

By: Chairman Superannuation Fund Committee  
Corporate Director of Finance

To: Superannuation Fund Committee – 4 September 2020

Subject: **Fund Employer and Governance Matters**

Classification: Unrestricted

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Summary: To report on employer and governance matters.

**FOR DECISION**

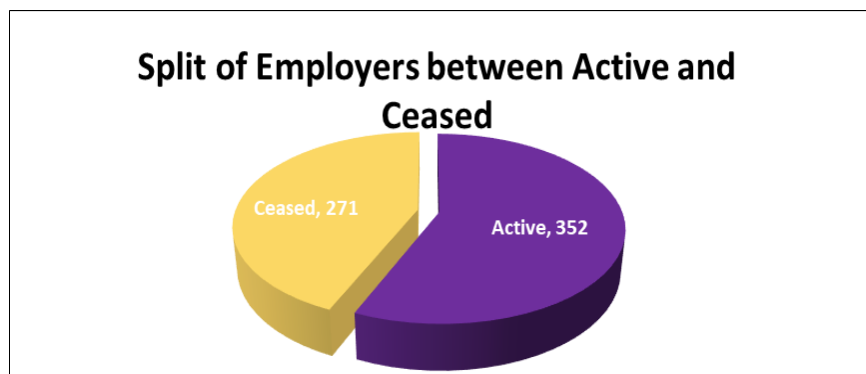
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**INTRODUCTION**

1. This report sets out information on employer related matters as well as an update on the McCloud judgement, the £95,000 cap on exit payments in the public sector, progress on the administration of Hadlow College, West Kent and Ashford College and an application from an organisation for admission to the Superannuation Fund. The Committee's approval is sought to enter into this agreement. It also reports on four exiting employers.
2. The Committee is advised that the minutes for this item are to be signed at the end of today's meeting.

**EMPLOYER UPDATE**

3. There was a total of 623 employers in the Kent Pension Fund at 30 June 2020, no change from 31 March 2020.



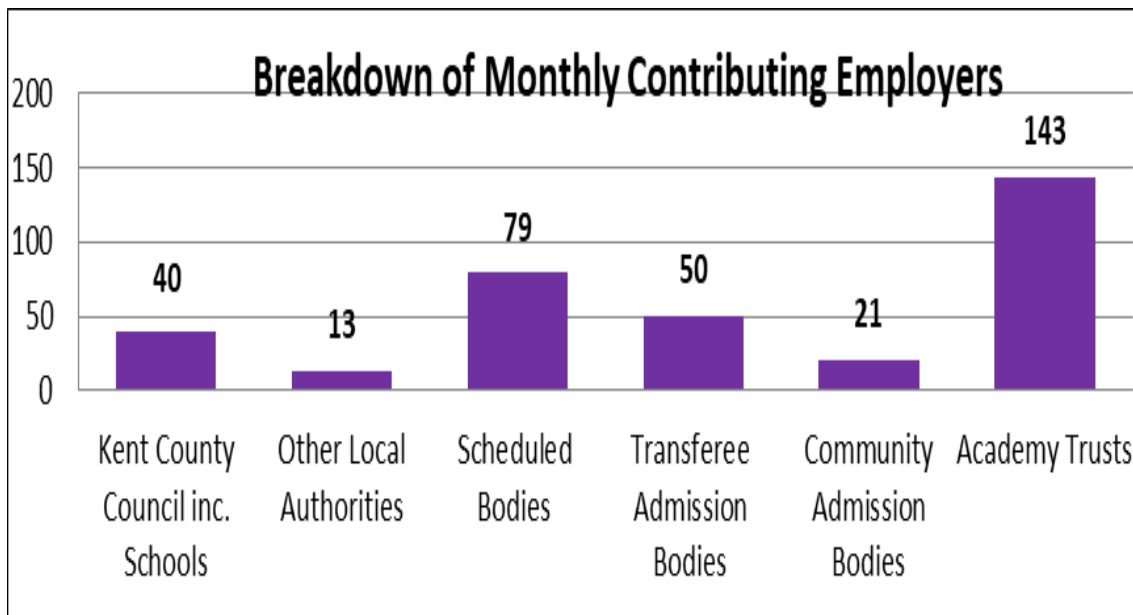
4. The number of active employers regularly paying contributions decreased by 4 in the 3 months from the end of March, 3 employers ceased to have active members in the Local Government Pension Scheme (LGPS) and 1 changed their payroll from in house to KCC schools. The ceased employers no longer

have active contributing members in the LGPS and the Fund has an existing or future liability to pay any pensions.

5. The following table lists employers who ceased to have active members in the Fund during the first 3 months of 20-21.

Ceased	Effective date
<b>Admission Bodies</b>	
Sopra Steria Limited	31 March 2020
<b>Scheduled Bodies</b>	
Gen2 Property Limited	02 April 2020
Eythorne Parish Council	20 April 2020

6. The following chart shows the Employers from whom the Fund receives monthly contributions by Employer Group. Note the KCC figures reflect the council's and schools' relationships with several payroll providers.

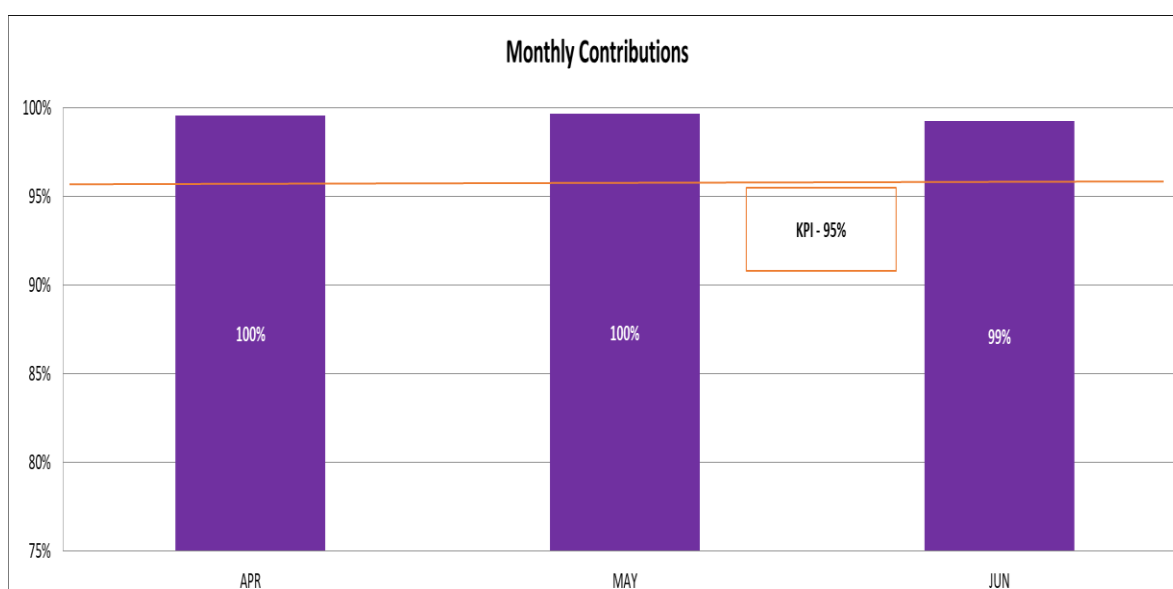


### **CONTRIBUTIONS FROM EMPLOYERS**

7. In the first 3 months of 2020-21 the Fund received £62.7m from employers in respect of their monthly contributions (employer and employee) as follows:

	Received Early	Cash on 19th	Received Late	Total
	£	£	£	£
April	14,994,163	6,003,509	92,977	21,090,649
May	12,089,398	8,523,449	64,359	20,677,206
June	10,733,126	10,084,330	152,719	20,970,175
<b>Total</b>	<b>37,816,687</b>	<b>24,611,288</b>	<b>310,055</b>	<b>62,738,030</b>

8. 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 all 3 months.
9. The following chart shows the proportion paid by KCC and other employers of contributions received.



### **MCCLLOUD JUDGEMENT UPDATE - PROPOSED REMEDY**

10. On 16 July 2020 the Government issued the anticipated consultation on the remedy of age discrimination cases, known as McCloud and Sargeant, which came about as a result of the transitional protections adopted as part of the public service pension scheme reforms in 2014 and 2015.
11. The deadline for responses to the consultation is 8 October 2020.
12. The remedy proposes that the transitional underpin protections will extend to all members active on 31 March 2012 and who have accrued benefits since 1 April 2014 in the career average (CARE) scheme and amends how the underpin works.
13. Members will get the higher amount of pension accrued under either the 2014 Scheme (CARE) or that would have been accrued under the 2008 Scheme

(final salary) in the underpin period while retaining the final salary link into the future.

14. From 1 April 2022, all members will accrue benefits in the 2014 Scheme and there will be no underpin applied to membership from that date.
15. Administration of the extension of the underpin is going to be onerous for Kent as the administering authority, requiring exercises in communications, data collection and options to amalgamate memberships. It will also require the review of records going back to 1 April 2014 and for many members the underpin will need to be calculated twice.
16. There will be an impact on funding and contributions. At whole fund level this should be relatively small, although there could be a larger impact on some (generally smaller and/or less mature) employers.
17. The Government also announced the unpausing of the 2016 cost cap process, which will now take into account McCloud, although this could lead to even further benefit changes.
18. Barnett Waddingham have produced the briefing note at appendix 1. As they allowed for the cost of McCloud in the valuation, they do not intend to revisit the 2019 valuation results and any employer contributions. However, there may be some employers that they will want to look at more closely.
19. They do not believe that accounting reports need to be revised either as their approach, based on analysis by the Government Actuary's Department (GAD), closely replicates the proposed remedy.
20. This issue has been added to the Pension Fund Risk Register given the potential impact on the administration.
21. We will be responding to the consultation taking account of the Barnett Waddingham response and this will be shared at the next meetings of the Committee and Pension Board.

#### **£95,000 CAP ON EXIT PAYMENTS IN THE PUBLIC SECTOR INCLUDING EARLY RETIREMENT PAYMENTS**

22. The government published a consultation on 10 April 2019 seeking views on regulations implementing a £95,000 cap on exit payments in the public sector. The consultation closed on 3 July 2019 having received around 600 responses including from the Council.
23. The Government published its response to the consultation on 21 July 2020 and amending regulations are now expected although the date of the change is yet unknown.

24. In their response the government expressed its view that the cap of £95,000 will apply to the aggregate sum of payments related to exit including employer-funded early retirement payments as these are ultimately funded by the taxpayer.
25. The intention is to implement the cap in one stage across the public sector as soon as possible, with few exceptions, and pension schemes will be expected to be amended to reflect the introduction of the cap.
26. For the Kent LGPS it is expected this change will require more administrative resource and give employers new challenges as they seek to manage their workforce, particularly as the effective date becomes clear.
27. The £95,000 exit cap has been added to the Pension Fund Risk Register.
28. A further update will be given to Committee and the Pension Board when more information is available.

### **HADLOW COLLEGE**

29. Since the last report we have responded to the consultation on Capel Manor College (CMC) joining the Kent Pension Fund as well as remaining in the London Borough of Enfield, and the Secretary of State Direction Order was issued on 24 July 2020. This now allows CMC to participate in the Kent Pension Fund from 1 January 2020, taking an agreed share of the active, deferred and pensioner liabilities of Hadlow College, as calculated by Barnett Waddingham.
30. As previously reported, some LGPS members transferred to East Kent College on 1 April 2020 and since then, on 15 August, some of the active LGPS members transferred to North Kent College. Both colleges have taken a share of deferred and pensioner member liabilities.

### **WEST KENT AND ASHFORD COLLEGE**

31. As previously reported, on 1 April 2020 some of the active LGPS members transferred to East Kent College and on 15 August some of the active LGPS members transferred to North Kent College. Both colleges have taken a share of deferred and pensioner member liabilities.

### **NEW ADMISSION**

#### **Churchill Contract Services Ltd (Churchill) re Lordswood School**

32. Medway Council awarded a 3-year contract for cleaning services from 1 August 2014 which was extended for a further 3 years to 31 July 2020. The contract has been extended again to 31 July 2021 and involved the transfer of two employees to Churchill.

33. Officers have only recently been made aware of this contract and the need for the admission. The delayed application was an oversight on the part of Churchill and officers have reported the matter to the Pensions Regulator. The regulator has responded saying they do not propose to take any action at this time as they understand this matter is being resolved.
34. Churchill has therefore made a retrospective application for admission to the Superannuation Fund from 1 August 2014 to ensure the continuity of pension arrangements for staff.
35. The admission application has 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.
36. The completed questionnaire and supporting documents provided by the applicant has been examined by Officers to ensure compliance with the LGPS Regulations, and Invicta Law have given a favourable opinion.
37. The Fund Actuary has assessed the employer contribution rate as 28.3% for a closed agreement, and currently arrears of £14,000 are due from Churchill in respect of employee and employer contributions for the period 1 August 2014 to 31 March 2020, which will be paid within 28 days of completing the admission agreement. The level of the bond has been set at £6,000 for the first year following completing the admission agreement.

## **EXITING EMPLOYERS**

38. The following employers have become exiting employers in the Fund as the result of their last active employees leaving, and cessation reports will be commissioned from Barnett Waddingham.
39. **Ashford Leisure Trust** - on 1 September 2020 the employees transferred to Wealden Leisure t/a Freedom Leisure whose application to join the Fund was agreed by Committee at their meeting on 13 March 2020.
40. **Sopra Steria Ltd** - as their contract ended on 31 March 2020, they have become an exiting employer. The staff have been transferring back to Folkestone and Hythe District Council.
41. **East Kent Housing (EKH)** - on 30 September 2020 EKH will be disbanded and the employees will transfer to the local authorities involved, being Canterbury City Council, Dover District Council, Folkestone & Hythe District Council and Shepway District Council. It is understood these local authorities will be responsible for any LGPS deficit or surplus.
42. **GEN2 Property Limited** - on 2 April 2020 staff were transferred back to KCC so GEN2 became an exiting employer. It is understood KCC will be responsible for any LGPS deficit or surplus.

## **RECOMMENDATION**

43. Members are asked to note the employer report and the updates on McCloud, the £95,000 exit cap, Hadlow College, 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 Lordswood School

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

Ashford Leisure Trust

Sopra Steria Ltd

East Kent Housing (EKH)

GEN2 Property Ltd

c) that the Chairman may sign the minute relating to recommendation (a) to (b) at the end of today's meeting; and

d) 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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