

By: Chairman Superannuation Fund Committee
Corporate Director Finance and Procurement

To: Superannuation Fund Committee – 6 February 2015

Subject: **APPLICATION FOR ADMISSION TO THE FUND AND
OTHER EMPLOYER RELATED MATTERS**

Classification: Unrestricted

Summary: To report on an application to join the Pension Fund and a name change and to update the Committee on a number of current employer related matters.

FOR DECISION

INTRODUCTION

1. This report sets out information on an application to become an admitted body within the Pension Fund. It also advises of a name change. The Committee's approval is sought to enter into these agreements.
2. The Committee are advised that the admission minutes relating to the admission of Westgate Community Trust (Canterbury) Limited are to be signed at the end of today's meeting to facilitate completion on the desired date.
3. The Committee are also updated on a number of current employer related matters.

WESTGATE COMMUNITY TRUST (CANTERBURY) LIMITED

4. At their meeting on 28 June 2013 the Committee agreed that an admission agreement may be entered into with Westgate Community Trust (Canterbury) Limited, who are taking over the running of a community hall from Canterbury City Council.
5. This involves the transfer of one employee from Canterbury City Council to Westgate Community Trust (Canterbury) Limited.
6. The level of bond has since been calculated as £5,000 for the first year however it has not been possible for Westgate Community Trust (Canterbury) Limited to source a bond for this amount at a price that they can afford.
7. Canterbury City Council have now agreed to provide a guarantee as Scheme Employer as an alternative to a bond.

KENT COMMUNITY HOUSING TRUST (AVANTE PARTNERSHIP)

8. Kent Community Housing Trust is an admitted body which joined the Pension Fund on 4 October 1991.
9. On 16 September 2009 they changed their name to Avante Partnership and on 3 December 2014 Avante Partnership changed their name to Avante Care and Support Limited.
10. As the Local Government Pension Scheme Regulations have been amended since the original admission agreement was made, it is proposed that a new admission agreement be entered into which reflects both the name change and the changes to the Regulations.

EMPLOYER RELATED MATTERS

11. The Committee are advised of a number of employer related matters.

Academies

12. There are now approximately 200 academies in the Kent Pension Fund and this number is expected to increase as more schools convert to academies and more free schools are established. Some academies form part of a trust although most are still identified individually so that should the makeup of a trust alter it is possible to deal with any such change.
13. One of these trusts which currently has three academies in the Kent Pension Fund, has recently approached us asking if their other academies which are located in different parts of the country and currently participate in other Local Government Pension Scheme Funds could transfer to the Kent Fund. This would involve 43 academies moving into the Kent Fund and is subject to a Direction from the Secretary of State as well as our agreement.
14. If this change goes ahead it will relate to all the active, deferred and pensioner members of the trust and a bulk transfer will be agreed between Barnett Waddingham and the other administering authorities' actuaries.

Parish and Town Councils

15. There are now approximately 50 Parish and Town Councils in the Kent Fund each having their own employer contribution rate. Parish and Town Councils may join the Pension Fund by making a written resolution to do so, under Schedule 2 Part 2 (a) of the Local Government Pension Scheme (LGPS) Regulations 2013, although they do not have to offer their staff LGPS membership. Some existing resolutions apply to a

specific named individual or class of individual(s), whereas other resolutions apply to any existing and future staff of that employer.

16. We are working with individual authorities as well as the Association of Local Councils to increase the Councils' understanding of the issues involved in membership of the LGPS and with colleagues from the Pensions Admin team hosted a workshop for the Parish and Town Councils in December 2014.
17. Some Parish and Town Councils joined the Kent Fund many years ago and others more recently although there have not been any new Parish and Town Councils coming into the Fund since 1 April 2013. This may be due to the increasing awareness of the financial cost to the employer of joining the LGPS, both in terms of employer contribution rate and the potential costs of becoming 'Exiting' employers when their last active member leaves the Scheme.
18. The LGPS regulations require us to proactively manage employers who are likely to become exiting employers in the future. A review of those employers with 5 or less active members is currently being undertaken, together with a review of Parish and Town Council resolutions.
19. There are a number of Parish and Town Councils which have left the fund and now under the current legislation should make an exit payment to the Fund. We are working with these employers to agree settlement arrangements in particular payments by instalment.
20. We are also discussing with Barnet Waddingham the option of creating a Parish and Town Council group for those authorities still with active members, similar to the Kent and Medway academy pools. This would involve all the Councils paying a common employer contribution rate and they would be pooled for future accrual.

Accounting disclosures – FRS17 / IAS19 reports

21. Some employers in the Kent Pension Fund are required to disclose their pension liability in their annual accounts on the basis of either Financial Reporting Standard 17 or International Accounting Standard 19 and the Fund's actuary prepares annual reports for these employers accordingly.
22. These standard accounting assumptions allow the pensions liabilities of employers to be measured and compared on a consistent basis. The prescribed assumptions used, over which there is limited flexibility, usually produce a much higher liability than that measured on the on-going basis used to calculate the employer contribution rate.
23. Recently, partly due to the fall in the gilt yields which are used as the basis for discounting future pension liabilities, some employers have seen their pensions liability calculated on the FRS17 / IAS19 basis rise

dramatically. This can have a serious adverse impact on an organisations accounts and ability to pay dividends.

24. Exit payments due to the Fund from those employers leaving as Exiting employers have also risen as the actuary has used the same basis for calculating pension liabilities. We are actively working with these Employers to resolve the payment due including settlement by instalment.

Increasing employer activity

25. The Committee is advised that there continues to be an increase in the dialogue with potential and existing employers.
26. There has been an increase in the number of employers applying to join the Kent Fund, mainly due to the restructure of the provision of services by local authorities, as well as those considering leaving the fund or making changes to their organisation such as a name change or change of legal identity.
27. There are now in excess of 500 employers in the Fund.
28. This increased activity is increasing the workload of the KCC Treasury and Investments team. Recent upgrades of the systems for collecting contributions and other income have significantly streamlined these processes however these changes are not seen as the long term solution and further development is likely to be necessary.

RECOMMENDATION

29. Members are asked to agree:
 - 1) to the admission to the Kent County Council Pension Fund of Westgate Community Trust (Canterbury) Limited; and
 - 2) that an amended legal agreement can be entered into with Avante Care and Support Limited; and
 - 3) to note the update on current employer related matters; and
 - 4) that the Chairman may sign the minutes of today's meeting relating to recommendation (1) above at the end of today's meeting; and
 - 5) that once legal agreements have been prepared for (1) and (2) above, the Kent County Council seal can be affixed to the legal documents.

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