

By: Chairman Superannuation Fund Committee
Acting Corporate Director Finance and Procurement

To: Superannuation Fund Committee – 2 September 2011

Subject: **APPLICATION FOR ADMISSION TO THE FUND**

Classification: Unrestricted

Summary: To report on changes to the basis of admission for Kent Music School and Turner Contemporary Centre.

FOR DECISION

INTRODUCTION

1. Kent Music School, an existing employer in the Pension Fund, closed the pension scheme to both future and existing employees as at 16 April 2010.
2. At the August 2010 meeting the Committee was concerned over the potential liability of the Fund relating to Kent Music School.
3. At the November 2010 meeting the Committee was concerned at the projected deficit for Kent Music School, calculated at that time as £395,000. The Committee wished to consider the matter further before agreeing that a revised legal agreement can be entered into.
4. At the March 2011 meeting the Committee was advised discussions were ongoing and an updated cessation report was being prepared by Barnett Waddingham.
5. On 19 August 2011 Turner Contemporary Centre, an existing employer in the Pension Fund, gave three months notice to terminate their admission agreement.

KENT MUSIC SCHOOL

6. A revised cessation report has now been prepared by Barnett Waddingham, on an Accrual Cessation basis, where although Kent Music School will not have any active members in the Fund, it is still a going concern and the deficit can be recovered over a future period.
7. On this basis, the revised cessation report now shows the projected deficit has reduced to £4,000, due to the strong performance of the Fund and the way Barnett Waddingham looks at assets and liabilities.
8. Barnett Waddingham will undertake a valuation for Kent Music School every third year and certify what payments need to be made by them.

9. The next such valuation will be undertaken at 31 March 2013 with payments set for the 3 years from 1 April 2014. This process will continue every 3 years until the last of Kent Music School's deferred beneficiaries, pensioners and their dependants pass away, which could potentially be in many years time.
10. Due to the minimum level of revised deficit, Barnett Waddingham recommend the first payment from Kent Music School is not due until 1 April 2014, as assessed by them in the 2013 scheme valuation.
11. As there have been changes to the original Admission Agreement a new agreement will be drafted for agreement between the parties.

TURNER CONTEMPORARY CENTRE

12. Turner Contemporary Centre, a charitable trust which was set up by KCC to deliver a wide range of artistic and educational programmes in Margate and Thanet, joined the Pension Fund on 1 April 2010.
13. Their application was made under Regulation 5(2)(a)(i) of the Local Government Pension Scheme Regulations. There is no requirement under this regulation for a bond or indemnity, with any potential financial risk to the Pension Fund being covered by KCC acting as a guarantor.
14. A cessation report is being prepared by the Barnett Waddingham which will establish the financial implication for Turner Contemporary Centre. A new agreement will be drafted for agreement between the parties, subject to the terms of the cessation report.

RECOMMENDATION

15. Members are asked to:
 - (1) Agree that a revised legal agreement can be entered into in respect of Kent Music School, and
 - (2) Agree that a revised legal agreement can be entered into in respect of Turner Contemporary Centre, subject to the cessation report, and
 - (3) Agree that once legal agreements have been prepared for the above matter, the Kent County Council seal can be affixed to the legal documents.

Steven Tagg
Investments and Treasury
Ext. 4625