

From: Acting Business Partner – Kent Pension Fund  
Corporate Director of Finance

To: Pension Board – 15 October 2020

Subject: Fund Employer and Governance Matters

Classification: Unrestricted

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**Summary:**

This report provides information on Fund employers, legislation changes and consultations as well as an update on changes to colleges and admission matters.

**Recommendation:**

**The Board is recommended to note the report**

**FOR INFORMATION**

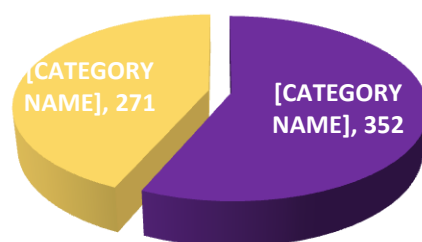
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**1. Introduction**

- 1.1 This report provides information on employers for the 3 months April to June 2020 as well as the consultation on the impact of the McCloud judgement and the £95k exit cap.
- 1.2 It also provides an update on progress made with the educational administration of Hadlow College, West Kent and Ashford College and employer admission matters.

**2. Employer update**

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

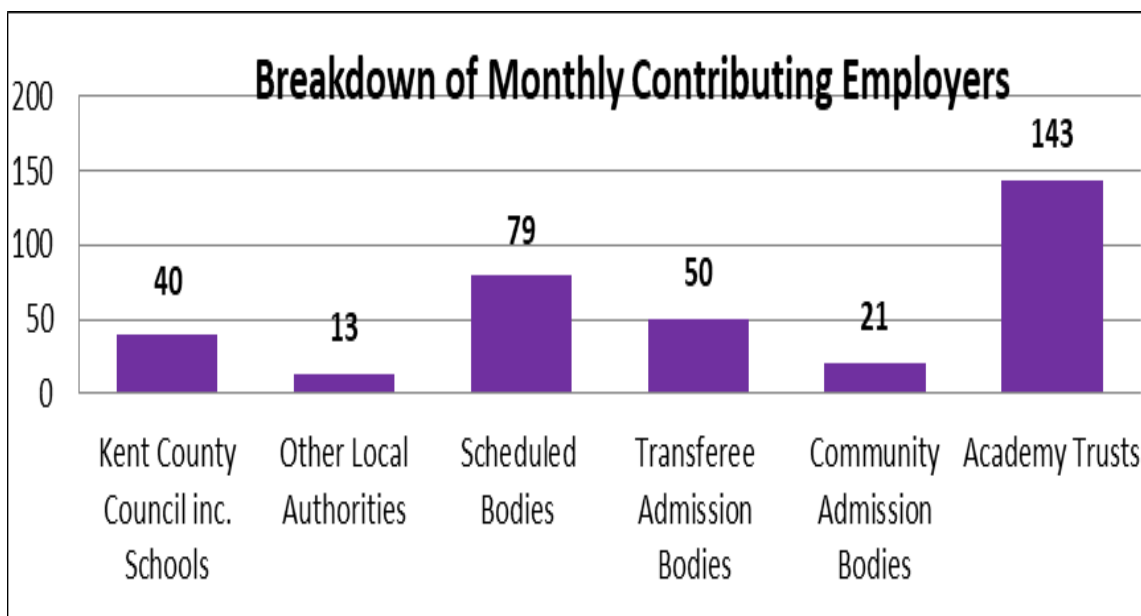
**Split of Employers between Active and Ceased**

2.2 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.

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

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

2.4 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.

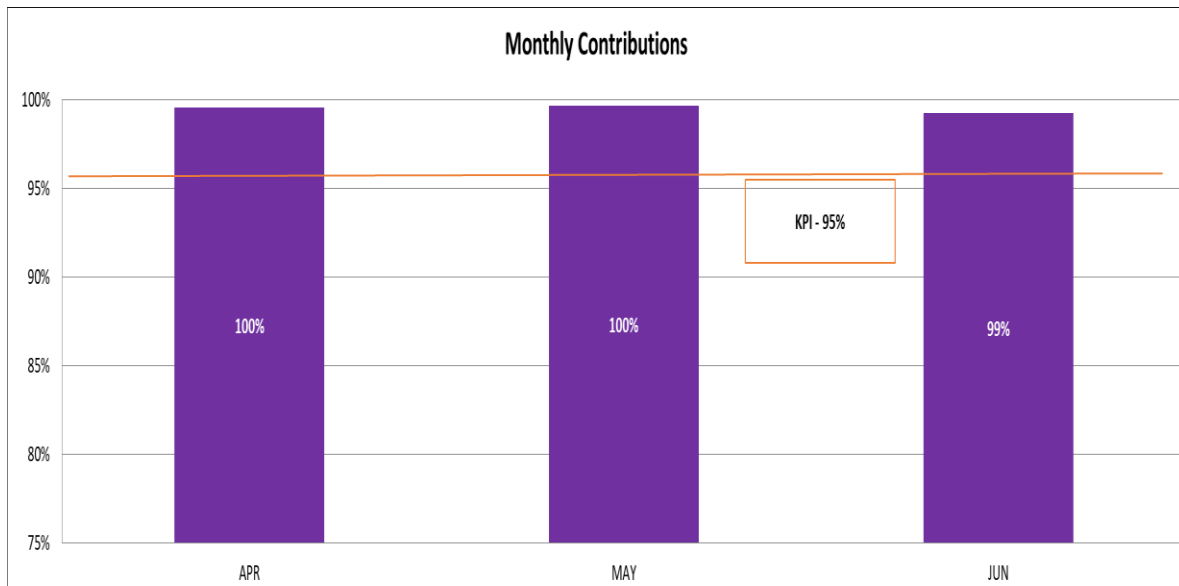


### 3. Contributions from employers

3.1 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>

3.2 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.



#### 4. McCloud judgement update - proposed remedy

- 4.1 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.
- 4.2 The deadline for responses to the consultation was 8 October 2020.
- 4.3 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.
- 4.4 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.
- 4.5 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.

- 4.6 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.
- 4.7 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.
- 4.8 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.
- 4.9 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.
- 4.10 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.
- 4.11 We have responded to the consultation and a copy of the consultation and our response is attached at appendix 2.
- 4.12 This issue has been added to the Pension Fund Risk Register given the potential impact on the administration.

## **5. £95,000 cap on exit payments in the public sector including early retirement payments**

- 5.1 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.
- 5.2 The Government published its response to the consultation on 21 July 2020 and The Restriction of Public Sector Exit Payments Regulations 2020 have been approved by Parliament although not yet signed. It is understood the regulations will be effective 21 days after signature.
- 5.3 In their response to the consultation 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.

- 5.6 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.
- 5.7 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.
- 5.8 On 7 September 2020 the government issued another consultation which seeks views on proposed changes to the LGPS, and compensation regulations in England and Wales to introduce the exit payment cap and further reform of exit payments.
- 5.9 Employers are being encouraged to respond to this consultation which closes on the 9 November 2020.
- 5.10 The £95,000 exit cap has been added to the Pension Fund Risk Register.
- 5.11 A further update will be given to Committee and the Pension Board when more information is available.

## **6. Deferred employers**

- 6.1 The Local Government Pension Scheme Regulations 2013 have been amended from 23 September 2020 to include reference to deferred employers.
- 6.2 Regulation 64 has been amended to enable an administering authority and a Scheme employer to agree to defer exit payments in return for an ongoing commitment to meet their existing liabilities in a deferred debt agreement.
- 6.3 A new regulation 64A has been added to enable an administering authority to obtain a revised rates and adjustments certificate to show changes to Scheme employer contributions.
- 6.4 Regulation 64B has been inserted to enable administering authorities to offer employers exiting the LGPS the option of spread exit payments by obtaining a revised rates and adjustments certificate setting out the proportion of the exit payments that is to be paid in each year after exit, over a period to be determined by the administering authority with agreement from Barnett Waddingham.
- 6.5 Such an employer will be known as a deferred employer.

## **7. Hadlow College**

- 7.1 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.

- 7.2 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.

## **8. West Kent and Ashford College**

- 8.1 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.

## **9. Employer admission matters**

- 9.1 At their meeting on 4 September 2020 the Committee agreed to the admission of Churchill Contract Services (re Lordswood School).
- 9.2 The Committee also agreed re the following exiting employers 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) and GEN2 Property Ltd.

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**October 2020**

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