

By: Corporate Director of Finance
To: Pension Board – 26 February 2020
Subject: **FUND EMPLOYER MATTERS**
Classification: Unrestricted

Summary: To report on employer related matters.

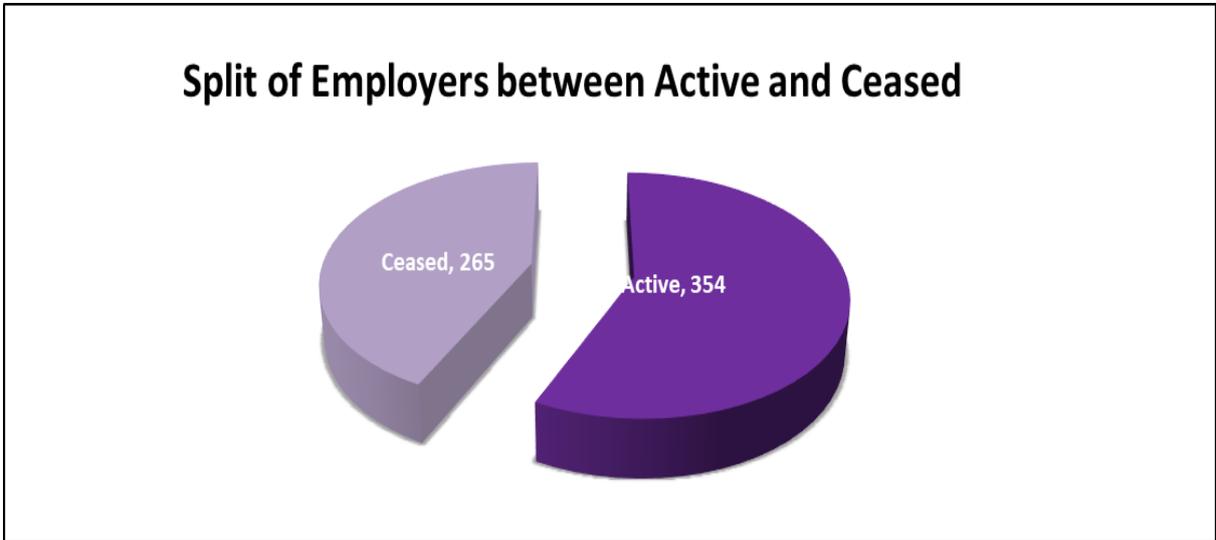
**FOR
INFORMATION**

INTRODUCTION

1. This report sets out information on employer matters, an update on the progress of the Hadlow College, West Kent & Ashford College educational administrations and employer admission matters.

EMPLOYER MATTERS

2. There was a total of 619 employers in the Kent Pension Fund at 31 December 2019, an increase of 1 from 30 September 2019.



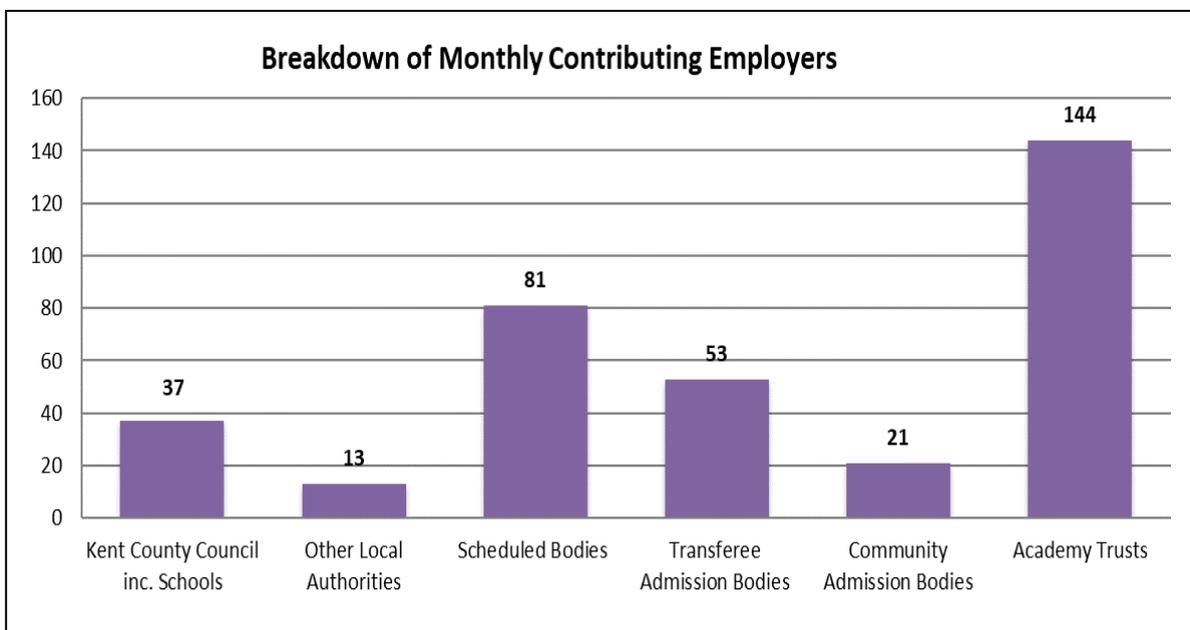
3. The number of active employers regularly paying contributions increased by 2 in the 3 months from the end of September, 2 employers ceased to have active members in the LGPS and 1 changed their payroll provider. The ceased employers no longer have active contributing members in the LGPS and the Fund has an existing or future liability to pay any pensions.

4. The following table lists employers who either joined or ceased to have active members in the Fund during the first 9 months of 2019-20. This includes backdated admission agreements.

New Employers	Effective date
Academy Trusts	
Deal Education Alliance for Learning Trust (DEALT)	1 April 2019
Connect Schools Academy Trust	1 July 2019
Admitted Bodies	
Sodexo Ltd (Oasis Community Learning)	1 September 2018
Compass Contract Services (UK) Ltd T/A Chartwells (re KCSP Primary Schools)	1 January 2019
Compass Contract Services (UK) Ltd T/A Chartwells (re KCSP Secondary Schools)	1 January 2019
Deep Beat Entertainment (re Strood Sports Centre)	1 February 2019
Deep Beat Entertainment (re Medway Park)	1 February 2019
PT Commercial Ltd T/A Ecocleen	1 April 2019
The Contract Dining Company Limited	1 July 2019
Compass Contract Services (UK) Ltd (T/A Chartwells Re Fortis Trust)	1 July 2019
Alliance in Partnership Limited	1 August 2019
Scheduled Bodies	
Swingate School	1 September 2019

Ceased / Merged to Trust Employers	Effective date
Academy Trusts	
Brent Primary School Academy	31 August 2019
Admitted Bodies	
Invicta Telecare T/A Centra Pulse	31 May 2019
Canterbury Archaeological Trust	31 August 2019
Churchill Contract Services (SJWMS)	31 August 2019
Compass Contract Services (UK) Ltd	31 August 2019
YBC Cleaning Services Limited	31 August 2019
Birkin Cleaning Services Limited	30 September 2019
Circle 33 Housing Ltd (Epic Trust)	31 October 2019

5. 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.

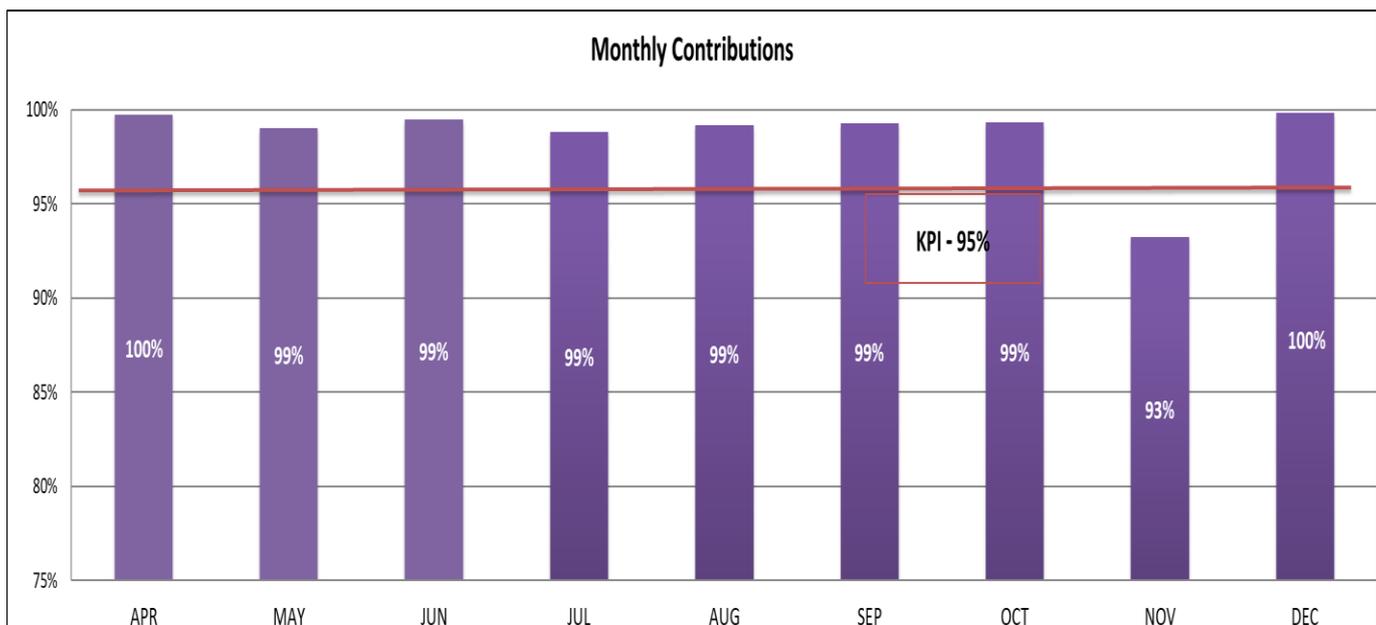


CONTRIBUTIONS FROM EMPLOYERS

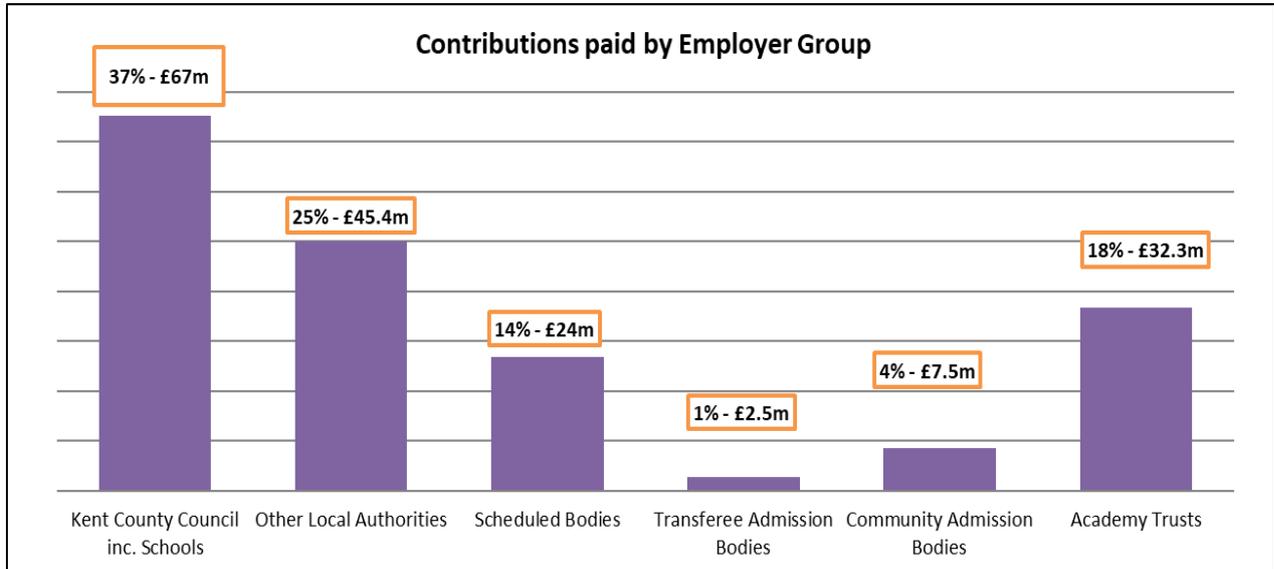
6. In the period April to December 2019-20 the Fund received £179m from employers in respect of their monthly contributions (employer and employee) as follows:

	Received Early	Cash on 19th	Received Late	Total
	£	£	£	£
April	10,379,146	9,614,534	49,875	20,043,555
May	11,946,710	7,666,890	190,115	19,803,715
June	12,711,002	7,416,605	107,620	20,235,227
July	11,666,419	7,860,946	228,515	19,755,880
August	13,209,586	6,267,578	163,482	19,640,646
September	11,782,559	7,789,521	139,747	19,711,827
October	12,515,457	7,292,194	136,652	19,943,303
November	11,583,924	7,085,807	1,353,591	20,023,322
December	11,435,818	8,816,867	26,232	20,278,917
Total	107,230,621	69,810,942	2,394,829	179,436,392

7. Employers are required to pay contributions to the Fund by the 19th of the month following and KCC monitors the timing of receipt of these contributions compared to a KPI of 95%. The chart shows that the KPI was exceeded in 8 of the 9 months. In November the actual percentage of contributions received on time fell to 93% due to Medway Council paying their October contributions a day late.



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



UPDATE ON THE ACTUARIAL VALUATION AND OTHER MATTERS

9. Barnett Waddingham are due to complete the valuation of the Fund as at 31 March 2019 by 31 March 2020. They have been invited to attend the Board meeting on 26 February to update the Board on the progress of the valuation, the impact of the McCloud judgement and other matters, and to answer questions from members.

2019 ACTUARIAL VALUATION RESULTS

10. The funding position as at 31 March 2019 has improved to 98% with a reduced deficit of £129m compared to the level at 31 March 2016 when the Fund was 89% funded with a deficit of £547m.
11. The higher funding level reflects strong investment returns over the intervening 3 years, higher contributions received than expected and a slowdown in longevity and pay increases.
12. This improvement should have reduced most employers' deficit recovery (secondary) contributions while the cost of future accrual (primary contributions) for employers has risen slightly. The Fund level primary rate based on payroll figures as at 31 March 2019 rises to 18.4% pa compared to the 2016 valuation of 14.9% pa. This increase is attributable to a number of prudent measures factored into the valuation for unknown outcomes such as McCloud, the cost cap mechanism and HM Government's own Section 13 review.
13. Barnett Waddingham presented draft results to the Kent Finance Officers meeting on 1 November and to the Superannuation Fund committee on 15 November 2019. They also presented at the Pension Fund employers forum on

3 December in Ashford where representatives from some 114 employers had an opportunity to ask questions. The presentation was filmed and is available for employers to view from the Kent Pension Fund website. Officers have communicated the valuation results to individual employers.

14. Barnett Waddingham are due to sign off the final valuation report by 31 March 2020 and submit it to central government. The report will also be published on the Kent Pension Fund website. The new employer contribution rates are effective from 1 April 2020.
15. The next valuation of the Fund is currently due as at 31 March 2022 although a recent government consultation proposed moving to 4 yearly (quadrennial) valuations to align with other public sector schemes. We await the outcome of the consultation.

HADLOW COLLEGE

16. Hadlow College went into Educational Administration on the 22 May 2019.
17. Barnett Waddingham have prepared an indicative cessation report as at 30 June 2019 which sets out a number of different scenarios depending on the arrangements agreed for the college staff going forward. We await confirmation as to which scenario is agreed although it is understood the long term funding scenario where a successor college or colleges take on the LGPS liabilities for the active, deferred and pensioner members is currently the preferred option.
18. The indicative cessation report will need to be updated taking account of the 31 March 2019 actuarial assumptions, final member data, updated cashflows and when the final date of cessation is known.
19. It is now proposed that the various Hadlow College campuses transfer to three successor colleges to facilitate the continued education of the students and the employment of the staff. Two of these colleges, East Kent College and North Kent College are already in the Kent Pension Fund and the third, Capel Manor College (CMC), is in the London Borough of Enfield Pension Fund.
20. BDO confirmed on 11 December 2019 that some 13 LGPS members of staff at the Hadlow College Mottingham Campus would transfer to CMC on 31 December 2019. Discussions are ongoing to ensure the continuing LGPS membership of the active staff when they transfer to CMC also taking into account the deferred and pensioner liabilities relating to the Mottingham campus. Barnett Waddingham have advised that the liabilities for the active, deferred and pensioner members should remain with the Kent Fund.
21. The Corporate Director of Finance has therefore agreed to the administrators, BDO, applying to the Secretary of State for Education for a Direction Order allowing CMC to be a Scheduled Body concurrently in the Kent Pension Fund and the London Borough of Enfield Pension Fund and this will need to have retrospective effect given the timescale involved.
22. It is now understood the transfers to East Kent College and North Kent College are scheduled for 31 March 2020.

WEST KENT AND ASHFORD COLLEGE

23. West Kent and Ashford College went into Educational Administration on 16 August 2019.
24. Barnett Waddingham have prepared an indicative cessation report as at 30 June 2019 which sets out a number of different scenarios depending on the arrangements agreed for the college staff going forward. We await confirmation as to which scenario is agreed although it is understood the long term funding scenario where a successor college or colleges take on the LGPS liabilities for the active, deferred and pensioner members is currently the preferred option.
25. The indicative cessation report will need to be updated taking account of the 31 March 2019 actuarial assumptions, final member data, updated cashflows and when the final date of cessation is known.
26. At this time we are awaiting confirmation of the arrangements for staff at West Kent and Ashford College.

EMPLOYER ADMISSION MATTERS

27. At their meeting on 15 November 2019 the Superannuation Fund Committee agreed, based on indicative estimates provided by Barnett Waddingham, that the Fund may return any surplus to two exiting employers, Canterbury Archaeological Trust and Invicta Telecare t/a Centra Pulse.
28. An updated cessation report prepared as at 31 August 2019 when Canterbury Archaeological Trust became an exiting employer, due to the departure of the last active LGPS member, showed a deficit of £12,000 primarily due to a lower actual discount rate than estimated as at the exit date and Officers are liaising with Canterbury Archaeological Trust regarding the payment of this deficit.
29. The cessation report for Invicta Telecare t/a Centra Pulse showed a £27,000 surplus which will be returned to them.
30. Committee also agreed we may amend the terms of the Amey Community Ltd admission agreement so it may be opened for two employees transferring from Kier Facility Services Ltd.

RECOMMENDATION

31. The Board is asked to note this report.

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