

From:	Chairman Superannuation Fund Committee Corporate Director of Finance
To:	Kent Superannuation Fund Committee – 23 June 2021
Subject:	Fund Employer and Governance Matters
Classification:	Unrestricted

Summary:

This report provides information on Fund employers, an update on the McCloud remedy, an update on the Fund Strategy Statement and associated Fund policies, and a proposal for the transfer out of the Oasis Community Learning Trust, including Sodexo Limited. It also advises of a number of admission matters for decision.

Recommendations:

The Committee are asked to note the report and to resolve to agree:

- a) to endorse the proposed Funding Strategy Statement and associated Fund policies
- b) to the admission to the Kent County Council Superannuation Fund of Birkin Cleaning Services Ltd (re Kent Catholic Schools Partnership);
- c) to the admission to the Kent County Council Superannuation Fund of Ecoclean Services Ltd;
- d) to the admission to the Kent County Council Superannuation Fund of Independent Catering Management Ltd (re Fort Pitt Thomas Aveling Academies);
- e) that a Deed of Modification be entered into in respect of Orbit South Housing Association Limited.
- f) that the Chairman may sign the minutes relating to recommendations b) to e) at the end of today's meeting; and
- g) that once legal agreements have been prepared for matters b) to e) the Kent County Council seal can be affixed to the legal documents.

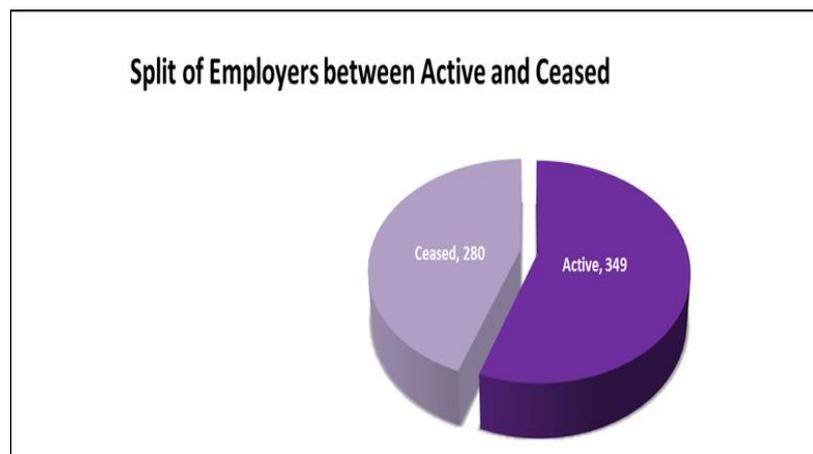
FOR DECISION

1 Introduction

- 1.1 This report sets out information on employer related matters for the year ended 31 March 2021. It also provides an update on the McCloud remedy and the Fund's Funding Strategy Statement (FSS) and associated Fund policies as well as details for the transfer out of the Oasis Community learning Trust and Sodexo Limited.
- 1.2 The report also advises of applications from three organisations for admission to the Superannuation Fund and of one employer name change. The Committee's approval is sought to enter into these 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.

2 Employer update

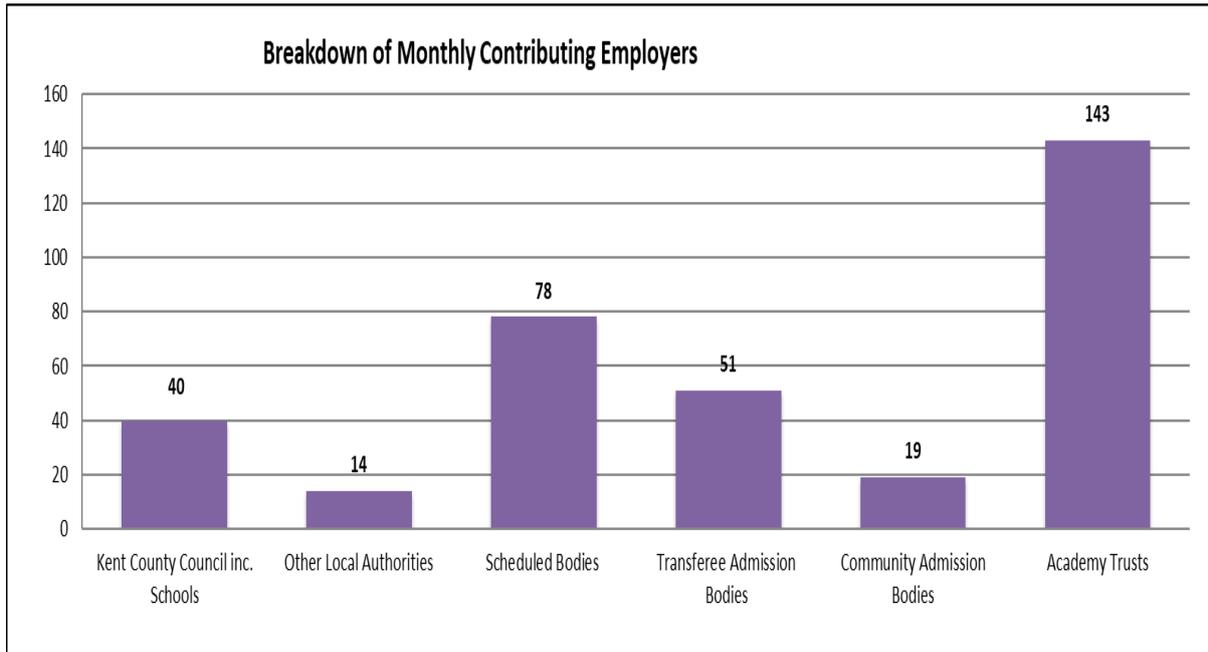
- 2.1 There was a total of 629 employers in the Kent Pension Fund on 31 March 2021, up 6 from 31 March 2020.



- 2.2 The number of active employers regularly paying contributions increased by 8 in the 12 months to the end of March 2021 and 11 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 12 months from 1 April 2020 to 31 March 2021.

New Employers	Effective date
Admission Bodies	
Independent Catering Management Ltd	1 September 2019 (backdated admission)
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
Westgate Community	30 November 2020
Invicta Telecare Ltd	31 December 2020
Hyde Housing Association	30 March 2021
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
Academy Change of Trust	
Barnsole Primary Trust	31 August 2020

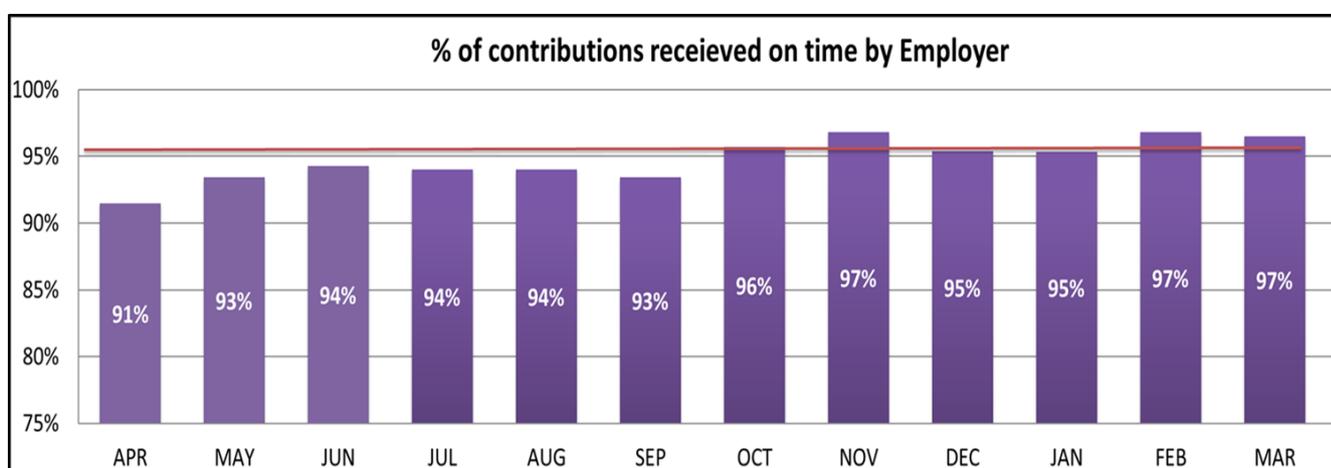
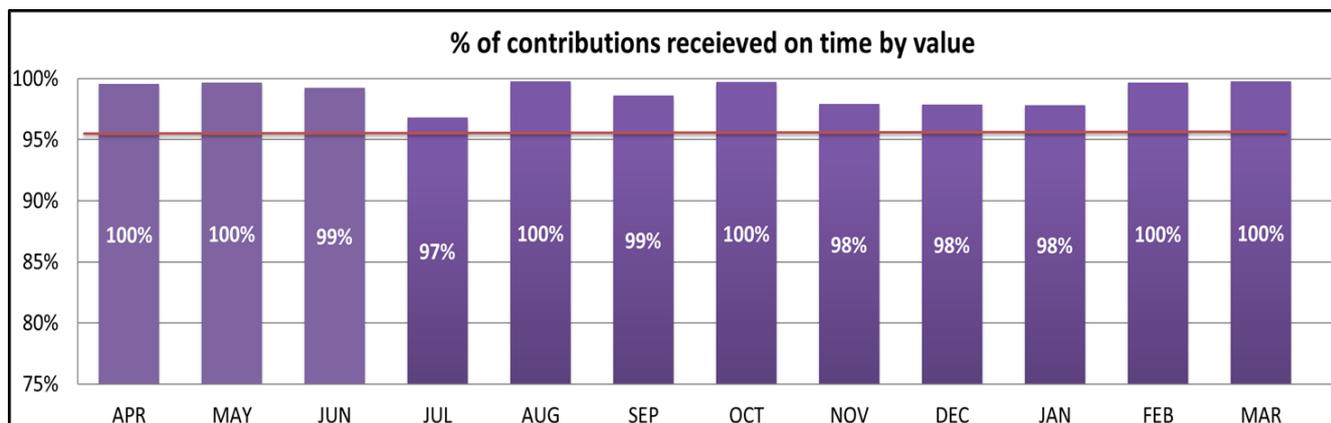
2.4 The following table shows employers from whom the Fund receives monthly contributions by Employer Group. Note the KCC figures reflect the council's and schools' relationships with several payroll providers.



2.5 In the 12 months from April 2020 to March 2021 the Fund received £253.3m from employers in respect of their monthly contributions (employer and employee) as follows:

	Received Early	Cash on 19th	Received Late	Total
	£	£	£	£
April	14,986,557	6,003,509	94,242	21,084,308
May	12,087,600	8,526,323	65,637	20,679,561
June	10,734,744	10,063,671	154,205	20,952,620
July	11,802,883	8,317,987	658,617	20,779,487
August	11,302,505	9,226,961	49,412	20,578,879
September	12,371,715	8,514,763	295,063	21,181,541
October	13,394,404	7,754,965	61,983	21,211,352
November	12,664,606	8,223,104	443,122	21,330,833
December	12,870,865	8,314,374	460,221	21,645,460
January	12,126,898	8,639,274	463,079	21,229,252
February	13,327,126	7,850,069	73,000	21,250,195
March	12,554,225	8,795,011	44,051	21,393,287
Total	150,224,130	100,230,014	2,862,632	253,316,776

2.6 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 of employers.



2.7 We have a KPI of 95% for % of contributions received on time by value and this was achieved throughout 2020-21. We also have a KPI of 95% for % of contributions received on time by employer. This was not achieved in the early part of the year as many had still to adjust their processes to take account of the impact of the pandemic. During the 2nd 6 months of 2020-21 the KPI was achieved in all months.

2.8 We continue to monitor Fund employers and are aware leisure centres for example have found the pandemic particularly difficult and 4 of our employers have been persistently 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.

3 McCloud judgement and proposed remedy update

3.1 The Committee has previously been advised that MHCLG were expected to make a written statement in relation to the consultation on changes to the underpin in the LGPS in England and Wales. The statement was issued on 14 May 2021 and confirms much of what was already expected given the general support for the key elements of the proposal. However, a degree of uncertainty

remains for some elements of the proposal where the Statement is silent and we await a further full response later this year for more details .

3.2 In due course, primary legislation for public service pensions will be taken through Parliament and then regulations will be made to make the changes for the LGPS, with the expectation they will come into force on 1 April 2023 retrospective to 1 April 2014.

3.3 The key points from the Written Ministerial Statement are -

- The age requirement for underpin protection will be removed.
- A member will not need to leave with an immediate entitlement to benefits to qualify for underpin protection.
- The remedy period will end on 31 March 2022.
- The underpin calculation will be based on final pay at the underpin date, even if this is after 31 March 2022.
- There will be two stages to the underpin calculation: the first on the underpin date which is the date of leaving or age 65, if earlier, the second when the benefits are paid.

4 Funding Strategy Statement (FSS) and associated Fund policies.

4.1 At their last meeting members were advised that the Fund's Funding Strategy Statement would be updated to include reference to deferred employers taking account of the Scheme Advisory Board Guide to Employer Flexibilities and the MHCLG statutory guidance issued on 2 March 2021.

4.2 Copies of the updated FSS and associated policies are at appendices 1-3 with a copy of Barnett Waddingham's note on the changes from the previous version at appendix 4. Barnett Waddingham have explained that in addition to updating the FSS in respect of employer flexibilities, it has been changed to take account of

- a) the changes to the inflation basis used for funding future pension increases
- b) the McCloud/Sargeant judgements
- c) the Guaranteed Minimum Pension (GMP) indexation and equalisation
- d) the consolidation of Multi Academy Trusts (MATs)

4.3 The Committee is asked to endorse the revised Funding Strategy Statement and the policy documents covering

- Contribution reviews;
- Deferred debt arrangements; and

- Debt spreading arrangements
subject to consultation with interested parties.

4.4 The updated FSS and associated policies will be published on the Fund's website for a period of 6 weeks and comments will be invited from employers and other interested parties. The FSS will be bought back to Committee in September 2021, should the responses to the consultation make that necessary.

5 Proposed transfer out of Oasis Community Learning Trust Academy (Oasis) and Sodexo Ltd

5.1 Oasis is a scheduled employer in the Kent Pension Fund and in some fifteen other LGPS Funds, and they now wish to consolidate these arrangements into the LGPS Fund administered by the London Pension Fund Authority (LPFA). This is possible via a Direction Order from the Secretary of State for MHCLG under Schedule 3, Part 2, paragraph 3 of the 2013 Regulations, following a consultation with interested parties including the Kent Fund. Responses to the consultation are invited by the 30 June 2021.

5.2 The proposal also includes Sodexo Limited which is an admission body in the Kent Pension Fund following a transfer of staff from Oasis to them on 18 November 2019

5.3 It is anticipated that the LPFA will take on all the LGPS assets and liabilities relating to the Oasis and Sodexo active, deferred, pensioner, dependant pensioners and pension credit members from all sixteen funds.

5.4 Barnett Waddingham have advised that based on the 31 March 2019 actuarial valuation, Oasis and Sodexo leaving the Kent Fund will involve the transfer out of a deficit on their accounts of £0.8m being £8.6m of assets and £9.3m of liabilities which represent approximately 0.15% of the whole Fund.

5.5 In terms of cashflow the Fund will annually lose about £608k of contributions (c 0.2% of the whole Fund) and about £152k of benefits outgoing (c. 0.05% of whole Fund).

5.6 Overall Barnett Waddingham have advised the expected impact on the Kent Pension Fund to be immaterial and based on this advice officers intend to respond positively to the consultation.

6 New admission bodies

6.1 The following organisations have applied for admission to the Superannuation Fund to ensure the continuity of pension arrangements for staff.

6.2 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.

- 6.3 These organisations are applying for admission retrospectively to protect the LGPS membership of their employees from the dates of transfer.
- 6.4 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.

7 Birkin Cleaning Services Ltd (re Kent Catholic Schools Partnership)

- 7.1 Kent Catholic Schools Partnership has awarded a 3-year contract with a possible 2-year extension for cleaning services from 1 February 2020. This involves the transfer of 18 employees to Birkin Cleaning Services Ltd and a retrospective agreement will be put in place.
- 7.2 The Fund Actuary has assessed the employer contribution rate as 26% for a closed agreement and the Bond for the first year as £39,000.

8 Ecocleen Services Ltd

- 8.1 Decus Educational Trust has awarded a 1-year contract with a possible 1-year extension for cleaning services from 5 April 2021. This involves the transfer of 2 employees to Ecocleen Services Ltd and a retrospective agreement will be put in place.
- 8.2 The Fund Actuary has assessed the employer contribution rate as 25.6% for a closed agreement and the Bond as £12,000.

9 Independent Catering Management Ltd (re Robert Napier School / Fort Pitt Thomas Aveling Academies)

- 9.1 Robert Napier Fort Pitt Academies has awarded a 3-year contract with a possible 2-year extension for catering services from 1 August 2020. This involves the transfer of 2 employees to Independent Catering Management Ltd and a retrospective agreement will be put in place.
- 9.2 The Fund Actuary has assessed the employer contribution rate as 26.3% for a closed agreement and the Bond as £9,000.

10 Orbit South Housing Association Limited

- 10.1 Orbit South Housing Association Limited is a community admission body having joined the Fund on 8 February 1995, following a transfer of staff from Thanet District Council.
- 10.2 On 31 March 2021 Orbit South Housing Association Limited changed their name to Orbit Housing Association Limited.
- 10.3 It is proposed we enter into a Deed of Modification to reflect the name change and that the admission agreement in the name of Orbit South Housing Association Limited passes to Orbit Housing Association Limited.

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June 2021
