

From: Chairman – Kent Pension Board
Corporate Director of Finance

To: Kent Pension Board – 12 February 2021

Subject: Fund Employer and Governance Matters

Classification: Unrestricted

Summary:

This report provides an update on Fund employers, a Scheme Advisory Board (SAB) consultation, the McCloud remedy, the £95k Exit Cap and admission matters

Recommendation:

The Board is recommended to note the report

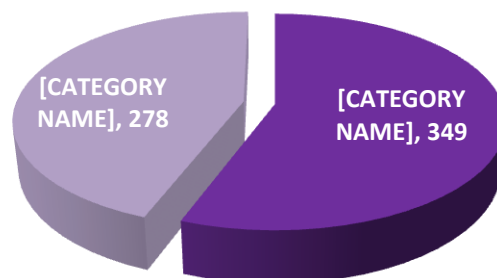
FOR INFORMATION

1 Introduction

- 1.1 This report provides an update on employers for the 9 months April 2020 to December 2020 as well as a Scheme Advisory Board consultation on Employer Flexibilities.
- 1.2 It also provides an update on the McCloud remedy, the £95k Exit Cap and employer admission matters.

2 Fund Employer update

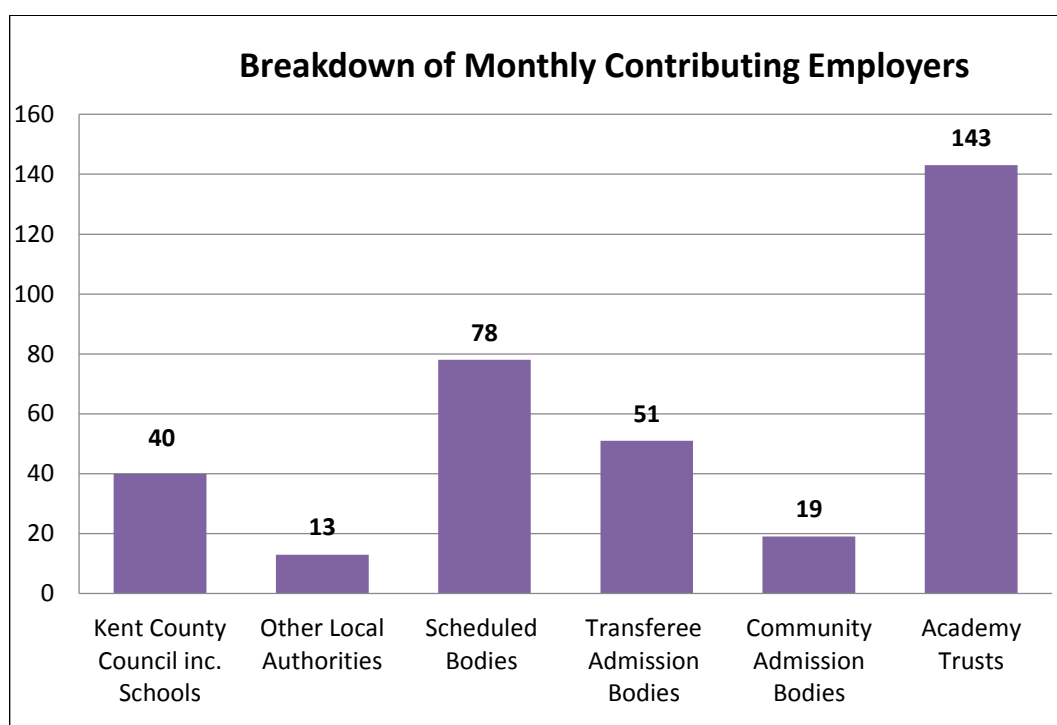
- 2.1 There was a total of 627 employers in the Kent Pension Fund on 31 December 2020, up 4 from 31 March 2020.

Split of Employers between Active and Ceased

- 2.2 The number of active employers regularly paying contributions increased by 6 in the 9 months from the end of March and 10 employers ceased to have active members in the Local Government Pension Scheme (LGPS). The ceased employers no longer have active contributing members in the LGPS and the Fund has an existing or future liability to pay any pensions.
- 2.3 The following table lists employers who joined the Fund as well as those who ceased to have active members in the Fund during the 9 months from 1 April 2020 to 31 December 2020.

New Employers	Effective date
Admission Bodies	
Exclusive Contract Services Limited	1 April 2019 (backdated admission)
Busy Bee Cleaning Services Limited	1 April 2020 (backdated admission)
Wealden Leisure Limited T/A Freedom Leisure Limited	1 September 2020
Scheduled Bodies	
Capel Manor College	1 January 2020 (Backdated Order)
Academy Trusts	
Alternative Learning Trust	1 September 2020
Ceased / Merged to Trust Employers	
Effective date	
Admission Bodies	
Sopra Steria Limited	31 March 2020
Cater Link (re KCC Schools)	30 April 2020
Ashford Leisure Trust	31 August 2020
Cater Link (re Rivermead Trust)	31 October 2020
Scheduled Bodies	
Gen2 Property Limited	02 April 2020
West Kent and Ashford College	31 August 2020
Hadlow College	30 September 2020
East Kent Housing	31 October 2020
Invicta telecare	31 December 2020
Academy Change of Trust	
Barnsole Primary Trust	31 August 2020

2.4 The following chart shows the Employers from whom the Fund receives monthly contributions by Employer Group. Note the KCC figures reflect the council's and schools' relationships with several payroll providers.

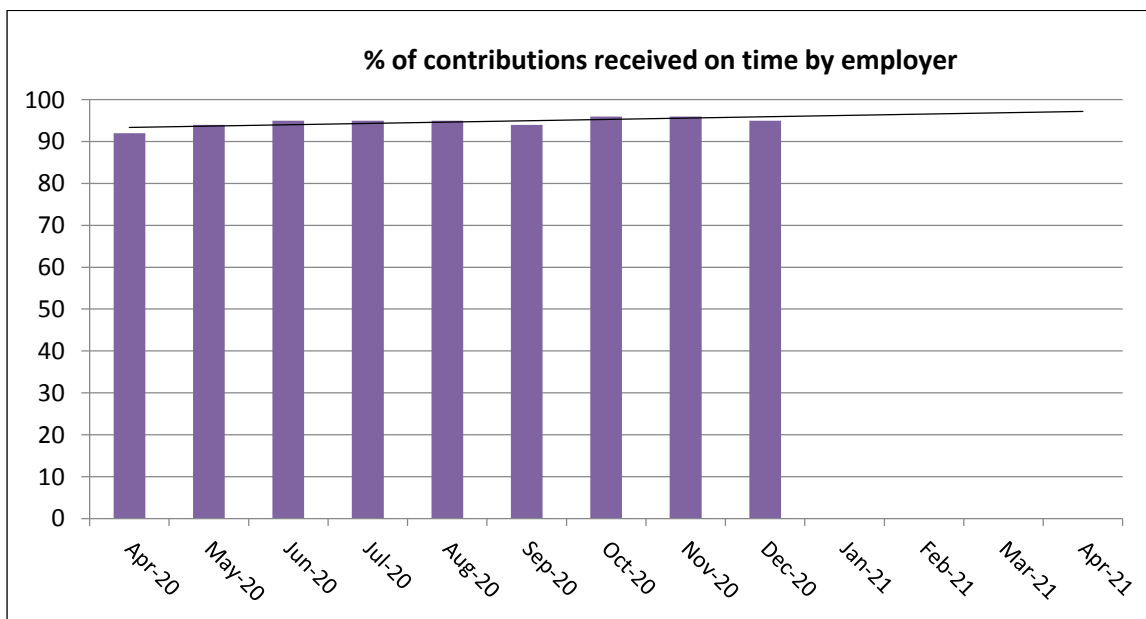
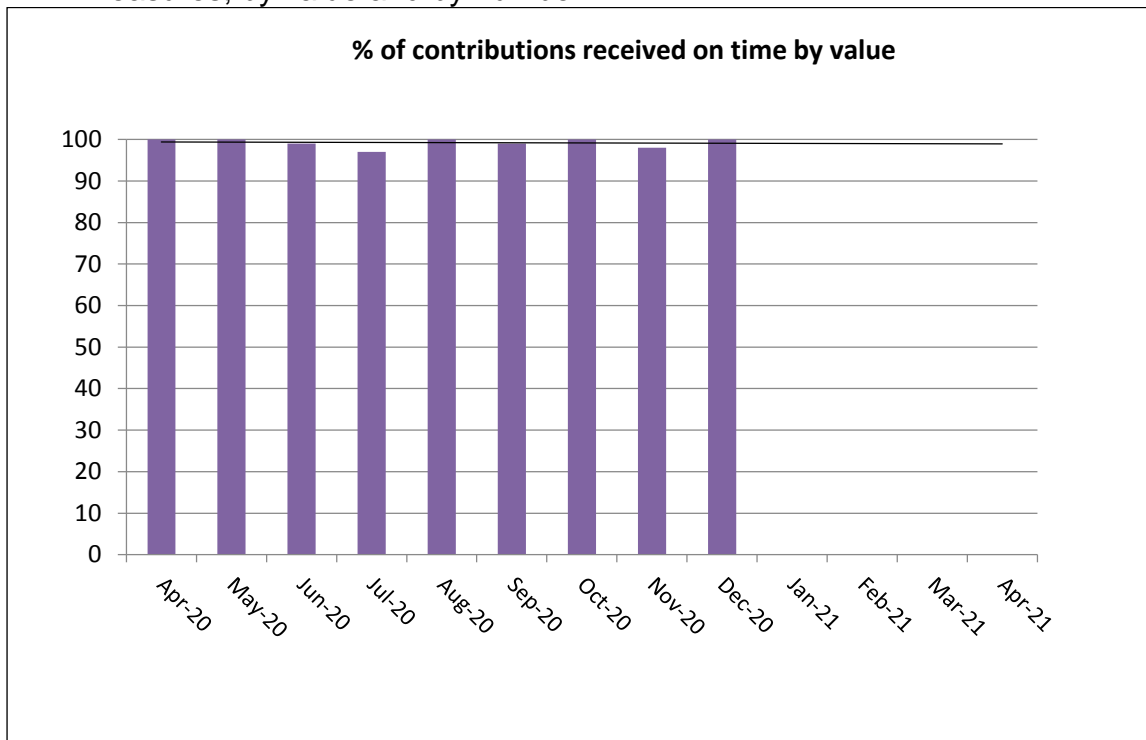


3 Contributions from employers

3.1 In the first 9 months from April to December 2020 the Fund received £188.6m from employers in respect of their monthly contributions (employer and employee) as follows:

	Received Early	Cash on 19th	Received Late	Total
	£	£	£	£
April	14,992,211	6,003,509	94,242	21,089,962
May	12,090,475	8,523,449	65,637	20,679,561
June	10,734,308	10,084,330	154,205	20,972,843
July	11,841,344	8,317,987	658,617	20,817,948
August	11,264,687	9,227,397	81,480	20,573,564
September	12,335,935	8,529,640	254,687	21,120,262
October	13,409,520	7,717,392	20,001	21,146,913
November	12,341,896	8,225,342	463,120	21,030,358
December	12,868,136	8,315,621	15,136	21,198,893
Total	91,178,512	74,944,667	1,807,125	188,630,304

3.2 KCC monitors the receipt of these contributions and the following two charts show the % of employer contributions received on time by two different measures; by value and by number.



3.3 We have a KPI of 95% for % of contributions received on time by value and this was achieved in all 9 months. We also have a new reportable KPI of 95% for % of contributions received on time by employer. This was achieved in most months except for April when there were 28 late employers many of whom had still to adjust their processes to take account of the impact of the pandemic. By contrast in December there were 16 late or non-payers.

3.4 We are aware that some of our employers for example leisure centres, have found the pandemic particularly difficult and this has resulted in 4 of our employers being late or non-payers. Officers are in touch with the employers as well as with the scheme employers and actuary concerning arrangements for payment of the contributions.

4 Deferred employers – employer flexibilities

4.1 At their meeting on 15 October 2020 the Board were advised that the Local Government Pension Scheme (LGPS) Regulations 2013 had been amended from 23 September 2020 to include reference to deferred employers.

4.2 The Scheme Advisory Board (SAB) issued a draft Guide to Employer Flexibilities covering:

- guidance on preparing and maintaining policies on review of employer contributions;
- employer exit payments; and
- deferred debt agreements.

4.3 We are waiting for the issue of the guidance and will then need to update the Fund's Funding Strategy Statement (FSS).

5 McCloud judgement and proposed remedy update

5.1 The consultation on the Government's proposal to amend the LGPS regulations to take into account the McCloud judgement closed in October 2020 and we await the outcome.

5.2 Assuming the resultant legislation is in line with the proposals in the consultation, initial indications show that 15,820 active members of the Kent Fund will fall within the scope of the remedy with almost 40,000 deferred and retired members also impacted.

5.3 Discussions are being undertaken with our pensions administration software provider to provide templates so that missing data can be collected from employers and uploaded directly onto our database. This would be the first stage of the exercise with the remedy calculations following.

6 £95,000 cap on exit payments in the public sector including early retirement payments

6.1 Members were advised at their October meeting of the likely impact on the Pensions Administration team of this change. It was anticipated that it would require more administrative resource and give employers new challenges as they seek to manage their workforce, particularly as the effective date became clear.

6.2 This issue was added to the Pension Fund Risk Register given the potential

impact on the administration team.

- 6.3 The consultation on the changes to the Scheme regulations closed on 18 December 2020.
- 6.4 On 22 December 2020, three requests for Judicial Reviews of the Restriction of Public Sector Exit Payment Regulations 2020 were given permission to proceed. These requests contest the regulations on a number of grounds, including their effect on the LGPS regulations. It is expected that the judicial reviews will be heard towards the end of March 2021 with MHCLG confirming that these hearings will affect the timing of LGPS regulation changes.
- 6.5 This delay therefore leaves the LGPS in the position of having pension scheme rules that appear at odds with the Exit Cap Regulations as the Restriction of Public Sector Exit Payments Regulations 2020 became law on 4 November 2020.
- 6.6 The Scheme Advisory Board (SAB) has taken legal advice on the positions of both LGPS administering authorities and employers after 4 November and issued a commentary on this advice on 30 October. This can be accessed via <https://www.lgpsboard.org/index.php/structure-reform/public-sector-exitpayments>
- 6.7 SAB have also advised administering authorities to seek urgent legal advice relating to their specific circumstances regarding any exits occurring on or after 4 November that exceed the cap. The Kent Fund, along with other members of the ACCESS pool, sought and have received advice from Squires, Patton, Boggs.

7 Employer admission matters

- 7.1 At their meeting on 13 November 2020 the Committee agreed to the admission of PT Commercial t/a Ecoclean (re Coppice Primary partnership Trust) and of Cleantec Services Ltd (re Dartford Grammar School for Girls Academy)
- 7.2 The Committee also agreed that officers may return a surplus, if any, having regard to any relevant considerations and the LGPS (Amendment) Regulations 2020, to Invicta Telecare Ltd who became an exiting employer on 31 December 2020.

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February 2021
