

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

To: Superannuation Fund Committee – 15 November 2013

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

Classification: Unrestricted

Summary: To report on a number of admission matters, proposals for delegated authority and the recovery of Pension Fund costs

FOR DECISION

INTRODUCTION

1. This report sets out information on an application to become an admitted body within the Pension Fund and seeks Committee approval to enter into an admission agreement with this organisation. It also advises of the need to extend an admission agreement and the closure of an admission agreement to new members. The Committee's approval is sought to enter into these agreements.
2. An update on Remade South East is provided. They are expected to leave the Pension Fund in the future although the exact date is not yet known.
3. The delegation of routine admission decisions and cost recovery from employers are also addressed.

PROJECT SALUS (re KCC youth service)

4. KCC is awarding a three year contract for youth services, although the effective date is not yet known.
5. This involves the transfer of one employee from KCC to Project Salus. To ensure the continuity of pension arrangements for this employee, Project Salus has made an application for admission to join the Pension Fund.
6. The application has been made under Regulation 6 (2) (a) (i) of the Local Government Pension Scheme (Administration) Regulations 2008, as amended, and under this regulation the admitted body is required to provide a form of bond or indemnity. The Fund Actuary has assessed

the level of bond at £6,000 for the first year and set an employer's contribution rate of 15.9%.

7. The completed questionnaire and Memorandum and Articles of Association provided by Project Salus have been examined by Legal Services to ensure compliance with the Local Government Pension Scheme Regulations. Legal Services have given a favourable opinion.

CAPITA MANAGED IT SOLUTIONS LIMITED (regarding, St John's Catholic Comprehensive School in Gravesend)

8. Capita Managed IT Solutions Ltd is a Transferee Admission Body in the Kent Fund following the transfer of staff from KCC.
9. This contract has now been extended by one year and it is necessary to extend the original admission agreement by a Deed of Modification.

WEST KENT HOUSING ASSOCIATION

10. West Kent Housing Association is a Community Admission Body which joined the Kent Fund on 17 March 1989 following a transfer of staff from Sevenoaks District Council.
11. West Kent Housing Association has given written notice to amend the terms of their admission agreement, so that no more of their employees can join the LGPS. Existing members will be allowed to continue their LGPS membership.
12. As the Local Government Pension Scheme Regulations have also been amended since the original admission agreement was made, it is proposed that a new admission agreement be entered into which reflects both this change and the changes in Regulations. It is therefore necessary to enter into a revised legal agreement with the West Kent Housing Association

REMADE SOUTH EAST

13. Remade South East Limited is a Community Admission Body which joined the Pension Fund on 31 March 2008 following the transfer of three staff from KCC. Two of the staff have since left Remade South East and joined Medway Council. The third remains in their employment and is a current pension scheme member.

Remade South East is currently managing three European Regional Development Fund projects which are due to be completed in March 2014. The company may then decide to go into voluntary liquidation and their admission agreement would be terminated. The one remaining

employee will leave the pension scheme and a cessation report would then be obtained from Barnett Waddingham.

14. It is likely that Remade will be unable to pay off its liability to the Fund in full and KCC have agreed to meet any shortfall by way of additional employer contributions.

DELEGATION OF AUTHORITY

15. The Committee is asked to agree to delegate approval for all new applications for admission to the Fund to the Corporate Director of Finance and Procurement, subject to the staff being transferred from a Best Value Authority, and appropriate scrutiny by officers being undertaken. All decisions to be reported to the next Committee meeting and these arrangements to be subject to regular (at least annual) review.
16. As the Committee is aware the number of applications for admission to the Fund is increasing due to the reorganisation of the arrangements for the provision of services by scheme employers. There were 59 admitted bodies in the Fund at 31 March 2012 and 77 at 31 March 2013. Already after 5 months of 2013-14 there are some 17 admissions for new bodies in the pipeline for the year. The option for individuals to join an employer's broadly comparable scheme as an alternative to the LGPS, may be withdrawn by central government from 1 April 2014 and this would also inevitably increase the number of admission applications.
17. The Committee does not have the power to say no to the admission of individuals, as they have the right to join the Scheme under TUPE, but the Committee can impose conditions on the Transferee Admission Body (TAB) which, if not complied with to the Committee's satisfaction, could prevent the individuals from joining and the TAB from becoming part of the scheme.
18. The timetable for the completion of the admission arrangements however may not necessarily fit with the pattern of the meetings of the Committee. Also the procurement process is only producing the name of the successful bidder very late in the process therefore giving less time to analyse information received from applicants. This may particularly happen in the case of multiple bidders for a contract and in 2nd generation admissions.
19. All admissions should be subject to the same process of due diligence, review by the Fund's actuary and obtaining a favourable opinion from KCC's lawyers. But the rising number and complexity of admission applications is a risk as the result is increased pressure on the admission process, the potential for mistakes to be made and higher legal and other costs.
20. The proposed arrangements for delegation of authority for admissions are intended to achieve an even workflow and progress individual

matters in a timely manner so work does not come in fits and starts. Also it is intended that the admission process is more closely aligned to the procurement process and more effectively manages the expectations of employers in particular local authorities outsourcing their services.

RECOVERY OF THE FUND'S COSTS

21. The Committee are asked to consider proposals for a Pension Fund policy on charges for the administration of admissions to the Fund and related matters.
22. Currently all fund costs other than the actuary fees incurred in connection with academies joining the fund and issue of FRS17 reports, are recovered from employers as part of the employer contribution. While this involves minimum costs to administer it is questionable whether this is the fairest method for recovering costs as the majority of the fund's costs are borne by the biggest employers and smaller employers may be charged nothing yet involve Treasury and Investments in a considerable amount of work.
23. Any charging method needs to be fair, transparent and reflect the principle of 'user pays' while taking into account the costs involved. Going forward it is therefore proposed that we directly recover -
 - (1) All actuary fees and legal costs relating to new employers joining the fund either directly from the new employers e.g. academies or from the letting authorities in connection with an admission;
 - (2) All actuary fees relating to the issue of FRS17 and IAS19 reports;
 - (3) All other legal and actuarial fees relating to work requested by individual employers e.g. cessation reports;
 - (4) Treasury and Investment costs relating to new admissions and other employers joining the fund, and the issue of FRS17 / IAS19 reports and cessations. It is proposed that these costs are charged at a rate of 10% of the actuary fee.
24. All other costs including actuarial fees relating to the triennial valuation continue to be recovered via the employer contribution. It is proposed that this new charging policy is implemented from January 2014.

RECOMMENDATION

25. Members are asked to:

- (1). Agree to the admission to the Kent County Council Pension Fund of Project Salus, and
- (2). Agree that a Deed of Modification can be entered into in respect of Capita Managed IT Solutions Ltd, and
- (3). Agree that an amended legal agreement can be entered into with West Kent Housing Association, and
- (4). Note the arrangements agreed by KCC in respect of any liabilities arising on the termination of Remade South East's membership of the Fund, and
- (5). To approve the arrangements for the delegation of approval for all new applications for admission to the Fund to the Corporate Director of Finance and Procurement, and
- (6). To agree the proposals for the recovery of the Pension Fund costs, and
- (7). Agree that once legal agreements have been prepared for the matters (1) to (3) above, that the Kent County Council seal can be affixed to the legal documents.

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