

By: Chairman Superannuation Fund Committee
Corporate Director of Finance

To: Superannuation Fund Committee – 15 March 2019

Subject: **Fund Employer Matters**

Classification: Unrestricted

Summary: To report on employer related matters, a number of admission matters and revised proposals for the direct recovery of the Fund's costs from employers.

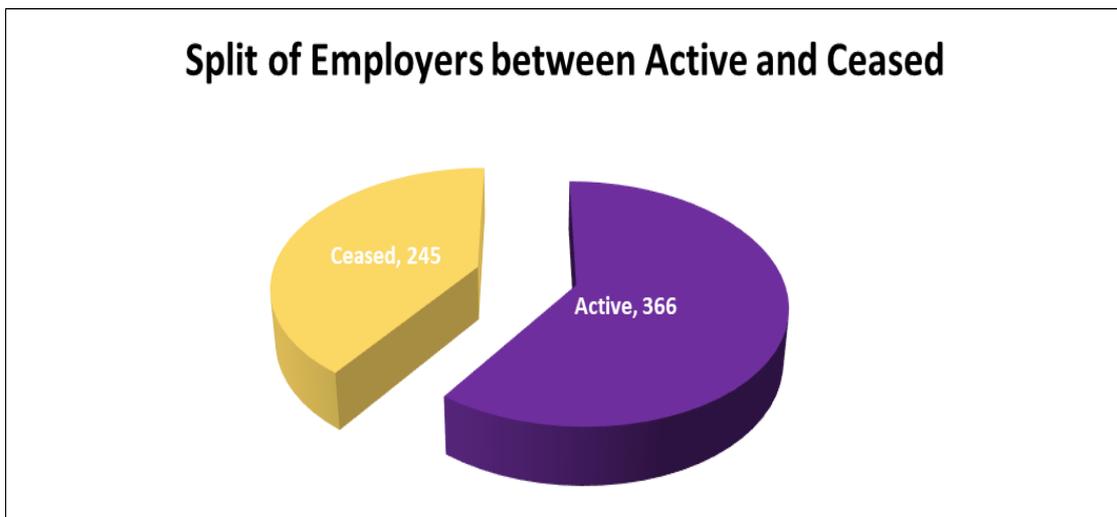
FOR DECISION

INTRODUCTION.

1. This report sets out information on employer related matters and a number of admission matters. The Committee's approval is sought to enter into the proposed agreements.
2. The report also sets out proposals for the direct recovery of costs from employers relating to specific work undertaken on their behalf.
3. The Committee is advised that the minutes are to be signed at the end of today's meeting to facilitate completion of the admission matters on the desired dates.

EMPLOYERS IN THE FUND AT 31 DECEMBER 2018

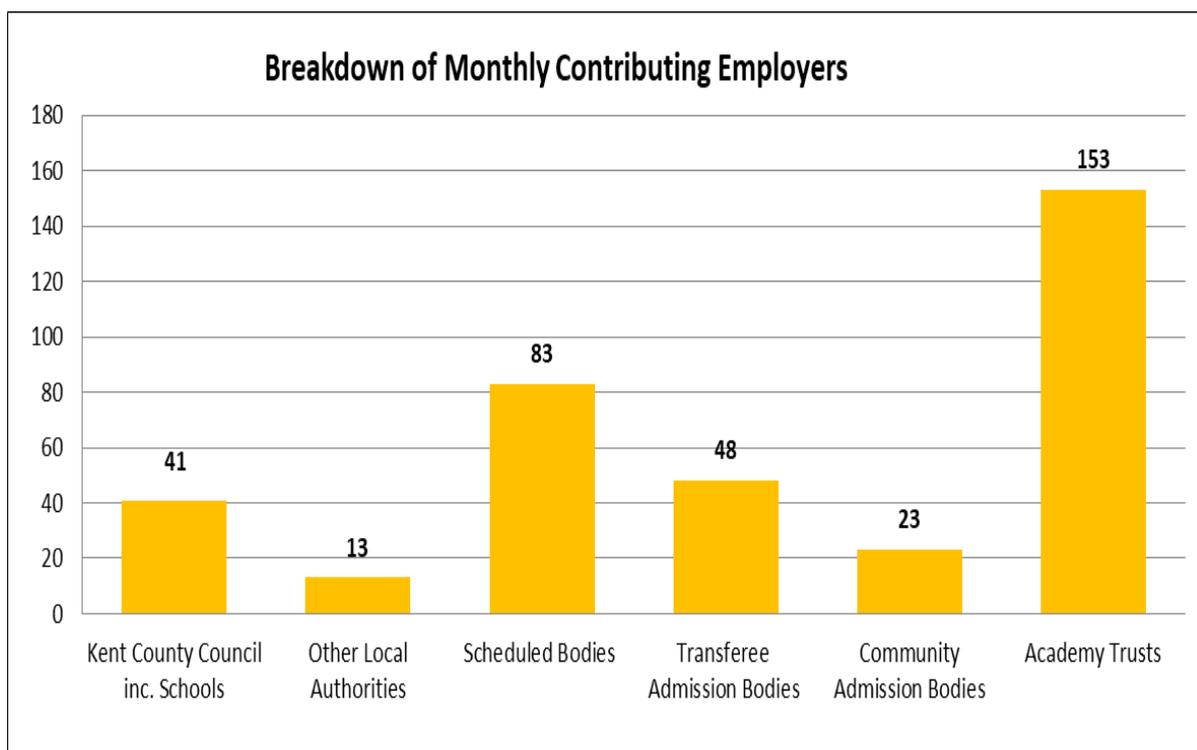
4. There were a total of 611 employers in the Kent Pension Fund.



5. The number of active employers regularly paying contributions increased in the 3 months October to December 2018 to 366 as the result of 4 employers joining the Fund while 1 Admission body ceased to have active members in the LGPS. The ceased employers no longer have active contributing members in the LGPS and the Fund has an existing or future liability to pay pensions.
6. The following table lists employers who either joined or ceased to have active members in the Fund during the first 9 months of 2018-19.

New Employers	Effective date
<i>Scheduled Bodies</i>	
Westgate on Sea Parish Council	1 April 2018
Cantium Business Solutions Limited	1 July 2018
EDSECo Ltd trading as The Education People	1 September 2018
<i>Academy Trusts</i>	
Veritas Multi Academy Trust	1 May 2018
Fortis Trust	1 June 2018
The Pioneer Academy	1 July 2018
Coppice Primary Partnership	1 September 2018
Fort Pitt & Thomas Aveling Academies Trust	1 September 2018
<i>Admitted Bodies</i>	
Nourish Contract Catering Limited (Swale Academy Trust)	1 April 2018
Solo Service Group Limited	1 July 2018
Churchill Contract Services Limited (SJWM)	16 July 2018
Cater Link Limited (re Rivermead Inclusive Trust)	1 August 2018
Nourish Contract Catering Limited (re Stour)	1 September 2018
Monitor Services Group Limited	1 December 2018
The Marlowe Trust	1 December 2018
<i>Ceased/Merged to Trust Employers</i>	
<i>Effective date</i>	
<i>Academy joined a Multi-Academy Trust / Change of Trust</i>	
Danecourt Academy (Argent)	1 April 2018
Veritas Academy	1 May 2018
Bradfields Academy	1 June 2018
Meopham Community Academy	1 August 2018
Schools Company Trust	1 August 2018
<i>Admitted Bodies</i>	
Principal Catering (Our Lady Of Hartley)	1 December 2017
Mitie Security Limited	1 August 2018
TCS Independent Limited	1 December 2018

7. The following chart shows the Employers from whom the Fund receives monthly contributions by Employer Group. Note the KCC figures reflect the County's and schools' relationships with a number of payroll providers.

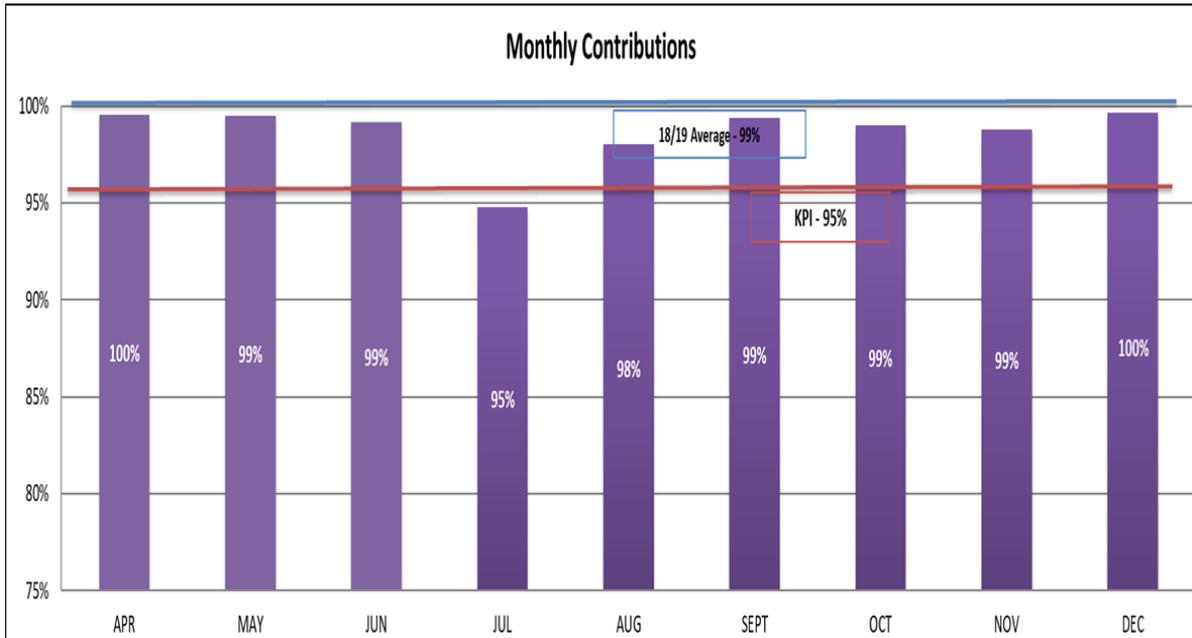


CONTRIBUTIONS FROM EMPLOYERS

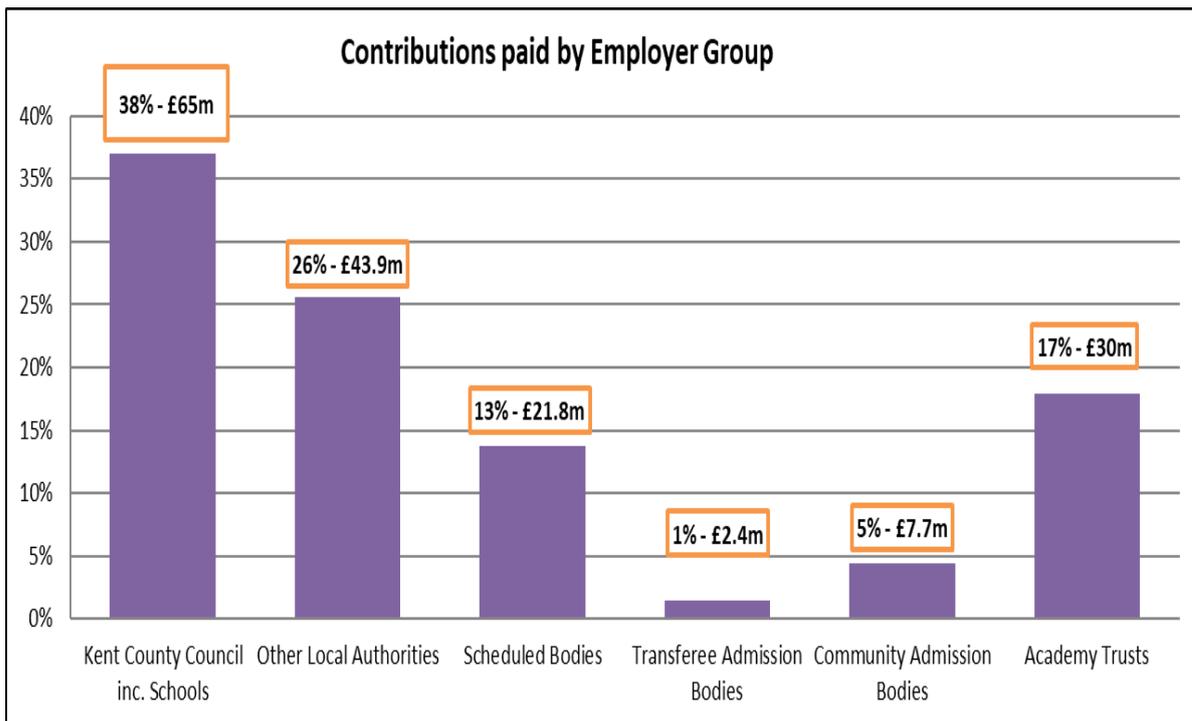
8. In the period April to December 2018-19 the Fund received £171m from Employers in respect of their monthly contributions (employer and employee) as follows:

	Received Early	Cash on 19th	Received Late	Total
	£	£	£	£
April	10,125,904	9,140,793	84,200	19,350,896
May	11,766,335	7,105,259	93,664	18,965,259
June	10,401,830	8,559,473	150,331	19,111,634
July	9,095,181	8,875,664	1,023,703	18,994,548
August	10,080,883	8,391,175	375,229	18,847,287
September	11,091,649	7,609,068	42,917	18,743,635
October	10,310,159	8,398,323	221,816	18,930,299
November	10,620,515	8,090,218	262,675	18,973,409
December	11,278,990	7,928,484	68,972	19,276,445

9. KCC monitors the timing of receipt of these contributions compared to a KPI of 95%. The KPI was exceeded in 8 out of the 9 months and the average for this quarter for contributions received was 99%. The late receipts in July and August were 1-2 days late from 2 local authorities and a college, and officers followed up with the employers.



10. The following chart shows the proportion paid by KCC and other employers of contributions received.



RECOVERY OF THE FUND'S COSTS

11. At their meeting on 15 November 2013 the Committee agreed the recovery of Pension Fund costs on the basis any charging method needs to be fair, transparent and reflect the principle of 'user pays' while considering the costs involved.

12. Members are reminded that we directly recover:
 - 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;
 - All actuary fees relating to the issue of FRS17 and IAS19 reports;
 - All other legal and actuarial fees relating to work requested by individual employers e.g. cessation reports;
 - Treasury and Investment costs relating to new admissions and other employers joining the fund, and the issue of FRS17 / IAS19 reports and cessations; and that these costs are charged at a rate of 10% of the actuary fee.
13. Having reviewed the work involved in setting up new employers in the Fund as well as considered the ongoing costs being charged by Invicta Law in relation to admission bodies we now propose to update the policy for the recovery of Pension Fund costs as follows:
14. We now propose to recover:
 - All actuary fees 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;
 - All actuary fees relating to the issue of FRS102 and IAS19 reports;
 - A fee of £2,000 in respect of legal fees relating to new employers joining the Fund either directly from the letting authority or applicant body in connection with an admission, to be charged at the time KCC receives the application;
 - KCC costs relating to new admissions and other employers joining the fund, and the issue of FRS102 / IAS19 reports; and that these costs are charged at a rate of 10% of the actuary / legal fee;
 - All other legal and actuarial fees relating to work specifically requested by individual employers;
15. It is proposed that this new charging policy is implemented from 1 April 2019.
16. All other costs including actuarial fees relating to the triennial valuation will continue to be recovered via the employer contribution.

EXCLUSIVE CONTRACT SERVICES LTD

17. HQ Theatres and Hospitality, the parent company of The Orchard Theatre, Dartford, an admission body in the Fund, is awarding a three year contract for cleaning services although the effective date is not yet known. This involves the transfer of some 3 employees from The Orchard Theatre to Exclusive Contract Services Ltd. The 3 employees involved were originally employees of Dartford Borough Council.
18. To ensure the continuity of pension arrangements for these employees, Exclusive Contract Services Ltd has made an application for admission to the Superannuation Fund.
19. The admission application has been made under Schedule 2 Part 3 1(d) (i) of the Local Government Pension Scheme Regulations 2013, as amended, and under this regulation the admitted body is required to provide a form of bond or indemnity.
20. The Fund Actuary has assessed the employer contribution rate as 25.3% for a closed agreement or 21.2% for an open agreement and the Bond for the first year as £10,000.
21. The completed questionnaire and supporting documents provided by Exclusive Contract Services Ltd have been examined by Officers to ensure compliance with the LGPS Regulations, and Invicta Law have given a favourable opinion.

CLARION HOUSING ASSOCIATION

22. Circle Care and Support Ltd and Clarion Housing Association are Community Admission bodies in the Fund. They are both part of the Clarion Group and subsidiaries of Clarion Housing Group Ltd.
23. As a result of the reorganisation of services within the Clarion Group it is proposed that responsibility for providing care and support services will transfer from Circle Care and Support Ltd to Clarion Housing Association in April 2019 and this will result in a TUPE transfer of staff from Circle Care and Support Ltd to Clarion Housing Association.
24. Clarion Housing Association therefore wishes to enter into a Deed of Modification so that the staff transferring to it can continue as members of the LGPS.
25. Clarion Housing Association and Circle Care and Support Ltd both accept that the transfer of staff would ordinarily result in Circle Care and Support Ltd becoming an exiting employer. This would usually necessitate a closing valuation being obtained with any deficit being collected from the exiting employer while a surplus usually has to be returned to the exiting employer.

26. Both organisations however have proposed that Clarion Housing Association take on the liability for all of the Circle Care and Support Ltd employees including deferred and pensioner members such that the Fund is permitted to certify that no payment is due at the time of Circle Care and Support Ltd's exit. The arrangement will include a Parent Company Guarantee from Calrioan Housing Group Ltd and Clarion Housing Association are required to provide a Bond which has been calculated by the actuary for the first year as £2.019m.

GOLDING HOMES LTD

27. Golding Homes Ltd is a Community Admission Body in the Fund and has given notice of its intention to convert from a private limited company to a community benefit society pursuant to s115 of The Co-operative and Community Benefit Societies Act 2014.
28. Invicta Law has advised that Golding Homes Ltd is entitled to continue to participate in the Fund but that, for the better administration of the Admission Agreement and proper recording of the conversion in the records of the Fund, KCC should enter into a Deed of Confirmation to record the change of status and that the parties' understand that an exit payment is not due as a result of the conversion.
29. Terms of the Deed of Confirmation have been agreed in principle and the Committee is now being asked to agree that the Fund enters into this Deed.

RECOMMENDATION

30. Members are asked to agree:
- (a) to the updated policy for the recovery of Pension Fund costs;
 - (b) to the admission to the Kent County Council Superannuation Fund of Exclusive Contract Services Ltd;
 - (c) that a Deed of Modification may be entered into with Clarion Housing Association;
 - (d) that a Deed of Confirmation may be entered into with Golding Homes Ltd;
 - (e) that the Chairman may sign the minutes relating to recommendations (a) to (d) at the end of today's meeting; and
 - (f) that once legal agreements have been prepared for these admission matters the Kent County Council seal can be affixed to the legal documents.

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