

By: Chairman Superannuation Fund Committee
Corporate Director of Finance

To: Superannuation Fund Committee – 21 June 2019

Subject: **Fund Employer Matters**

Classification: Unrestricted

Summary: To report on employer related matters

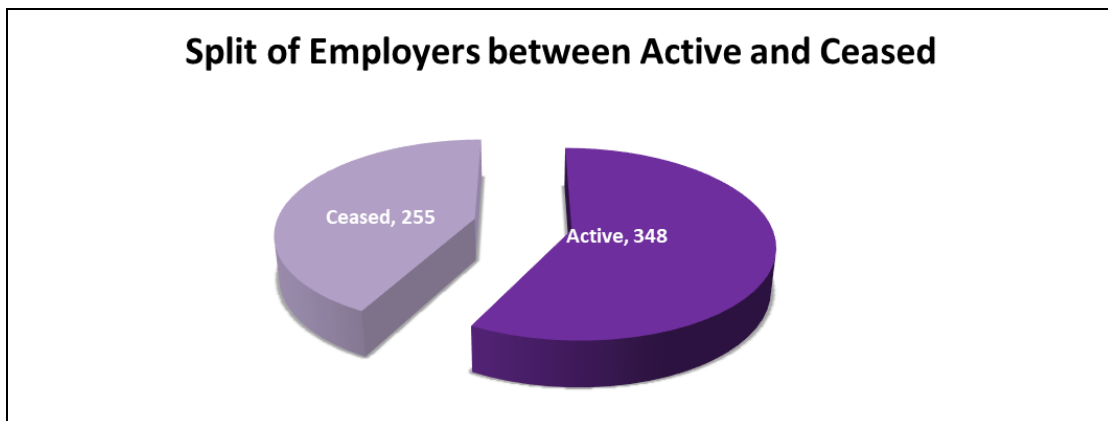
FOR DECISION

INTRODUCTION.

1. This report sets out information on employer related matters and an application from an organisation to become an admitted body within the Superannuation Fund. It also advises on officer delegations, consultations and actuary issues.
2. The Committee are advised that the minutes relating to the matters are to be signed at the end of today's meeting.

EMPLOYERS IN THE FUND AT 31 MARCH 2019

3. There were a total of 603 employers in the Kent Pension Fund.



4. The number of active employers regularly paying contributions decreased in the 3 months January to March 2019 to 348 as a result of 1 employer joining the Fund while 19 employers either merged to trust, changed their payroll provider or 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 any pensions.

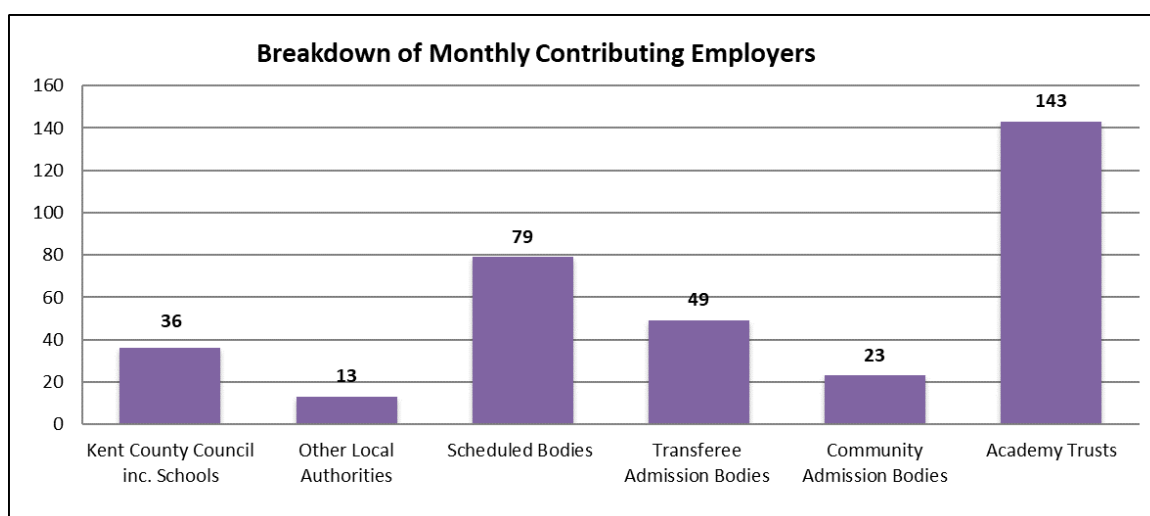
5. The following table lists employers who either joined or ceased to have active members in the Fund during 2018-19.

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
Kingdom Services Group Limited	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

Ceased/Merged to Trust Employers	Effective date
<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
Rosherville Church of England Academy	1 September 2018
Walderslade Girls' School Trust	1 October 2018
St James CE Primary School Academy-WAT	1 January 2019

Admitted Bodies	
Principal Catering (Our Lady Of Hartley)	1 December 2017
Mitie Security Limited	1 August 2018
TCS Independent Limited	1 December 2018
Scheduled Bodies	
Sholden Parish Council	1 July 2018
Temple Ewell Parish Council	1 January 2019

6. 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 several payroll providers.



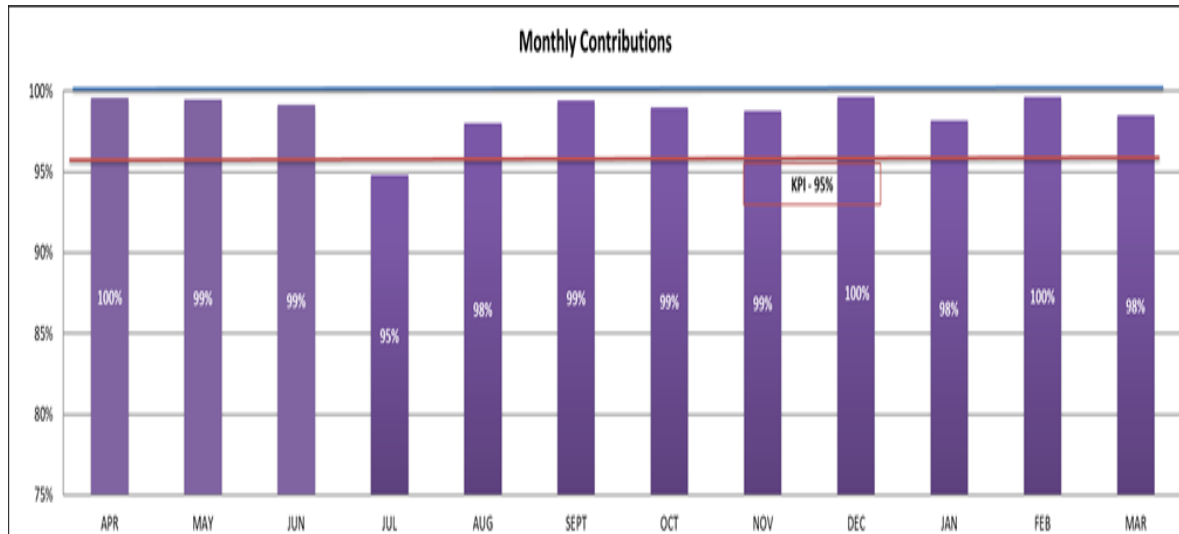
CONTRIBUTIONS FROM EMPLOYERS

7. In 2018-19 the Fund received £228m from Employers in respect of their monthly contributions (employer and employee) as follows:

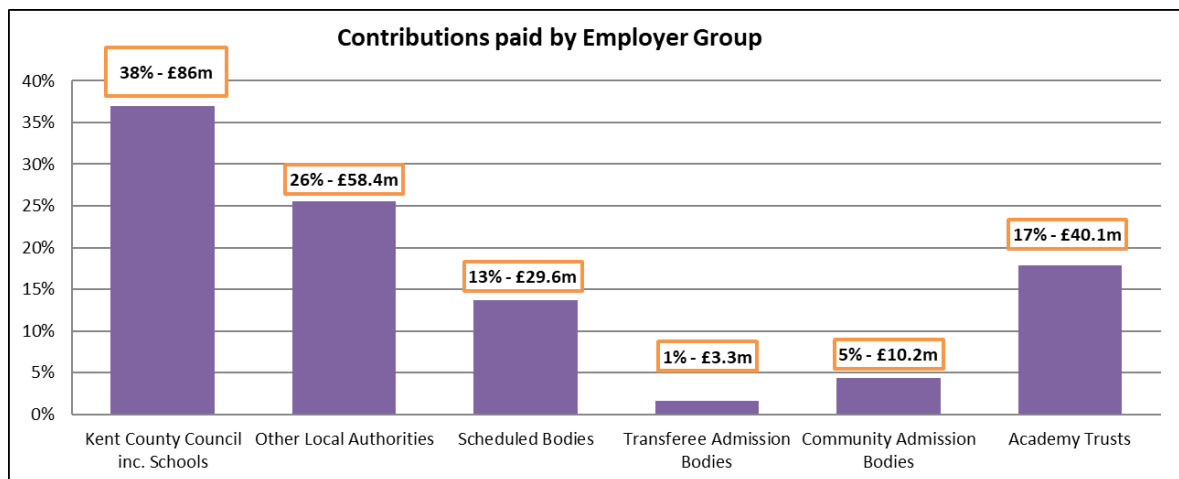
	Received Early	Cash on 19th	Received Late	Total
	£	£	£	£
April	10,125,904	9,140,793	84,200	19,350,896
May	11,766,335	7,105,259	93,664	18,965,259
June	10,401,830	8,559,473	150,331	19,111,634
July	9,095,181	8,875,664	1,023,703	18,994,548
August	10,080,883	8,391,175	375,229	18,847,287
September	11,091,649	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
January	11,776,824	6,756,046	348,653	18,881,522

February	12,161,209	6,976,720	72,003	19,209,932
March	9,951,104	8,590,306	286,869	18,828,279
Total	128,660,583	96,421,529	3,031,032	228,113,145

8. KCC monitors the timing of receipt of these contributions compared to a KPI of 95%. The KPI was exceeded in 11 out of the 12 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.



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



ALLIANCE IN PARTNERSHIP LTD

10. Endeavour Multi Academy Trust has awarded a three-year contract for catering services. This involves the transfer of some 7 employees from Endeavour Multi Academy Trust to Alliance in Partnership Ltd.

11. To ensure the continuity of pension arrangements for these employees, Alliance in Partnership Ltd has made an application for admission to the Superannuation Fund.
12. 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.
13. The Fund Actuary has assessed the employer contribution rate at 14.6% and the bond for the first year at £8,000.
14. The completed questionnaire and supporting documents provided by Alliance in Partnership Ltd have been examined by Officers to ensure compliance with the LGPS Regulations, and Invicta Law has given a favourable opinion.

YBC CLEANING SERVICES LTD

15. YBC Cleaning Services Ltd is an admission body in the Kent Pension Fund following a transfer of staff from The Future Schools Trust.
16. As their contract has been extended for a further year from 16 February 2019 it is proposed we enter into an updated agreement with them.

HADLOW COLLEGE

17. Hadlow College is a scheduled body in the Kent Pension Fund and its staff both past and present are members of the LGPS.
18. On 14 May 2019 the Secretary of State for Education made an application at the High Court of Justice for an Education Administration Order pursuant to the Technical and Further Education Act 2017 in respect of the Corporation of Hadlow College of Hadlow, Tonbridge, Kent, TN11 0AL. This is a formal insolvency process. Partners at BDO LLP have been appointed as education administrators of the College with effect from 22 May 2019.
19. BDO LLP have written to the Kent Pension Fund, as they are required to inform all creditors of the College, that the Education Administration Order has been made.
20. BDO have also confirmed that the purpose of the Education Administration Order is to protect education provision for learners as the College is facing financial difficulties. They plan to implement a solution to ensure a sustainable future for the College and its learners and this aligns with the law governing the Education Administration Order process.

21. In order to safeguard the Kent Pension Fund's interests' officers will work closely with BDO to resolve the financial position of the Hadlow College LGPS fund and it is proposed that authority for making any decisions on this matter is delegated to the Corporate Director of Finance.
22. Officers will monitor the progress of the administration and report to the Board and Committee on any further developments.

PROPOSED OFFICER DELEGATIONS

23. From time to time KCC officers are required to provide authorisation to the Office of the General Counsel and Invicta Law in respect of property transactions and employer matters. Usually the timing available for these authorisations does not allow for these matters to be referred to the Committee for consideration and it is therefore proposed that in respect of certain matters authority is delegated to named officers as follows:
 - a) DTZ property transactions:– Pension Fund Business Partner (Nick Vickers) and in his absence Corporate Director of Finance (Zena Cooke) / Head of Finance (Policy, Planning & Strategy) (Dave Shipton) / Head of Finance (Operations) (Cath Head) / Revenue and Tax Strategy Manager (Simon Pleace)
 - b) Legal agreements re admission body arrangements:– Treasury and Investments Manager (Alison Mings) / Senior Accountant – Pension Fund (Steve Tagg) / Investments Accountant (Sangeeta Surana) / Pension Fund Business Partner (Nick Vickers)
 - c) Termination letters re returns of surplus up to £20k and notifications re deficits, as described in the actuary's reports:- Treasury and Investments Manager (Alison Mings) / Senior Accountant – Pension Fund (Steve Tagg) / Investments Accountant (Sangeeta Surana) / Pension Fund Business Partner (Nick Vickers).
 - d) As above, delegate authority on the Hadlow College matter to the Corporate Director of Finance.

CONSULTATIONS

Fair Deal – Strengthening pension protection

24. The Ministry of Housing, Communities & Local Government (MHCLG) ran a consultation from January to April 2019 called Fair Deal – Strengthening pension protection. Officers did not respond to the consultation on behalf of the Fund however we broadly welcome the proposals. As at the date of this report we have yet to be advised of the outcome.

25. The purpose of the Government's proposals is to strengthen pension protection on TUPE transfers, and they are in summary;
- a) The removal of a Broadly Equivalent alternative to the LGPS.
 - b) Deemed Employer status rather than entry via an admission agreement particularly for short term contracts. This should make contracts easier and cheaper to let as well as helping to manage the increasing number of employers in the LGPS which nationally are now at some 16,000.
 - c) Risk sharing between the letting authority and Deemed Employer to be included in commercial contracts on which the Scheme Advisory Board are expected to issue advice.
 - d) All employers, except Admission Bodies, Further Education Corporations, Colleges and Higher Education Corporations to be Fair Deal employers.
 - e) Commercial Contracts must state if LGPS membership to be via an admission agreement or the deemed employer route.

Changes to the Local Valuation Cycle and the Management of Employer Risk

26. MHCLG is presently running a consultation on changes to local valuation cycles and employer risk which closes on 31 July 2019. Both the Fund and employers are invited to respond. The main proposals are:
- a) Move to valuations on a 4-year quadrennial cycle starting with the 31 March 2024 valuation, and 2 proposals have been made for the transition;
 - the 31 March 2019 valuation to certify contribution rates for 5 years
 - the 31 March 2019 valuation to certify contribution rates for 3 years and have an additional valuation to certify rates for a further 2 years

The government favours the latter option.

- b) Introduction of interim valuations if required and strengthening the ability to amend employer contribution rates between valuations.
- c) Review the return of exit credits to an employer when they leave the LGPS, particularly in light of any risk sharing agreements between the exiting employer and the letting authority.

- d) Provide greater flexibility around the recovery of exit deficits where an employer leaves the fund including the concept of Deferred Employer Status which would allow an employer to continue to make contributions even when they have no active members left.
- e) Remove the requirement for Higher Education Corporations and Colleges to offer LGPS membership to new staff, although existing staff will continue to be eligible.

ACTUARY ISSUES

27. Barnett Waddingham have provided a briefing note which is attached and has been published on the Pension Fund website. The main issues are:

31 March 2019 triannual valuation

28. The 31 March 2019 valuation is currently underway, and the results are expected in the autumn and will be shared with employers. The valuation must be signed off by Barnett Waddingham on 31 March 2020 and the new employer contribution rates will apply from 1 April 2020.

Cost management in the LGPS.

29. The cost control mechanism was introduced following the Hutton review, with the aim of providing protection to taxpayers and employees against unexpected changes (expected to be increases) in pension costs.
30. There are two cost control mechanisms in place for the LGPS carried out by the Scheme Advisory Board (SAB) and the Treasury (HMT). The SAB test is first and gives early warnings although HMT has the final say.
31. The 2016 valuation was the first time the mechanism was utilised. Contrary to what was anticipated the cost of the LGPS is now estimated to be lower than it was previously on both mechanisms, based on the assumptions used. This means benefit improvements are required to bring the total cost back to target.
32. SAB have proposed the following benefit improvements to bring the LGPS cost back within the 2% corridor and does not then trigger the HMT cost cap mechanism;
- a) Removal of Tier 3 ill-health benefit with any eligible member receiving Tier 2 instead;
 - b) Introduction of a minimum death in service benefit of £75,000 – this is per member, not per employment; and
 - c) Enhanced early retirement factors for members active on 1 April 2019, applied to all service.

33. The net cost of these benefits is estimated to be an increase of 0.5% of pay.
34. The review also includes some recommendations around changes to employee contribution rates.

The McCloud Judgement

35. The McCloud judgement recently ruled that the transitional protections for older members built into the Judges' Pension Scheme when the scheme changed breached age discrimination rules (there was also a similar case in the Firefighters' Scheme).
36. The SAB has therefore considered it has no option but to pause its own cost management process pending the outcome of McCloud. They commissioned the Government Actuary Department to prepare an assessment of the potential impact on a LGPS scheme wide basis. We have received a copy of the report and Barnett Waddingham are discussing this with fund employers.

RECOMMENDATION

37. Members are asked to resolve to agree:
 - a) to the admission to the Kent County Council Superannuation Fund of Alliance in Partnership Ltd;
 - b) an updated agreement can be entered with YBC Cleaning Services Ltd;
 - c) the proposed officer delegations;
 - d) that the Chairman may sign the minutes relating to recommendations (a) to (c) at the end of today's meeting; and
 - e) that once legal agreements have been prepared for the admission matters the Kent County Council seal can be affixed to the legal documents.
38. Members are asked to note the update on Consultations and Actuary Issues.

Steven Tagg
Treasury and Investments
03000 416747