

From:	Chairman Superannuation Fund Committee Corporate Director of Finance
To:	Superannuation Fund Committee – 1 December 2021
Subject:	Fund Employer and Governance Matters
Classification:	Unrestricted

Summary:

This report provides information on Fund employers and an update on the government consultation on the cost control mechanism. It also provides details of a proposed agreement with an employer for a contribution instalment plan and admission matters.

Recommendations:

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

- a) to entering into an employer contribution instalment payment plan with Sevenoaks Leisure Ltd;
- b) to the admission to the Kent County Council Superannuation Fund of Birkin Cleaning Services Ltd (re Maritime Academy);
- c) to the admission to the Kent County Council Superannuation Fund of Dolce Ltd (re The Academy of Woodlands);
- d) to the admission to the Kent County Council Superannuation Fund of Town & Country Cleaners Ltd (re Maritime Academy);
- e) to the admission to the Kent County Council Superannuation Fund of Purgo Supply Services Ltd (re Leigh Academy Trust);
- f) that the Chairman may sign the minutes relating to recommendations a) to e) at the end of today's meeting; and
- g) Once legal agreements have been prepared for matters a) to e) the Kent County Council seal can be affixed to the legal documents.

FOR DECISION

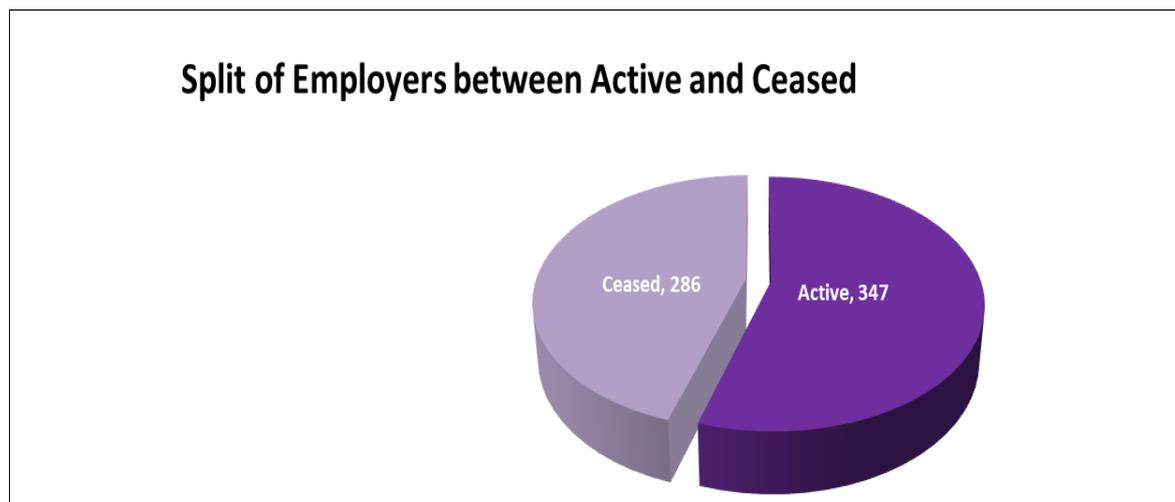
1 Introduction:

- 1.1 This report sets out information on employer related matters for the 6 months ending 30 September 2021.

1.2 It also provides an update on Fund employers and an update on the government consultation on the cost control mechanism. A payment instalment plan agreement with Sevenoaks Leisure Ltd and a number of admission matters.

2 Fund Employer update

2.1 There was a total of 633 employers in the Kent Pension Fund on 30 September 2021, an increase of 1 from 30 June 2021.



2.2 The number of active employers regularly paying contributions increased by 7, 4 were new to the Fund, 2 employers changed their payroll provider, and 1 ceased employer became active again. 6 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 6 months to 30 September 2021.

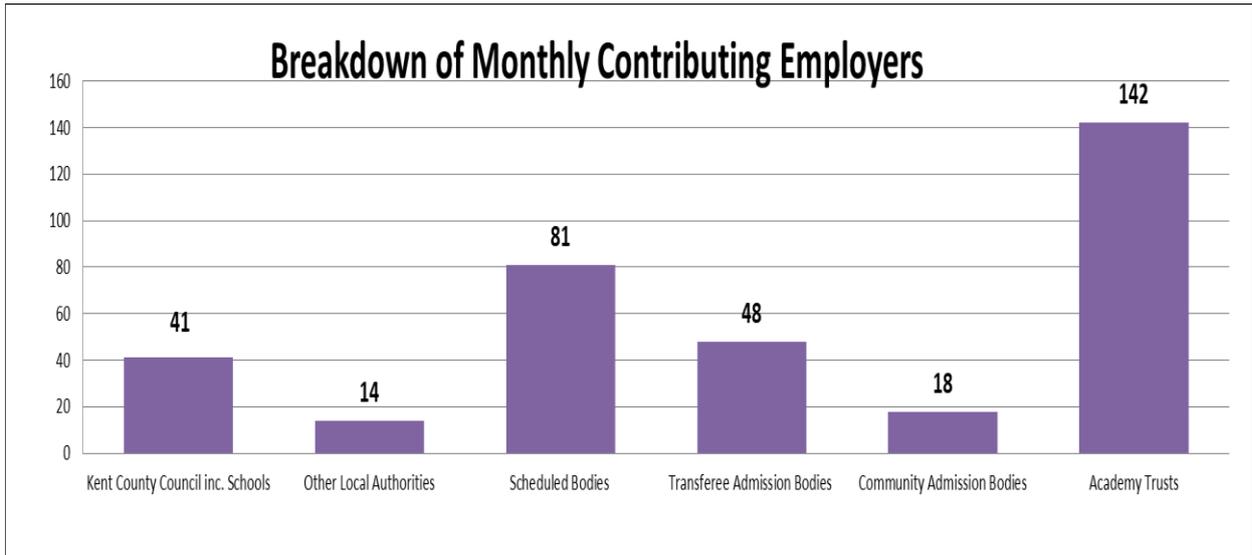
New Employers	Effective date
Admission Bodies	
Churchill Contract Services Ltd (re Thinking Schools Academy Trust)	1 September 2019 (backdated admission)
Scheduled Bodies	
Canterbury Environment Company Ltd	1 February 2021 (backdated)
Kite College	1 May 2021 (backdated)
Academy Trusts	
Inspire Trust	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
Deep Beat Entertainment Ltd (Medway Park)	18 May 2021
Deep Beat Entertainment Ltd (Strood)	18 May 2021
Busy Bee Cleaning Services Ltd	31 July 2021
Academy Trusts	
Village Academy Trust	31 May 2021
Brook Learning Trust	31 August 2021
Scheduled Bodies	
Kent Magistrates Courts Committee	31 March 2021

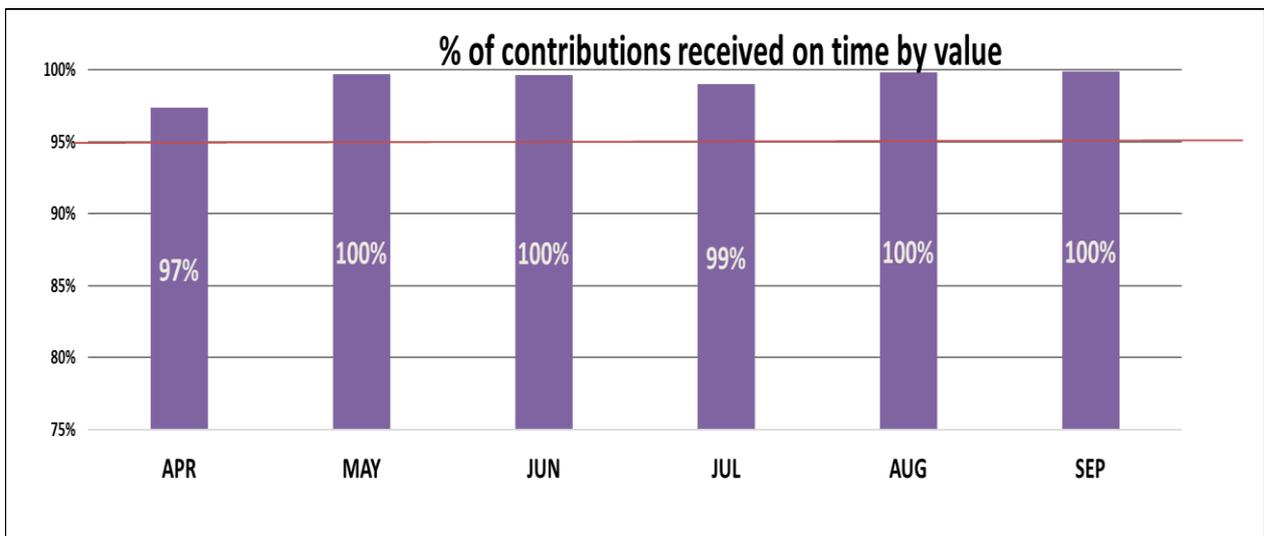
2.4 In the 6 months to September 2021 the Fund received £133.6m from employers in respect of their monthly contributions (employer and employee) as follows:

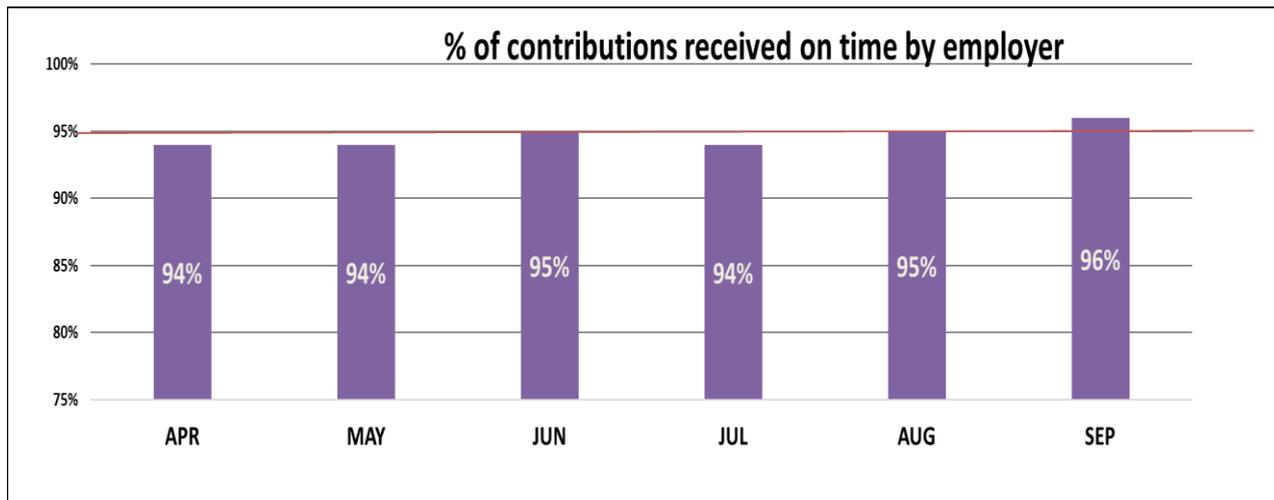
	Received Early	Cash on 19th	Received Late	Total
	£	£	£	£
April	12,840,115	8,765,012	587,525	22,192,651
May	12,279,932	9,762,932	60,322	22,103,186
June	12,716,335	9,642,629	76,950	22,435,554
July	13,282,861	8,791,062	224,129	22,298,052
August	12,766,590	9,576,083	40,569	22,383,242
September	13,069,099	9,086,697	30,949	22,186,746
Total	76,954,932	55,624,415	1,020,444	133,599,431

2.5 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.



2.6 Officers continue to monitor 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. The Key performance indicator (KPI) of 95% for % of contributions received on time by employer was not achieved in April, May or July due to backdated admissions and some Parish Councils having issues with their bank. Since August we have achieved our KPI of 95% each month.





3 Government consultation on the cost control mechanism

3.1 As previously reported, HM Treasury ran a consultation on proposed changes to the cost control mechanism from June through August 2021. On 4 October the Government published their response to the consultation and a copy of their response is at appendix 1.

3.2 The Government has advised that it is pushing ahead with the proposed reforms, and they should be in place for the 2022 LGPS valuation, so

- Removing the allowance for the legacy schemes
- Widening the current 2% corridor to 3% of pensionable pay
- Adding an economic check, essentially as a sense check of the mechanism's results.

3.3 New LGPS regulations implementing these reforms were made on 7 October 2021, effective from 8 October 2021. The Fund is discussing these with Barnett Waddingham and a further update will be provided at future meetings of the Committee and Board.

4 Sevenoaks Leisure Ltd (SLL)

4.1 SLL is a community admission body which joined the Superannuation Fund on 1 February 2004 following a transfer of staff from Sevenoaks District Council (SDC). The district council is not the scheme employer party to the admission agreement because the LGPS regulations did not require this at the time.

4.2 Since March 2020 SLL's business activity has been seriously impacted by the effects of the pandemic and officers have been in regular dialogue with the company regarding payment of the employer and employee contributions. This matter was reported to the Pensions Regulator in July 2020.

- 4.4 In December 2020 in consultation with Sevenoaks District Council SLL formulated a recovery plan which anticipates a return to a profitable trading position in 2022.
- 4.5 Despite some delays Sevenoaks Leisure has now paid all employee contributions in full however arrears of employer contributions amounting to some £350k remain outstanding. The final statutory deadline for the employer contributions to be paid is the 31 March 2022 as per the Rates and Adjustment certificate from the 31 March 2019 valuation.
- 4.6 Further to correspondence with officers Sevenoaks Leisure submitted proposals on 27 October 2021 for paying off these arrears as follows:
- a) Immediate settlement of the March 2020 employer contributions of £18,149.39 and these were received on 29 October 2021.
 - b) An instalment plan for the outstanding 2020/2021 and 2021/2022 contributions.
 - Officers shared advice from the Fund's actuary Barnett Waddingham with SLL including repayment plans which include interest in line with the 2019 valuation assumptions. On 19 November SLL submitted a proposal to the Fund for payment in monthly instalments over a maximum of 6 years in line with the actuary's advice, commencing February 2022.
 - It is our understanding that Sevenoaks Leisure are not in a position to pay the arrears in full at the present time it is therefore proposed that we agree to the plan for monthly payment of employer contribution arrears over a maximum of 6 years.
 - c) Payment of future monthly employer contributions starting from November 2021 which are due by 19 December 2021.
- 4.7 There is no impact on the company's active, deferred, pensioner and dependant pensioner members whose benefits are set out in the LGPS regulations.
- 4.8 Barnett Waddingham have advised that as a percentage of the Fund's total assets, the outstanding debt of £350k is less than 0.01%.
- 4.9 Officers will continue to monitor payments by SLL and provide an update at future meetings of the Committee and the Pension Board.

5. Admissions matters

- 5.1 The following organisations have applied retrospectively for admission to the Superannuation Fund to ensure the continuity of pension arrangements for staff.
- 5.2 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 some form of security.

- 5.3 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 has given favourable opinions.

6 Birkin Cleaning Services Ltd (re Maritime Academy Trust at Featherby Nursery, Infants and Junior Schools)

- 6.1 Maritime Academy Trust has awarded a 3 year contract with a possible 2 year extension for cleaning services from 4 May 2020. This involves the transfer of 5 employees to Birkin Cleaning Services.
- 6.2 The Fund actuary has assessed the employer contribution rate as 26.3% and Maritime Academy Trust as the scheme employer, has agreed to act as guarantor to the admission agreement which will include the terms of the guarantee. A satisfactory assessment of the financial strength of the Academy has been undertaken.

7 Dolce Ltd (re The Academy of Woodlands)

- 7.1 The Academy of Woodlands has awarded a 1 year rolling contract for catering services from 6 September 2021. This involves the transfer of 4 employees to Dolce Ltd.
- 7.2 The Fund actuary has assessed the employer contribution rate as 24.9% for a closed agreement and the Academy of Woodlands as the scheme employer, has agreed to act as guarantor to the admission agreement which will include the terms of the guarantee. A satisfactory assessment of the financial strength of the Academy has been undertaken.

8 Town and Country Cleaners Ltd (re Maritime Academy Trust at Danecourt School)

- 8.1 Medway Council has awarded a 3 year contract with a possible 1 year extension for cleaning services from 1 August 2021. This involves the transfer of 6 employees to Town and Country Cleaners.
- 8.2 The Fund actuary has assessed the employer contribution rate as 27.1% for a closed agreement and the Bond for the first year as £9,000.

9 Purgo Supply Services Ltd (re Leigh Academy Trust)

- 9.1 At their meeting on 13 March 2020 the Committee agreed to the admission to the Fund of Purgo Supply Services Ltd relating to a 3 year cleaning contract with a possible 2 year extension awarded by Leigh Academy Trust from 1 August 2019.

- 9.2 The Fund Actuary had assessed the employer contribution rate as 21.8% and the Bond for the first year as £13,000 based on a closed agreement for 7 employees.
- 9.3 It has now been agreed that an open agreement is required allowing for both the initial staff transfer and subsequent staff transfers covered by the same commercial contract, some 18 staff in total.
- 9.4 The Fund Actuary has reassessed the employer contribution rate as 25.7% and Leigh Academy Trust as the scheme employer, has agreed to act as guarantor to the admission agreement which will include the terms of the guarantee. A satisfactory assessment of the financial strength of the Academy has been undertaken.

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November 2021
