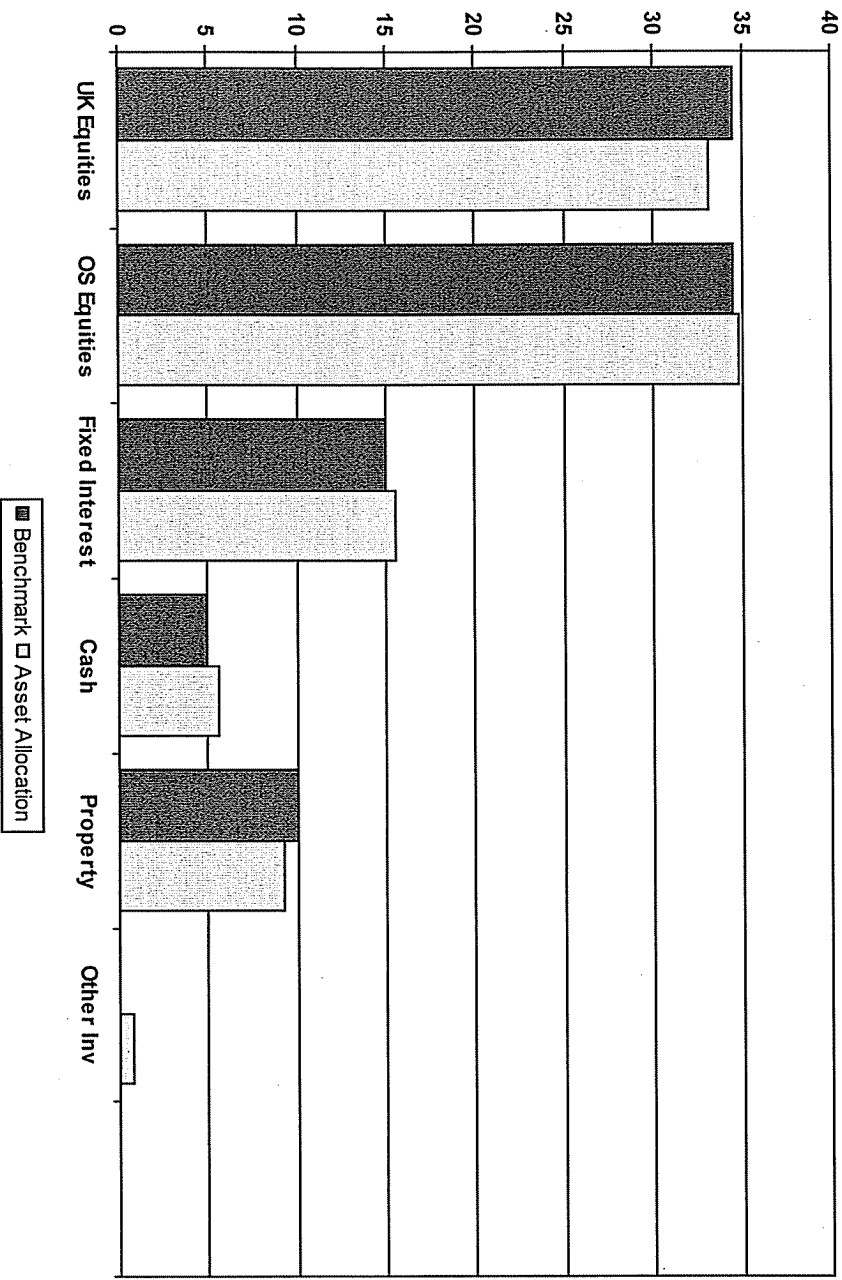
Nick Vickers—Head of Financial Services

# Market Returns-3 months to 30 June 2009



- The first quarter of 2009 showed strong results across most markets.
- UK equities performed rather well with a return of 10.9%. Likewise North America also performed well but the gains were much reduced due to the strengthening of Sterling.
- Emerging markets demonstrated the best performance throughout the quarter with a return of 17.4%.
- Property values continued to decline throughout the quarter with a fall to -2.7%.

# Kent Fund Asset Allocation vs Fund Benchmark



Classification: Unrestricted  
Item: D1 refers

Asset Class	Kent Fund £m	%	Benchmark %
UK Equities	745	34.3	34.5
Overseas Equities	719	33.1	34.5
Fixed Interest	385	17.7	15
UK Property	150	6.9	10
European Property	19	0.9	1
Cash	144	6.7	5
Other Inv	10	0.5	-
<b>Total Value</b>	<b>2,175</b>	<b>100.0</b>	<b>100</b>

# Asset Distribution Fund Manager

Classification: Unrestricted  
Item: DI refers

Values (GBP)'000	Mandate	Value at			Capital			Value at		
		31/03/09	Transactions	Gain / loss	Income	30/06/09	Fund %	Benchmark		
Schroders	UK Equity	306,200	4,204	29,943	4,181	340,348	16	Customised		
Invesco	UK Equity	236,756		18,634		255,390	12	Customised		
Societe Generale	UK Equity	29	-29				0	Customised		
State Street	UK Equity	112,573	180	12,434		125,187	6	FTSE 100 All Share		
Alliance Bernstein	Global Equity	176,971	1,995	6,497	1,986	185,462	9	MSCI World		
Ballie Gifford	Global Equity	325,281	3,922	21,567	3,697	350,770	16	Customised		
GMO	Global Quantitative	129,506		3,955		133,461	6	MSCI World		
Schroders	Global Quantitative	84,811		12,129		96,940	4	MSCI World		
Goldman Sachs	Fixed Interest	186,855	3,291	8,134	2,597	198,290	9	ML £ Broad Market		
Schroders	Fixed Interest	159,893		3,710		163,603	8	ML £ Broad Market		
DTZ	Property UK	158,255	39	-5,611	2,794	152,683	7	IPD All Properties Index		
DTZ	Property Europe	23,485	87	-3,844		19,729	1	IPD All Properties Index		
Internally Managed	Cash	136,386	17,939	-467		153,858	7	LIBID 7 Day Rate		
Total Fund		2,037,000	31,629	107,082	15,255	2,175,711	100	Kent Combined Fund		

# Performance Returns to 30 June 2009

Classification:  
Unrestricted  
Item: DI refers

	Quarter		1 year		3 years	
	Fund %	Benchmark %	Fund %	Benchmark %	Fund %	Benchmark %
<b>Total Fund</b>	6.0	6.0	-13.3	-13.6	-4.4	-3.6
<b>UK Equity</b>						
Schroders UK	11.1	10.7	-16.8	-20.0	-3.8	-6.2
State Street	11.0	10.9				
Invesco	7.9	10.9	-12.1	-20.5	-	-
<b>Overseas Equity</b>						
Alliance Bernstein	4.8	5.4	-26.9	-14.2	-	-
Baillie Gifford	7.7	8.1	-14.1	-13.5	-0.8	-1.7
GMO	3.1	5.4	-15.3	-14.2	-4.5	-3.8
Schroders GAV	14.3	5.4	-8.7	-14.2	-	-
<b>Fixed Interest</b>						
Goldmans Fixed Interest	5.7	1.8	4.0	7.0	1.9	3.1
Schroders Fixed Interest	2.3	1.8	12.3	7.0	-	-
<b>Property</b>						
UK Property	-1.8	-2.7	-25.7	-25.6	-7.4	-10.7
European Property	-16.3	-7.1	-17.5	-25.5	-	-

Data Source: The WML Company

- returns subject to rounding differences

- The fund increased in value by over £120m during the quarter. The Fund matched the benchmark for the quarter posting positive returns of 6.0% placing us 58th within the WMLA universe.
- The 1 year performance is -13.3% against the benchmark of -13.6%, placing us 47th within the WMLA universe.
- Our 3 year performance is -4.4% against a benchmark return of -3.6%. This places us 78th within the WMLA universe.
- Schroders performed very well over the quarter with all three mandates outperforming their respective benchmark.
- Invesco's defensive portfolio again underperformed benchmark in the quarter due to a lack of exposure to the rallying sectors of the FTSE All-Share Index.

# Fund Structure

## UK Equities

Schroders  
+1.5%  
£340m

State Street  
+0.0%  
£125m

Invesco  
Unconstrained  
£255m

## Global Equities

Baillie Gifford  
+1.5%  
£350m

Alliance  
Bernstein  
+3.0%  
£185m

GMO  
+3.0%  
£133m

## Fixed Interest

Goldman Sachs  
+0.75%  
£201m

Schroders  
+1.0%  
£163m

## Alternative

DTZ  
UK Property  
£150m

DTZ  
Europe Property  
Eur 35m (£30m)

Kent Cash  
£145m

Henderson  
Secondary PFI  
£7m

YFM Private  
Equity £1m

Market Value £2.2bn  
as at 30 June 2009.

By: Chairman Superannuation Fund Committee  
Director of Finance

To: Superannuation Fund Committee – 18 September 2009

Subject: **APPLICATION FOR ADMISSION TO THE FUND**

Classification: Unrestricted

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Summary: To report on applications to join the Pension Fund and changes to current admissions.

## **FOR DECISION**

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### **INTRODUCTION**

1. This reports sets out information on applications from organisations to become admitted bodies within the Pension Fund and seeks committee approval on changes to existing admission agreements.

### **MYTIME ACTIVE**

2. Maidstone Borough Council outsourced the management of Cobtree Golf Course to MyTime Active in January 2009. Three employees are involved in the TUPE transfer from Maidstone Borough Council to MyTime Active. These employees are currently on secondment from Maidstone Borough Council to MyTime Active.
3. Mytime Active is a company limited by guarantee and a charitable leisure trust that re-invests any surplus to enhance sports, arts and play facilities.
4. The application has been made under Regulation 6(2)(a)(i) of the Local Government Pension Scheme (Administration) Regulations 2008, as amended. Under this Regulation, there is a requirement for a form of bond or indemnity to be provided. The bond/indemnity is actuarially assessed to cover the costs of early retirement in the event of redundancy. The weighted average age of the transferring employees is 36.8 years and therefore no one is eligible for early retirement. The actuary has assessed the level of the bond/indemnity to be nil for the first year of the contract. In the event of the termination of the admission agreement allowing MyTime Active to participate in the Pension Fund, any financial liability not covered by the Bond, is the responsibility of the scheme employer ie. Maidstone Borough Council.

5. 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.

#### **TWINKLE TOES NURSERY LIMITED**

6. The Abbey School, Faversham is outsourcing its day nursery from 1 September 2009. The successful bidder awarded the contract to take on the management and day to day running of the nursery is Twinkle Toes Nursery. Nine employees are involved in the TUPE transfer from The Abbey School to Twinkle Toes Nursery.
7. Twinkle Toes Nursery is a limited company formed to take over the management and day to day running of the Abbey School Day Nursery.
8. The application has been made under Regulation 6(2)(a)(i) of the Local Government Pension Scheme (Administration) Regulations 2008, as amended. Under this Regulation, there is a requirement for a form of bond or indemnity to be provided. The bond/indemnity is actuarially assessed to cover the costs of early retirement in the event of redundancy. The actuary is currently assessing the level of the bond/indemnity.
9. 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.

#### **THE AVENUES TRUST COMMUNITY SUPPORT SERVICES LIMITED**

10. The Avenues Trust Community Support Services Limited is the successful bidder for a contract outsourced by Medway Council to provide homecare services. Twenty three employees are involved in the TUPE transfer from Medway Council to The Avenues Trust Community Support Services Limited.
12. The application has been made under Regulation 6(2)(a)(i) of the Local Government Pension Scheme (Administration) Regulations 2008, as amended. Under this Regulation, there is a requirement for a form of bond or indemnity to be provided. The bond/indemnity is actuarially assessed to cover the costs of early retirement in the event of redundancy. The actuary is currently assessing the level of the bond/indemnity. In the event of the termination of the admission agreement allowing MyTime Active to participate in the Pension Fund, any financial liability not covered by the Bond, is the responsibility of the scheme employer ie. Medway Council.
13. 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.

### **THANET COMMUNITY HOUSING ASSOCIATION/ORBIT**

14. A report was made to the 3 July Committee meeting on the name change of Thanet Community Housing Association to Orbit South Housing Association and advising that a new admission agreement would be drafted to reflect this change and up date the agreement to reflect current legislation. The recommendation in the report was for members to note the change of agreement. However, committee approval is required for KCC to enter into the amended agreement and use the KCC seal.

### **SWALE HOUSING ASSOCIATION**

15. It is proposed that Swale Housing Association will be subject to a statutory amalgamation to merge a number of Industrial and Provident Societies. Swale Housing will not cease to exist following the amalgamation; it will continue to exist as part of a larger entity. Importantly, Swale Housing will continue to employ its employees.
16. A new admission agreement has been drafted by Legal Services to reflect the change referred to in paragraph 15 and update the agreement to reflect current legislation. The admission agreement restricts membership of the Pension Fund to those employees of Swale Housing who were members and eligible employees who are nominated by Swale Housing to join. There is no entitlement for employees of the other organisations within the statutory amalgamation to join the Pension Fund.

### **MITIE/COMPASS GROUP UK**

17. Hereson School and Ellington School for Girls are being amalgamated and the new school will be located on the Ellington School for Girls site. Both schools have closed at the end of August 2009 and the new school opened in September 2009. The new school will initially be split across the two original sites until the buildings at the new school have been completed. Ellington School for Girls is part of the 6 School PFI contract and the cleaning and catering staff are employed by Mitie or Compass Group UK Limited (both organisations are transferee admission bodies within the Pension Fund in respect of the 6 Schools PFI contract). Hereson School employed their facilities management staff direct. At September 2009, School years 7, 8 and 9 have transferred from the Hereson site to the Ellington site. Years 10 and 11 have remained at the Hereson site. The transfer of years 7 to 9 necessitates a transfer of employees from Hereson to Ellington and legal have advised that TUPE applies.

18. There is no transfer of service or assets by means of a contract under the scenario described above. It is not therefore possible for Mitie or Compass Group UK Limited to apply for admitted body status in this instance. As Mitie and Compass Group UK Limited have Transferee admission body status for the 6 Schools PFI contract, it would be possible for the existing admission agreement to be amended by means of a Deed of Modification to allow access for any employees transferring from Hereson to Ellington and commencing employment with Mitie & Compass Group UK Limited. It would need the agreement of all parties to the original Admission Agreement to allow this to happen.

### **RECOMMENDATION**

19. Members are asked to agree to the admission to the Kent County Council Pension Fund of:

- (1) MyTime Active;
- (2) Twinkletoes Nursery;
- (3) The Avenues Trust; and

agree that legal agreements can be entered into in respect of:

- (4) Thanet Community Housing Association/Orbit;
- (5) Swale Housing Association; and
- (6) further agree that subject to the agreement from all parties to the original admission agreement that a Deed of Modification can be entered into in respect of Mitie and Compass Group UK Limited;
- (7) and in respect of all of the above matters agree that once legal agreements have been prepared for all of the above matters, the Kent County Council seal can be affixed to the legal documents.

**Jane Gibbons**  
**Principal Accountant (Investments)**  
**Ext. 4625**