

From: Chairman Superannuation Fund Committee
Corporate Director of Finance

To: Superannuation Fund Committee – 8 September 2021

Subject: Fund Employer and Governance Matters

Classification: Unrestricted

Summary:

This report provides information on Fund employers, an update on the Funding Strategy Statement (FSS) and advises of 2 government consultations.

It also provides details of a new admission body and a deed of modification.

Recommendations:

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

- a) to the proposed Funding Strategy Statement and associated policies in light of the results of the consultation;
- b) to accept alternative forms of security provided by admission bodies irrespective of the tax raising powers of the letting authority subject to the following:
 - i) a satisfactory assessment of the financial strength of the letting authority
 - ii) that the detail of any pass through agreement and / or guarantee is captured in the associated admission agreement.
- c) to the admission to the Kent County Council Superannuation Fund of Cater Link Ltd (re Education for the 21st Century Academy);
- d) that a Deed of Modification may be entered into with Enterprise (AOL) Ltd;
- e) that the Chairman may sign the minutes relating to recommendations c) and d) at the end of today's meeting; and
- f) that once legal agreements have been prepared for matters c) and d) the Kent County Council seal can be affixed to the legal documents.

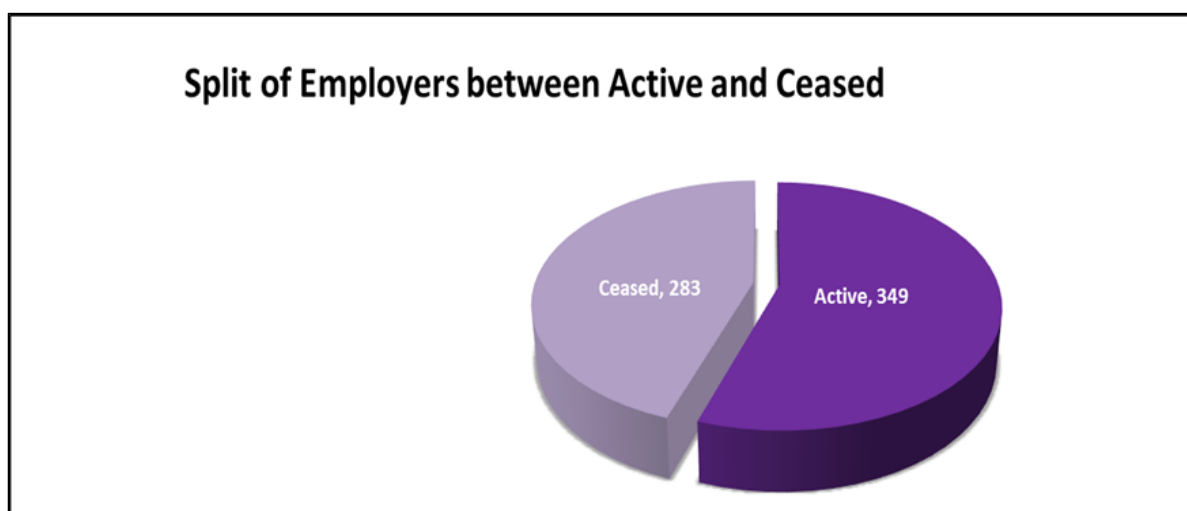
FOR DECISION

1 Introduction

- 1.1 This report sets out information on employer related matters for the 3 months ended 30 June 2021. It also provides an update on the consultation on the Funding Strategy Statement (FSS) and associated Fund policies, details of 2 government consultations, a new admission body and a deed of modification.
- 1.3 The Committee's approval is sought to agree the FSS and associated Fund policies, and to enter into the admission agreement and the deed.
- 1.4 The Committee is advised that the admission minute is to be signed at the end of today's meeting to facilitate completion on the desired date.

2 Employer update

- 2.1 There was a total of 632 employers in the Kent Pension Fund on 30 June 2021, up 3 from 31 March 2021, as the result of 3 employers ceasing their membership of the Fund. 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.

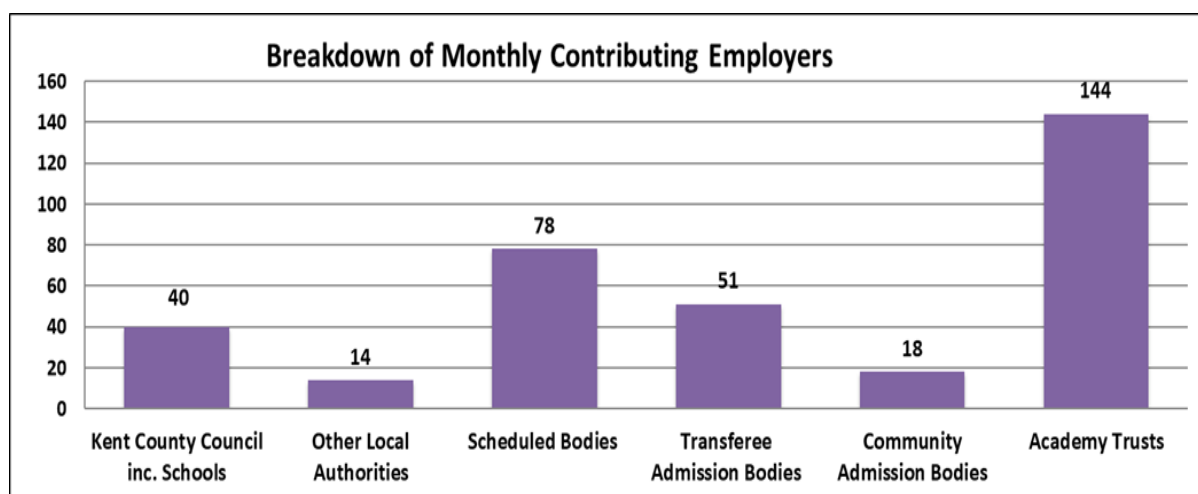


- 2.2 The following table lists employers who joined the Fund as well as those who ceased to have active members in the Fund during the 3 months from 1 April 2021 to 30 June 2021.

New Employers	Effective date
Admission Bodies	
Churchill Contract Services Ltd (re Thinking Schools Academy Trust)	1 September 2019 (backdated admission)
Scheduled Bodies	
Canterbury Environment Company Ltd	1 February 2021 (backdated admission)
Academy Trusts	
Inspire Trust	1 April 2021

Ceased / Merged to Trust Employers	Effective Date
Admission Bodies	
Kent College Canterbury	31 January 2021 (late notification of last active member leaving)
Rochester Care Homes Ltd	31 March 2021
Scheduled Bodies	
Hever Parish Council	31 May 2021

2.3 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.

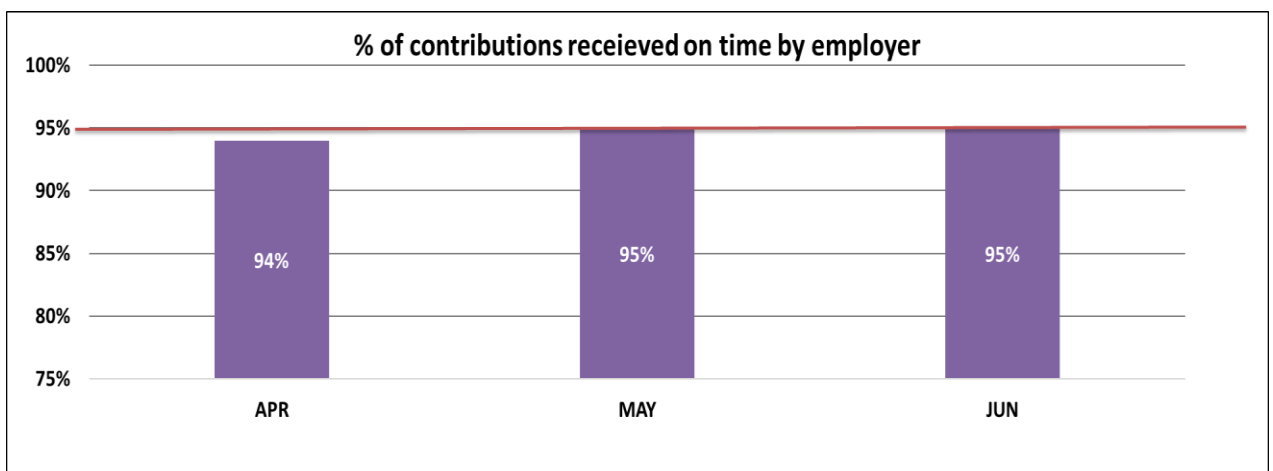
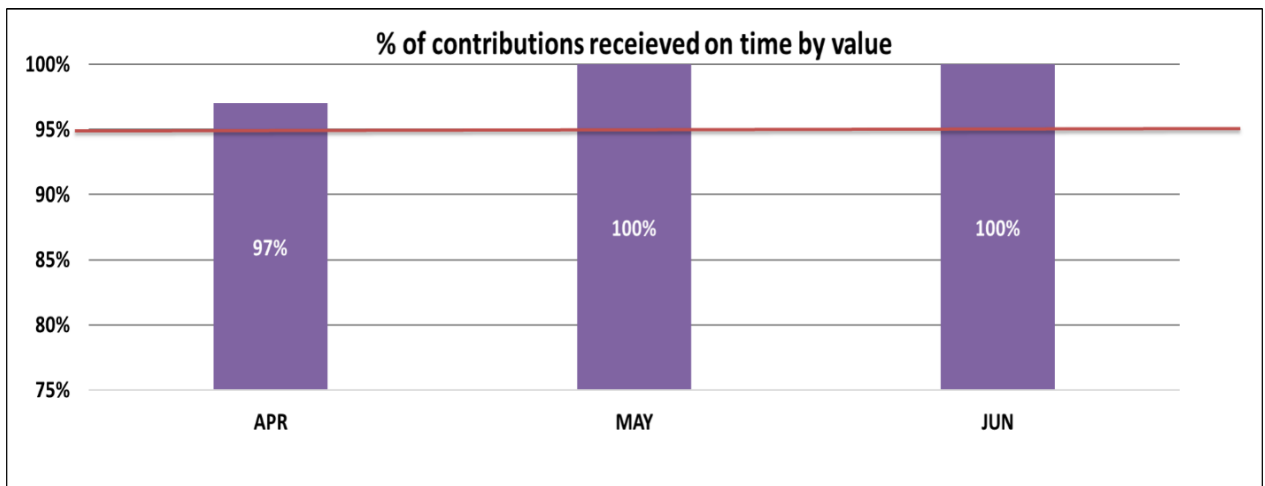


2.4 In the 3 months from April to June 2021 the Fund received £66.7m from employers in respect of their monthly contributions (employer and employee) as follows:

	Received Early	Cash on 19th	Received Late	Total
	£	£	£	£
April	12,840,115	8,765,012	587,525	22,192,651
May	12,279,932	9,762,932	60,322	22,103,186
June	12,716,335	9,642,629	76,950	22,435,554
Total	37,836,382	28,170,573	724,797	66,731,391

2.5 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.



2.6 The KPI of 95% for % of contributions received on time by employer was not achieved in April, due to backdated admissions and some Parish Councils having issues with their banking arrangements.

3. Funding Strategy Statement (FSS) update from consultation

3.1 At their last meeting, the Committee endorsed the revised FSS and the policy documents covering Contribution reviews, Deferred debt arrangements and Debt spreading arrangements, subject to consultation with interested parties. The consultation ran for 6 weeks closing on 13 August.

3.2 Three responses to the consultation were received: from a Fund admission body, from an academy trust and from a contractor in the process of applying for admission to the Fund. The response from the admission body was largely supportive of the Fund's policies.

- 3.3 Both responses from the academy trust and the contractor concern the following statement and that up to now the Fund has always required a new admission body to provide a bond when the letting authority does not have tax raising powers, for example an academy trust.

Security

To mitigate the risk to the Fund that a new admission body will not be able to meet its obligations to the Fund in the future, the new admission body may be required to put in place a bond in accordance with Schedule 2 Part 3 of the Regulations, if required by the letting authority and administering authority.

If, for any reason, it is not desirable for a new admission body to enter into a bond, the new admission body may provide an alternative form of security which is satisfactory to the administering authority.'

3.4 Proposed use of pass through arrangements and/or guarantee from the letting authority as alternative forms of security to a bond

The employers have asked the Fund to agree to new admission bodies being able to participate in the Fund with alternative forms of security ie. a pass-through agreement or guarantee provided by the letting authority when the letting authority is an academy trust, in the same way as if it were a tax raising authority.

- 3.5 The consultation responses refer to bonds becoming increasingly difficult to source in a way that is cost effective and that this arrangement can prove prohibitive to the successful TUPE transfer of staff and the associated protection of their LGPS membership.
- 3.6 In addition to the responses to the consultation, officers have been made aware of increasing support from academy trusts and contractors for a guarantee and/or pass-through arrangement rather than a bond being the only form of acceptable security.
- 3.7 Officers are dealing with an increasing number of TUPE transfers which are a consequence of contracts being let by academy trusts for catering and cleaning services. Some of the contractors joining the Kent Fund also participate in other LGPS Funds where alternative forms of security are permitted.
- 3.8 Barnett Waddingham's advice
- a) They are supportive of the Fund accepting a guarantee from the letting authority, whether it is one with tax raising powers or not, on the basis that the detail of any guarantee is captured in the associated admission agreement.

- b) They are also supportive of a pass-through agreement where the pass-through employer's contribution rate can be set to be the same as that paid by the academy trust (or other letting authority). On cessation of an outsourcing, the LGPS assets and liabilities would simply fall back to the academy (or other letting authority). The details of any pass-through agreement would also be captured in the admission agreement.
 - c) The Fund's agreement to a guarantee or pass - through agreement should be based on officers' assessment of the financial strength of the letting authority / guarantor, in mitigation of the risk to the Fund.
- 3.9 The Committee is asked to agree the FSS and to agree to accept alternative forms of security provided by admission bodies irrespective of the tax raising powers of the letting authority subject to a satisfactory assessment of the financial strength of the letting authority and that the detail of any pass through agreement and /or guarantee is captured in the associated admission agreement.

4. Government consultations

- 4.1 On 24 June, HM Treasury issued its consultations on proposed changes to the cost control mechanism and the Superannuation Contributions Adjusted for Past Experience (SCAPE) discount rate. The consultations closed on 19 August. Barnett Waddingham responded to these consultations and a copy of their response is at appendix 1.

Cost control mechanism

- 4.2 Barnett Waddingham are mostly in favour of the proposals but have concerns about the widening of the 2% corridor, which they describe further in their response. Barnett Waddingham are also of the view that the LGPS will need its own economic check to reflect the funded nature of the scheme.

SCAPE discount rate

- 4.3 Barnett Waddingham are mostly in favour of these proposals but think that they should be modified to be able to achieve the stated objectives of making it more applicable to the longer-term nature of public sector pensions.

5 Admission matters

Cater Link Ltd (Education for the 21st Century Academy)

- 5.1 Education for the 21st Century Academy has awarded a 3-year contract with a possible 2-year extension for catering services from 7 June 2021. This involves the transfer of 6 employees to Cater Link Ltd and a retrospective agreement will be put in place.
- 5.2 The Fund actuary has assessed the employer contribution rate as 25.9% for a closed agreement and the Bond for the first year as £34,000.

5.3 The completed questionnaire and supporting documents provided by Cater Link Ltd have been examined by Officers to ensure compliance with the LGPS Regulations, and Invicta Law have given a favourable opinion.

6 Enterprise (AOL) Ltd

6.1 Enterprise (AOL) Ltd is a transferee admission body which joined the Fund on 1 September 2011 following a transfer of staff from KCC.

6.2 KCC intend to novate the commercial contract to Amey Highways Ltd from 1 September 2021 or as soon as possible thereafter and it is proposed that the current admission agreement with Enterprise (AOL) Ltd and bond is also novated to Amey Highways Ltd, subject to the commercial novation being executed.

6.3 All associated LGPS assets and liabilities will move from Enterprise (AOL) Ltd to Amey Highways Ltd.

6.4 It is proposed that we enter into a Deed of Modification relating to the admission agreement and Bond novating from Enterprise (AOL) Ltd to Amey Highways Ltd.

6.5 Invicta Law have given a favourable opinion on the novation, subject to a review of further documentation provided by Kent County Council.

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September 2021
