

From:	Chairman Superannuation Fund Committee Corporate Director of Finance
To:	Superannuation Fund Committee – 12 March 2021
Subject:	Fund Employer and Governance Matters
Classification:	Unrestricted

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**Summary:**

This report provides an update on Fund employers, changes to the regulations on employer flexibilities, the McCloud remedy, the exit cap and a new scheduled body. It also advises the Committee of four admission matters for decision.

**Recommendations:**

Members are asked to note the report and to resolve to agree:

- a) to the admission to the Kent County Council Superannuation Fund of Aspens Services Ltd;
- b) to the admission to the Kent County Council Superannuation Fund of Olive Dining Ltd;
- c) to the admission to the Kent County Council Superannuation Fund of Oliver Winter t/a Victory Cleaning;
- d) to the admission to the Kent County Council Superannuation Fund of Pabulum Ltd (re Tenterden Schools Trust);
- e) that the Chairman may sign the minutes relating to recommendations a) to d) at the end of today's meeting; and
- f) that once legal agreements have been prepared for these matters the Kent County Council seal can be affixed to the legal documents.

**FOR DECISION**

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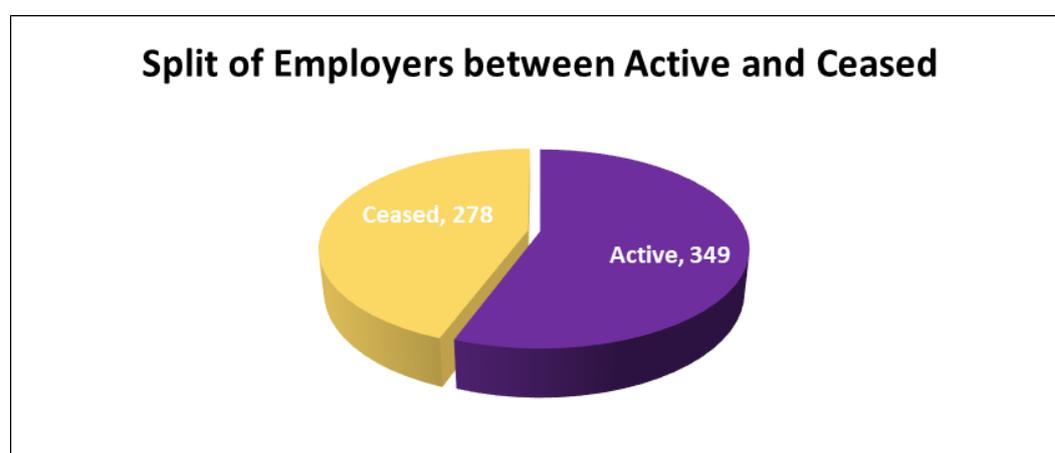
**1. Introduction**

- 1.1 This report sets out information on employer related matters, applications from organisations for admission to the Superannuation Fund and a new scheduled body. The Committee's approval is sought to enter into four admission agreements.

- 1.2 The Committee is advised that the admission minutes are to be signed at the end of today's meeting to facilitate completion on the desired dates.
- 1.3 At its meeting on 12 February the Board noted this report however the Government has since disapplied the £95k cap regulations and the report has been updated to reflect this change as well as other in respect of other regulatory changes.

## 2. 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.

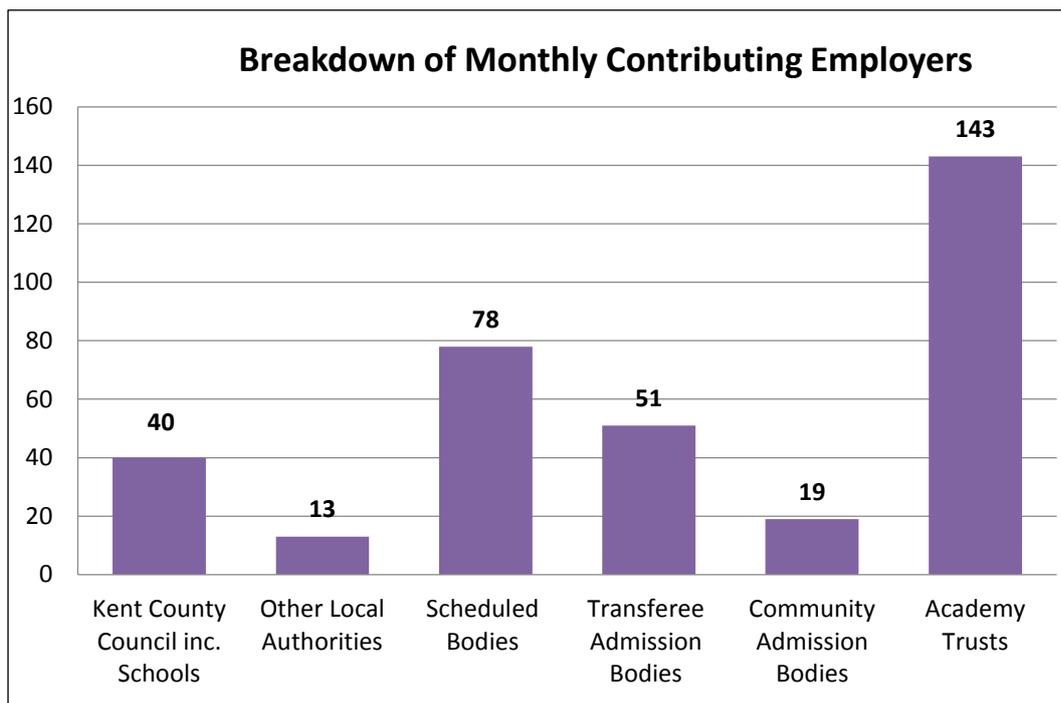


- 2.2 The number of active employers regularly paying contributions increased by 6 in the 9 months from the end of March and 10 employers ceased to have active members in the Local Government Pension Scheme (LGPS). The ceased employers no longer have active contributing members in the LGPS and the Fund 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.

<b>New Employers</b>	<b>Effective date</b>
<b>Admission Bodies</b>	
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
<b>Scheduled Bodies</b>	
Capel Manor College	1 January 2020 (backdated Order)
<b>Academy Trusts</b>	
Alternative Learning Trust	1 September 2020
<b>Ceased / Merged to Trust Employers</b>	
<b>Effective date</b>	
<b>Admission Bodies</b>	
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
<b>Scheduled Bodies</b>	
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
<b>Academy Change of Trust</b>	
Barnsole Primary Trust	31 August 2020

### 3. Contributions from employers

- 3.1 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.

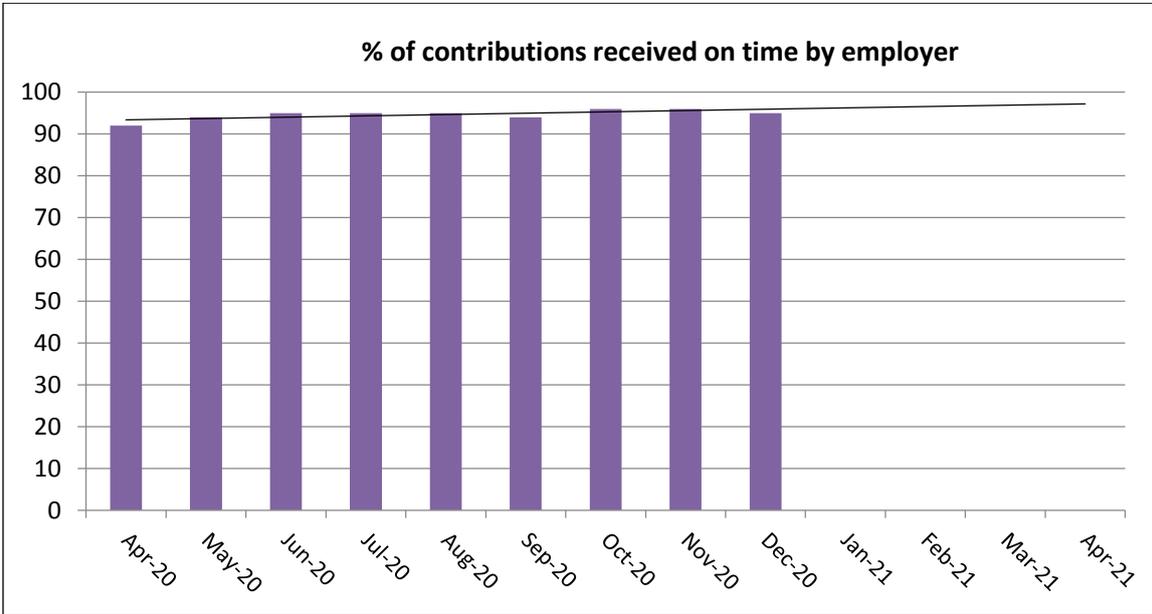


3.2 In the first 9 months from April to December 2020 the Fund received £188.6m from employers in respect of their monthly contributions (employer and employee) as follows:

	<b>Received Early</b>	<b>Cash on 19th</b>	<b>Received Late</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
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
<b>Total</b>	<b>91,178,512</b>	<b>74,944,667</b>	<b>1,807,125</b>	<b>188,630,304</b>



3.3 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.



3.4 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.

- 3.5 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. These issues have also been followed up with the Pensions Regulator.

#### **4. Employer Flexibilities - Deferred employers**

- 4.1 As their meeting on 13 November 2020 the Committee was advised that the LGPS Regulations 2013 have been amended from 23 September 2020 to include reference to deferred employers.

- 4.2 The Scheme Advisory Board (SAB) has 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 MHCLG issued statutory guidance on 2 March 2021 and the Fund's Funding Strategy Statement (FSS) will now be updated accordingly.

#### **5. McCloud judgement and proposed remedy update**

- 5.1 HM Treasury published their response to the consultation on changes to the unfunded public service pension schemes on 4 February.

- 5.2 Changes to the Local Government Pension Scheme (LGPS) were consulted on separately and we expect MHCLG to make a written statement in relation to the consultation on changes to the underpin in the LGPS in England and Wales shortly.

- 5.3 Our software provider has now provided reports in order that the current and previous scheme members impacted by the remedy can be identified and templates can be supplied to employers to provide missing data.

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

- 6.1 Members have been advised at previous meetings of the legislation introduced in November 2020 to restrict exit payments for public sector employees and the problems faced by the pension administration team as the required changes to the scheme regulations had not been made to accommodate these restrictions.

- 6.2 On 12 February we received notice that the Government had decided to disapply parts of the exit cap legislation with immediate effect. This means that the cap would not apply from 12 February 2021 for any retirements with a leaving date from that date and that all retirement payments that had been restricted from November 2020 to February 2021 would need to be revisited and revised if necessary.
- 6.3 As the Committee will appreciate a considerable amount of work had been undertaken by the pension administration team to implement and communicate the exit cap legislation which has now been reversed. However, it is clear that the Government still intends to legislate to tackle unjustified exit payments at pace and details of any new legislation will be reported to future Committee meetings.

## **7. New admission bodies**

- 7.1 The following organisations have applied for admission to the Superannuation Fund to ensure the continuity of pension arrangements for staff.
- 7.2 The admission applications have been made under Schedule 2 Part 3 1(d) (i) of the LGPS Regulations 2013, as amended, and under this regulation the admitted body is required to provide a form of bond or indemnity.
- 7.3 Two of the organisations, Aspens Services and Olive Dining, are applying for admission retrospectively in order to protect the LGPS membership of their employees for the periods of time covered by their commercial contracts despite these contracts having already ended.
- 7.4 The completed questionnaires and supporting documents provided by the applicants have been examined by Officers to ensure compliance with the LGPS Regulations, and Invicta Law have given favourable opinions.

## **8. Aspens Services Ltd**

- 8.1 Robert Napier Fort Pitt Academy awarded a contract for catering services from 1 August 2019 involving the transfer of 3 employees to Aspens Services Ltd. This contract ended in August 2020 and the staff were transferred to a new contractor who will apply to join the Superannuation Fund.
- 8.2 A retrospective agreement covering the year that Aspen should have been in the Fund will need to be put in place. The Fund Actuary has assessed the employer contribution rate as 25.1% for a closed agreement and the bond for the year as £27,000.

## **9. Olive Dining Ltd**

- 9.1 Sir Roger Manwood School Academy awarded a one and a half-year contract for catering services from 1 May 2019 and a retrospective agreement will be

put in place. This involved the transfer of 11 employees from Sir Roger Manwood School Academy to Olive Dining Ltd

9.2 The Fund Actuary has assessed the employer contribution rate as 20.8% for a closed agreement and the bond for the first year as £39,000.

9.3 The contract has now ended and the staff were transferred back to the academy on 31 October 2020.

## **10. Oliver Winter t/a Victory Cleaning**

10.1 Joy Lane Primary School awarded a 12-month rolling contract for cleaning services from 1 February 2020. This involves the transfer of approximately 2 employees to Oliver Winter t/a Victory Cleaning.

10.2 The Fund Actuary has assessed the employer contribution rate as 25.8% for a closed agreement and the bond for the first year as £6,000.

## **11. Pabulum Ltd (re Tenterden Schools Trust)**

11.1 Tenterden Schools Trust has awarded a 4-year 5-month contract with a possible extension for catering services from 1 December 2020. This involves the transfer of some 3 employees from Tenterden Schools Trust to Pabulum Ltd and a retrospective agreement will be put in place.

11.2 The Fund Actuary has assessed the employer contribution rate as 27.9% for a closed agreement and the bond for the first year as £7,000.

## **12. Canterbury Environment Company Limited (CECL)**

12.1 CECL is a company wholly owned by Canterbury City Council and made a resolution to join the Superannuation Fund from 1 February 2021. The resolution is made under Schedule 2 Part 2 (5) of the LGPS 2013 Regulations, as amended, and entitles some of its employees to be eligible for membership of the LGPS under a closed agreement.

12.2 Barnett Waddingham has calculated the employer contribution rate to be 29.5% and a bond is not required.

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**March 2021**

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