

By: Chairman Superannuation Fund Committee
Corporate Director of Finance

To: Superannuation Fund Committee – 13 March 2020

Subject: **Fund Employer Matters**

Classification: Unrestricted

Summary: To report on employer related matters.

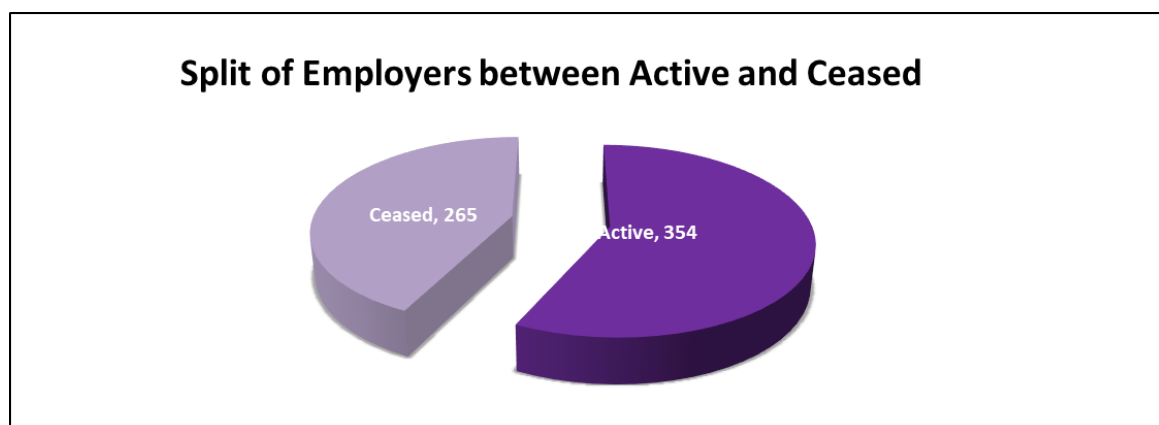
FOR DECISION

INTRODUCTION.

1. This report provides an employer update, sets out information on the 31 March 2019 valuation, an update on the impact of the McCloud judgement and updates on the progress of Hadlow College and West Kent and Ashford College in educational administration.
2. It also sets out information on organisations applying for admission to the Superannuation Fund, several exiting employers and amendments to existing admission agreements. The Committee's approval is sought to enter into these agreements.
3. The Committee is advised that the minutes are to be signed at the end of today's meeting to facilitate completion on the desired dates.

EMPLOYER UPDATE

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

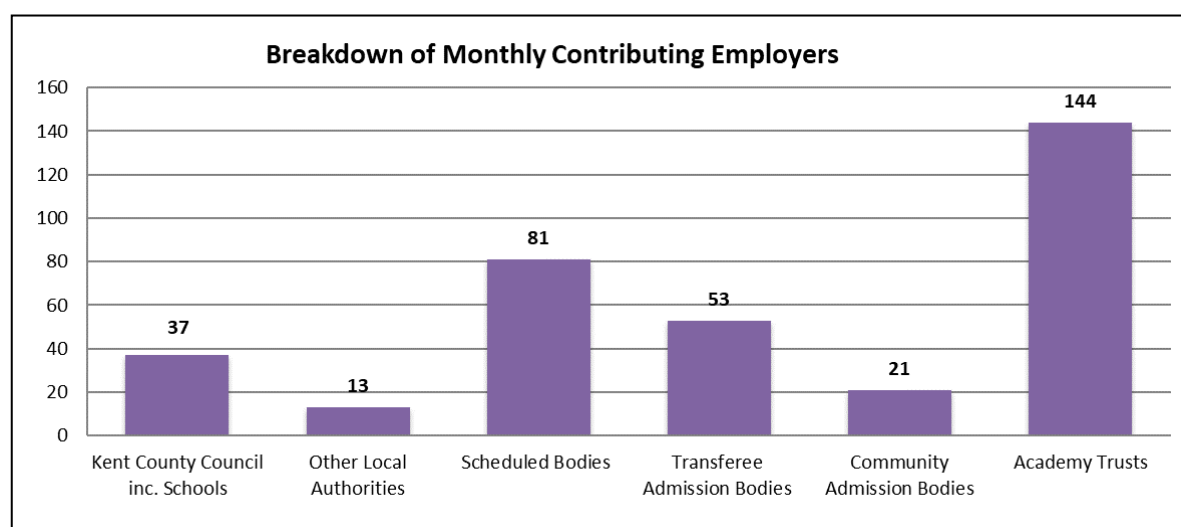


5. The number of active employers regularly paying contributions increased by 2 in the 3 months from the end of September, 2 employers ceased to have active members in the Local Government Pension Scheme (LGPS) and 1 changed their payroll provider to KCC Schools. The ceased employers no longer have active contributing members in the LGPS and the Fund has an existing or future liability to pay any pensions.
6. The following table lists employers which 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
<i>Academy Trusts</i>	
Deal Education Alliance for Learning Trust (DEALT)	1 April 2019
Connect Schools Academy Trust	1 July 2019
<i>Admitted Bodies</i>	
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
Tonbridge & Malling Leisure Trust (Limb C Members) splitting out members from the original admission	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
<i>Scheduled Bodies</i>	
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

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 several payroll providers.

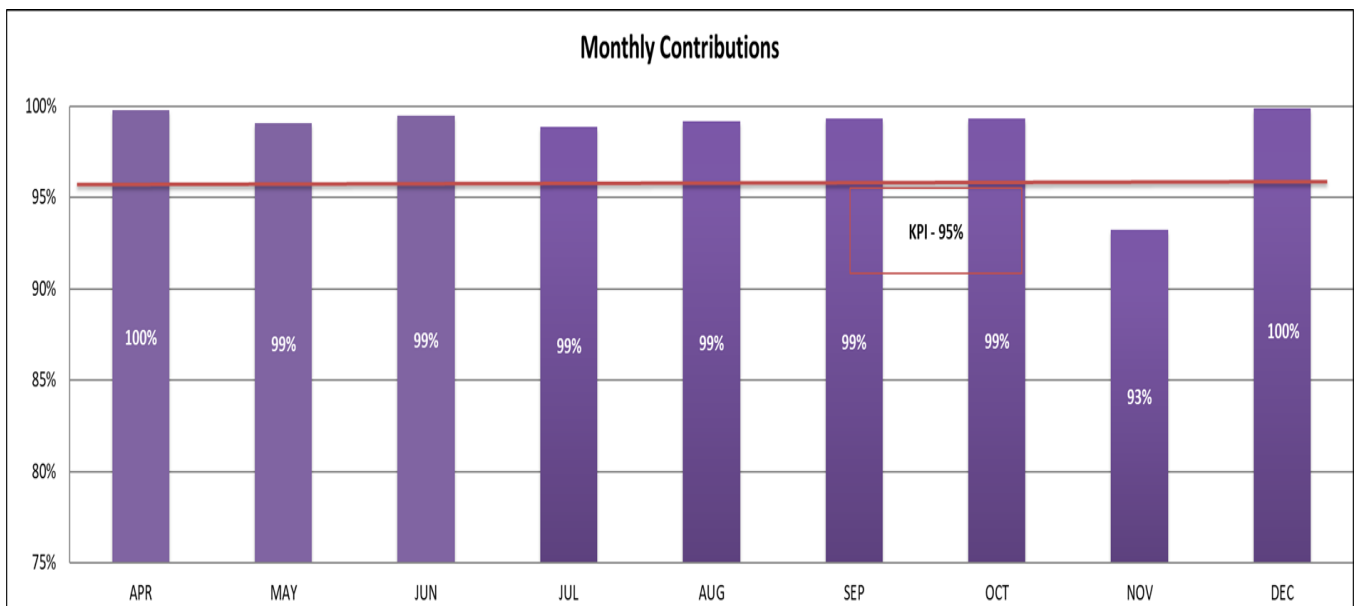


CONTRIBUTIONS FROM EMPLOYERS

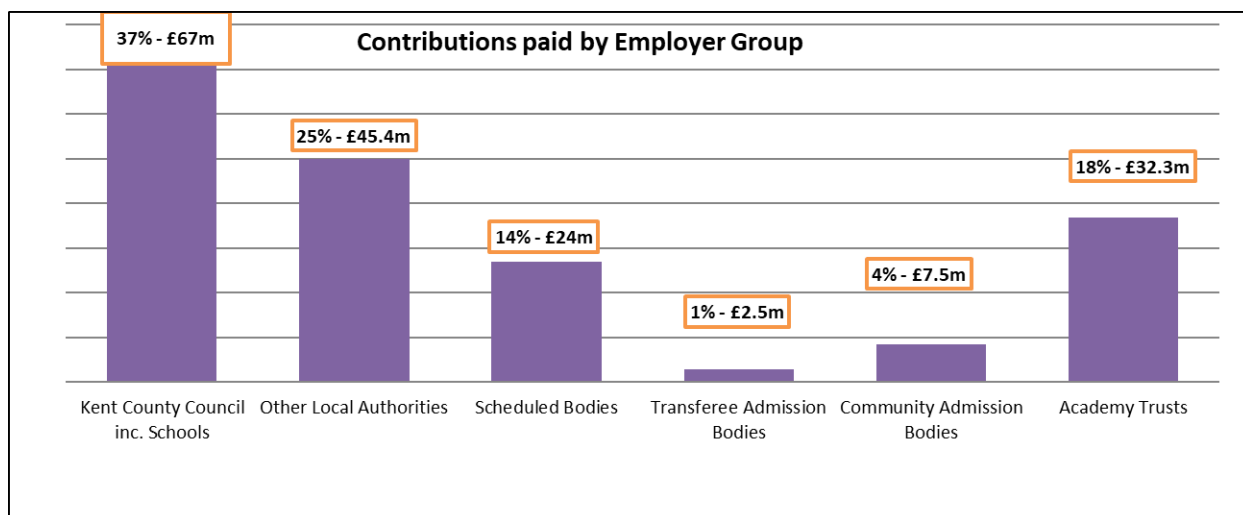
8. In the period April to December 2019 the Fund received £179m from employers in respect of their monthly contributions (employer and employee) as follows:

	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

9. KCC monitors the timing of receipt of these contributions compared to a KPI of 95%. The following chart shows that the KPI was exceeded in 8 of the 9 months. This is due to Medway Council paying their November contributions a day late.



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



31 MARCH 2019 TRIENNIAL VALUATION UPDATE

11. At their meeting on 15 November 2019 the Committee agreed the proposed actuarial assumptions following the presentation from Barnett Waddingham on the whole Fund valuation results.
12. Since then Barnett Waddingham have calculated employer results based on the revised discount rate and officers have been communicating these results to employers.
13. Barnett Waddingham presented the results at the Pension Fund employers forum on 3 December 2019 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.
14. Barnett Waddingham presented at the Pensions Board on 26 February 2020 and answered questions on a number of LGPS issues.
15. Barnett Waddingham are due to sign off the final valuation report by 31 March 2020 and submit it to central government. The report will then be published on the Kent Pension Fund website. The new employer contribution rates are effective from 1 April 2020.
16. 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 fit in with other public sector schemes. We await the outcome of the consultation.

McCLOUD JUDGEMENT UPDATE

17. The Scheme Advisory Board provided an update on 15 November 2019 and this attached at appendix 1

HADLOW COLLEGE

18. Hadlow College went into Educational Administration on 22 May 2019.
19. 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.
20. 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.
21. 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.
22. 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.
23. 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.
24. 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

25. West Kent and Ashford College went into Educational Administration on 16 August 2019.
26. 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.

27. 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.
28. At this point in time we are awaiting confirmation of the arrangements for staff at West Kent and Ashford College.

NEW ADMISSION BODIES

29. The following organisations have applied for admission to the Superannuation Fund in order to ensure the continuity of pension arrangements for staff.
30. The admission applications have been made under Schedule 2 Part 3 1(d) (i) of the LGPS Regulations 2013, as amended, and under this regulation the admitted body is required to provide a form of bond or indemnity.
31. The completed questionnaires and supporting documents provided by the applicants have been examined by Officers to ensure compliance with the LGPS Regulations, and Invicta Law have given favourable opinions.

Churchill Contract Services Ltd (re Thinking Schools Academy Trust)

32. Thinking Schools Academy Trust has awarded a 3-year contract with a possible 3-year extension for cleaning services from 1 September 2019. This involves the transfer of some 6 employees to Churchill Contract Services Ltd and a retrospective agreement will be put in place.
33. The Fund Actuary has assessed the employer contribution rate as 22.3% for a closed agreement and the bond for the first year as £12,000.

Busy Bee Cleaning Services Ltd t/a BBCS (re Stour Academy Trust)

34. Stour Academy Trust has awarded a 3-year contract with a possible 2-year extension for cleaning services from 31 March 2020. This involves the transfer of some 7 employees to Busy Bee Cleaning Services Ltd.
35. The Fund Actuary has assessed the employer contribution rate as 26.2% for a closed agreement and the bond for the first year as £26,000.

Purgo Supply Services Ltd (Re Leigh Academy Trust)

36. Leigh Academy Trust has awarded a 3-year contract with a possible 2-year extension for cleaning services from 1 August 2019. This involves the transfer of some 7 employees to Purgo Supply Services Ltd and a retrospective agreement will be put in place.

37. The Fund Actuary has assessed the employer contribution rate as 21.8% for a closed agreement and the bond for the first year as £13,000.

Independent Catering Management Ltd (Re Hillview School for Girls Academy)

38. Hillview School for Girls Academy has awarded a 3-year contract with a possible 2-year extension for catering services from 1 September 2019. This involves the transfer of some 5 employees to Independent Catering Management Ltd and a retrospective agreement will be put in place.
39. The Fund Actuary has assessed the employer contribution rate as 24.4% for a closed agreement and Bond as £52,000.

Wealden Leisure T/A Freedom Leisure Ltd

40. Ashford Borough Council has awarded a 15-year contract with a possible 5-year extension for leisure services from 1 April 2020. This involves the transfer of some 23 employees to Wealden Leisure t/a Freedom Leisure Ltd.
41. The Fund Actuary has assessed the employer contribution rate as 24.2% for a closed agreement.

AMENDMENTS TO ADMISSION AGREEMENTS

42. The following admission bodies have asked that their closed agreements be opened to allow staff transferring from other employers with existing LGPS entitlement, to remain in the scheme.

Skanska Construction (UK) Ltd

43. Skanska Construction (UK) Ltd is an admission body which joined the Kent Superannuation Fund on 1 November 2014 following a transfer of staff from Kent County Council.
44. On 21 January 2020 3 employees were transferred to Skanska from Kier Facilities Services Ltd, an admission body in the Fund.

Churchill Contract Services Ltd (Re Skanska)

45. Churchill Contract Services Ltd is an admission body which joined the Kent Superannuation Fund on 4 July 2016 following a transfer of staff from Kent County Council.
46. On 21 January 2020 some 5 employees were transferred to Churchill from Kier Facilities Services Ltd.

Pathways to Independence

47. Hope Kent Ltd is an admission body which joined the Fund on 14 November 1996.
48. On 24 January 2005 they closed their admission agreement and on 22 October 2013 they changed their name to Pathways to Independence Ltd.
49. From 15 April 2020 Pathways wish to amend the terms of their admission agreement, so it is open to those that they nominate to the administering authority in writing.

EXITING EMPLOYERS

50. The following employers are admission bodies and have become exiting employers in the Fund as the result of their last active employees leaving.
51. Cessation reports will be commissioned from the actuary now the 31 March 2019 actuarial assumptions have been finalised and it is proposed the Committee resolve to allow Officers to return a surplus, if any, in accordance with the LGPS (Amendment) Regulations 2020 and as per the actuary report.
52. **Kier Facilities Services Ltd** - on 21 January 2020 their active members were transferred to Skanska Construction (UK) Ltd and Churchill Contract Services Ltd (re Skanska).
53. **Circle care and Support Ltd** - as part of rationalising their participation in the LGPS, they have given notice to terminate their admission agreement with effect from 31 October 2019. Staff joined the Norfolk Fund on 1 November 2019 so their LGPS membership can continue.
54. **Birkin Cleaning Services Ltd** - as their commercial contract ended on 31 August 2019 they have become an exiting employer. The staff will be transferring to the new contractor which will be applying to join the Fund.
55. **YBC Cleaning Services Ltd** - as their commercial contracted ended on 31 August 2019 they have become an exiting employer. The staff will be transferring to the new contractor which will be applying to join the Fund.
56. **Compass Contract Services (UK) Ltd** - as their contract ended on 31 August 2019, they will become an exiting employer. The staff will be transferring to a new contractor which will be applying to join the Fund.

RECOMMENDATION

57. Members are asked to note the employers report, the update on the 31 March 2019 valuation, the update on McCloud and the update on Hadlow, West Kent and Ashford Colleges, and to resolve to agree:
- (a) to the admission to the Kent County Council Superannuation Fund of Churchill Contract Services Ltd (re Thinking Schools Trust),
 - (b) to the admission to the Kent County Council Superannuation Fund of Busy Bee Cleaning Services Ltd (re Stour Academy Trust);
 - (c) to the admission to the Kent County Council Superannuation Fund of Purgo Supply Services Ltd (re Leigh Academy Trust);
 - (d) to the admission to the Kent County Council Superannuation Fund of Independent Catering Management Ltd (re Hillview Schools for Girls Academy);
 - (e) to the admission to the Kent County Council Superannuation Fund of Wealden Leisure t/a Freedom Leisure;

Amendments to admission agreements

- (f) to open the Skanska Construction (UK) Ltd admission agreement for the staff transferring to them from Kier Facilities Services Ltd;
- (g) to open the Churchill Contract Services Ltd (re Skanska) admission agreement for the staff transferring to them from Kier Facilities Services Ltd;
- (h) to open the Pathways to Independence Ltd admission agreement for staff nominated to the Fund in writing;

Exiting employers

- (i) that officers may return a surplus, if any, having regard to any relevant considerations and the LGPS (Amendment) Regulations 2020 to: -

Kier Facilities Services Ltd

Circle Care and Support Ltd

Birkin Cleaning Services Ltd

YBC Cleaning Services Ltd

Compass Contract Services Ltd

- (j) that the Chairman may sign the minutes relating to recommendations (a) to (i) at the end of today's meeting; and
- (k) that once legal agreements have been prepared for these matters the Kent County Council seal can be affixed to the legal documents.

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