

**From:** Chairman – Kent Pension Board  
Corporate Director of Finance

**To:** Kent Pension Board – 1 September 2021

**Subject:** Fund Employer and Governance Matters

**Classification:** Unrestricted

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**Summary:**

This report provides an update on Fund employers, the Funding Strategy Statement (FSS), the McCloud remedy, 2 government consultations and admission matters.

**Recommendation:**

The Board is recommended to note the report.

**FOR INFORMATION**

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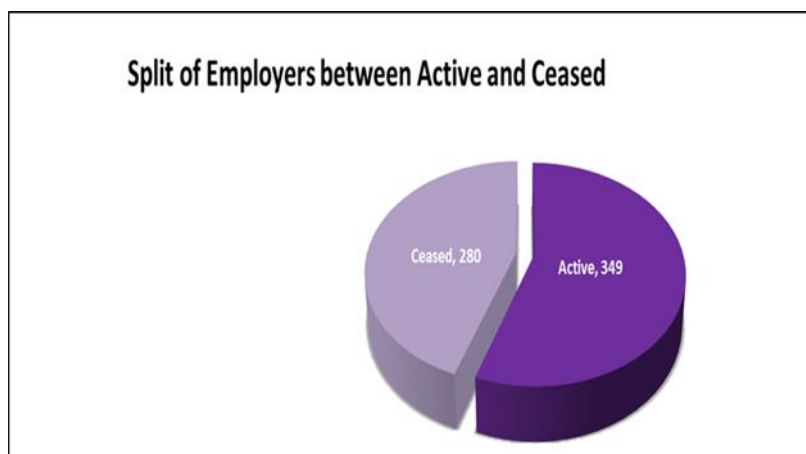
**1 Introduction**

1.1 This report sets out information on employer related matters for the year ended 31 March 2021 and for the 3 months to 30 June 2021. It also provides an update on the McCloud remedy and the Fund's Funding Strategy Statement (FSS) and associated Fund policies, 2 government consultations and admission matters.

**2 Fund Employer update**

**12 months to 31 March 2021**

2.1 There was a total of 629 employers in the Kent Pension Fund on 31 March 2021, up 6 from 31 March 2020.



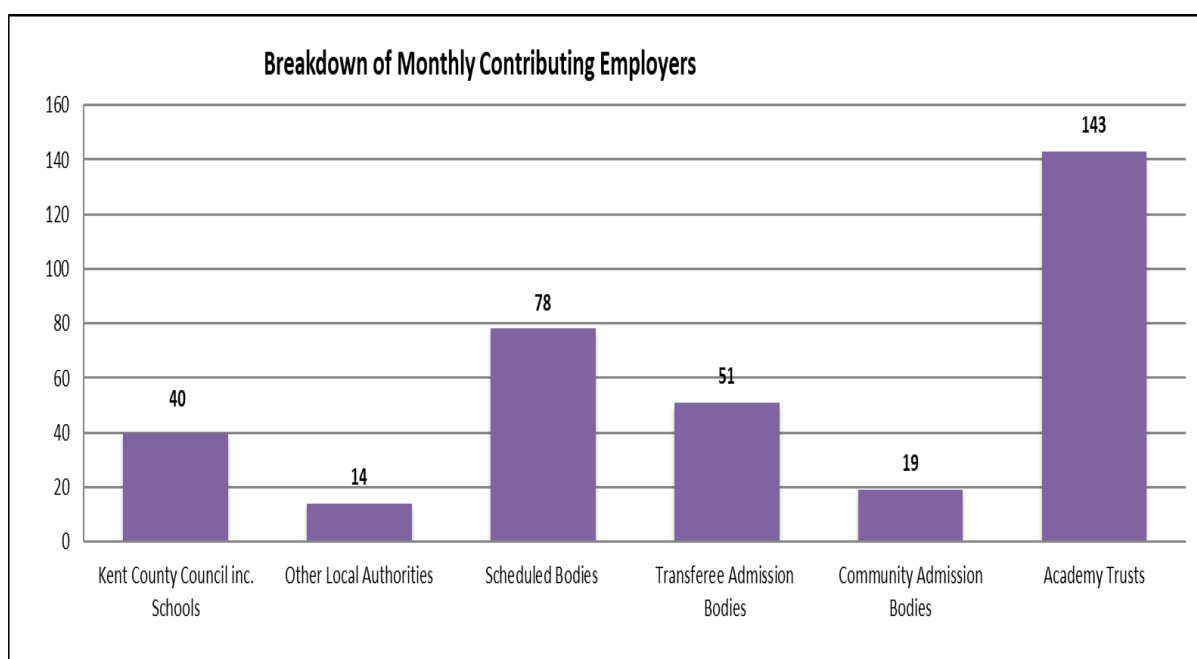
- 2.2 The number of active employers regularly paying contributions increased by 8 in the 12 months to the end of March 2021 and 11 employers ceased to have active members in the Local Government Pension Scheme (LGPS). The ceased employers no longer have active contributing members in the LGPS and the Fund has an existing or future liability to pay any pensions
- 2.3 The following table lists employers who joined the Fund as well as those who ceased to have active members in the Fund during the 12 months from 1 April 2020 to 31 March 2021.

<b>New Employers</b>	<b>Effective date</b>
<b><i>Admission Bodies</i></b>	
Independent Catering Management Ltd	1 September 2019 (backdated admission)
Exclusive Contract Services Ltd	1 April 2019 (backdated admission)
Busy Bee Cleaning Services Ltd	1 April 2020 (backdated admission)
Wealden Leisure Ltd T/A Freedom Leisure Ltd	1 September 2020
<b><i>Scheduled Bodies</i></b>	
Capel Manor College	1 January 2020 (backdated Order)
<b><i>Academy Trusts</i></b>	
Alternative Learning Trust	1 September 2020

<b>Ceased / Merged to Trust Employers</b>	<b>Effective date</b>
<b><i>Admission Bodies</i></b>	
Sopra Steria Ltd	31 March 2020
Cater Link Ltd (re KCC Schools)	30 April 2020
Ashford Leisure Trust Ltd	31 August 2020
Cater Link Ltd (re Rivermead Academy Trust)	31 October 2020
Westgate Community Trust (Canterbury) Ltd	30 November 2020
Invicta Telecare Ltd	31 December 2020
Hyde Housing Association Ltd	30 March 2021

<b>Scheduled Bodies</b>	
Gen2 Property Ltd	02 April 2020
West Kent and Ashford College	31 August 2020
Hadlow College	30 September 2020
East Kent Housing	31 October 2020
<b>Academy Change of Trust</b>	
Barnsole Primary Trust	31 August 2020

2.4 The following table shows 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.

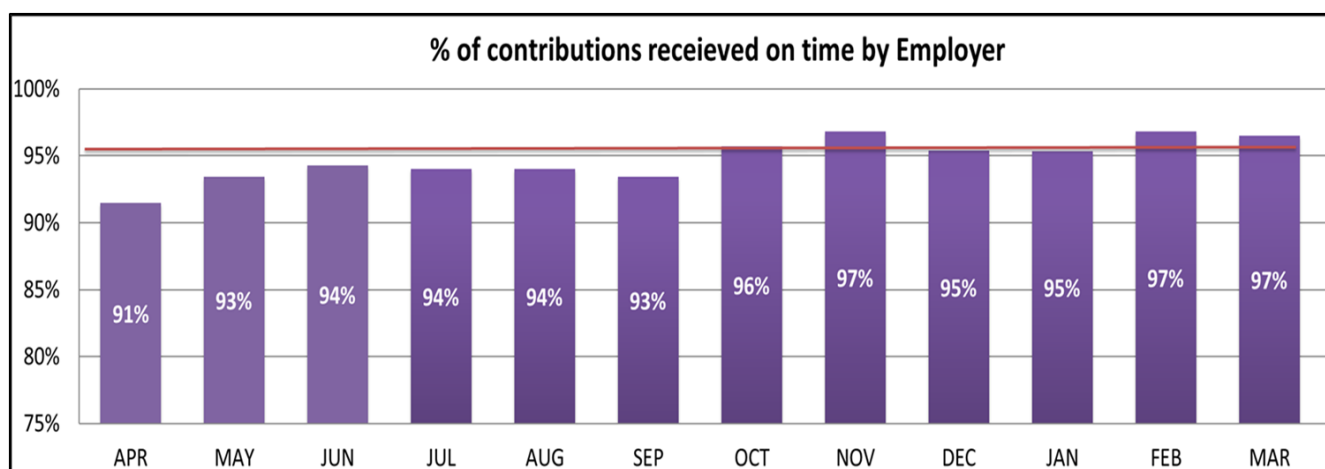
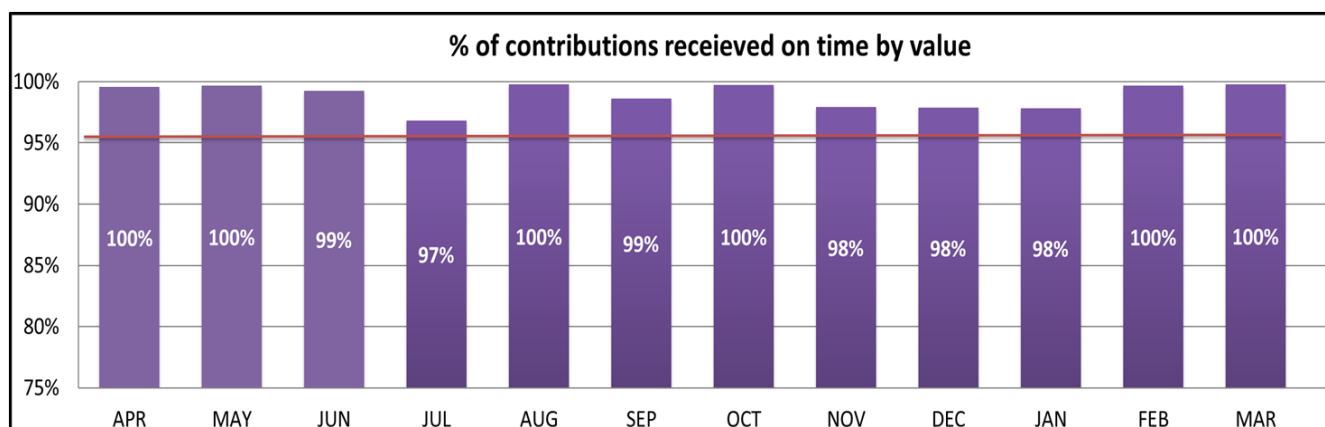


2.5 In the 12 months to March 2021 the Fund received £253.3m from employers in respect of their monthly contributions (employer and employee) as follows:

	<b>Received Early</b>	<b>Cash on 19th</b>	<b>Received Late</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
April	14,986,557	6,003,509	94,242	21,084,308
May	12,087,600	8,526,323	65,637	20,679,561
June	10,734,744	10,063,671	154,205	20,952,620
July	11,802,883	8,317,987	658,617	20,779,487
August	11,302,505	9,226,961	49,412	20,578,879
September	12,371,715	8,514,763	295,063	21,181,541
October	13,394,404	7,754,965	61,983	21,211,352

November	12,664,606	8,223,104	443,122	21,330,833
December	12,870,865	8,314,374	460,221	21,645,460
January	12,126,898	8,639,274	463,079	21,229,252
February	13,327,126	7,850,069	73,000	21,250,195
March	12,554,225	8,795,011	44,051	21,393,287
<b>Total</b>	<b>150,224,130</b>	<b>100,230,014</b>	<b>2,862,632</b>	<b>253,316,776</b>

2.6 KCC monitors the receipt of these contributions and the following two charts show the % of employer contributions received on time by two different measures; by value and by number of employers.



2.7 We have a KPI of 95% for % of contributions received on time by value and this was achieved throughout 2020-21. We also have a KPI of 95% for % of contributions received on time by employer. This was not achieved in the early part of the year as many employers had still to adjust their processes to take account of the impact of the pandemic. During the 2<sup>nd</sup> 6 months of 2020-21 the KPI was achieved in all months.

2.8 We continue to monitor Fund employers and are aware leisure centres, for example, have found the pandemic particularly difficult. 4 employers have been persistently late or non-payers. Officers are in touch with the contributing employers as well as with the scheme employers and actuary concerning

arrangements for payment of the contributions. These issues have also been followed up with the Pensions Regulator.

### 3 months ended 30 June 2021

2.9 The number of ceased employers in the Fund increased by 3 in the 3 months to the end of June 2021 bringing the total number of employers in the Fund up to 632.

2.10 The following table lists employers who joined the Fund as well as those who ceased to have active members in the Fund during the 3 months to 30 June 2021.

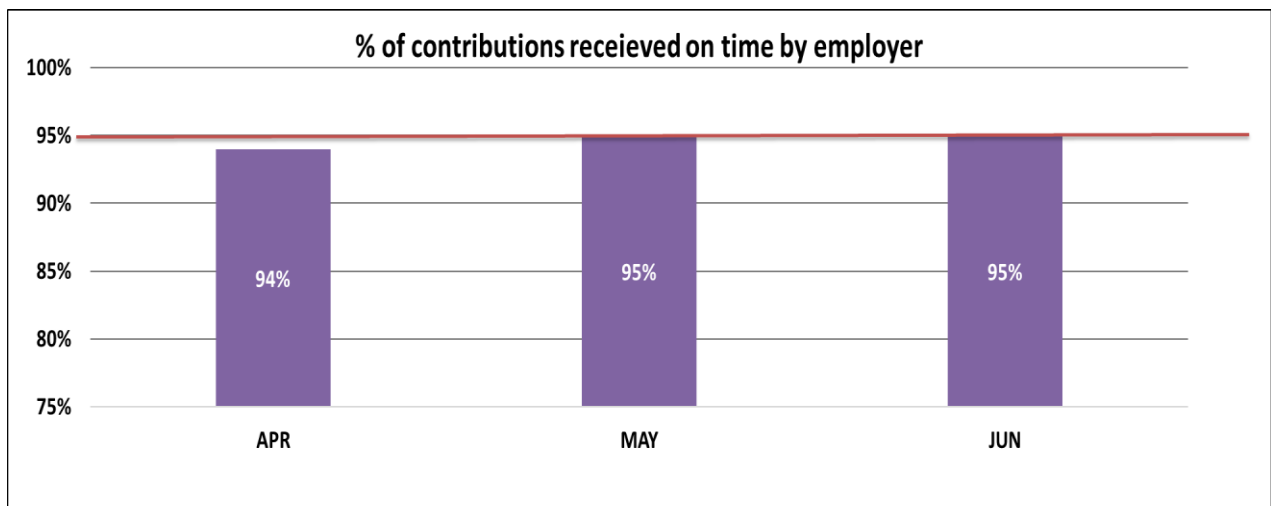
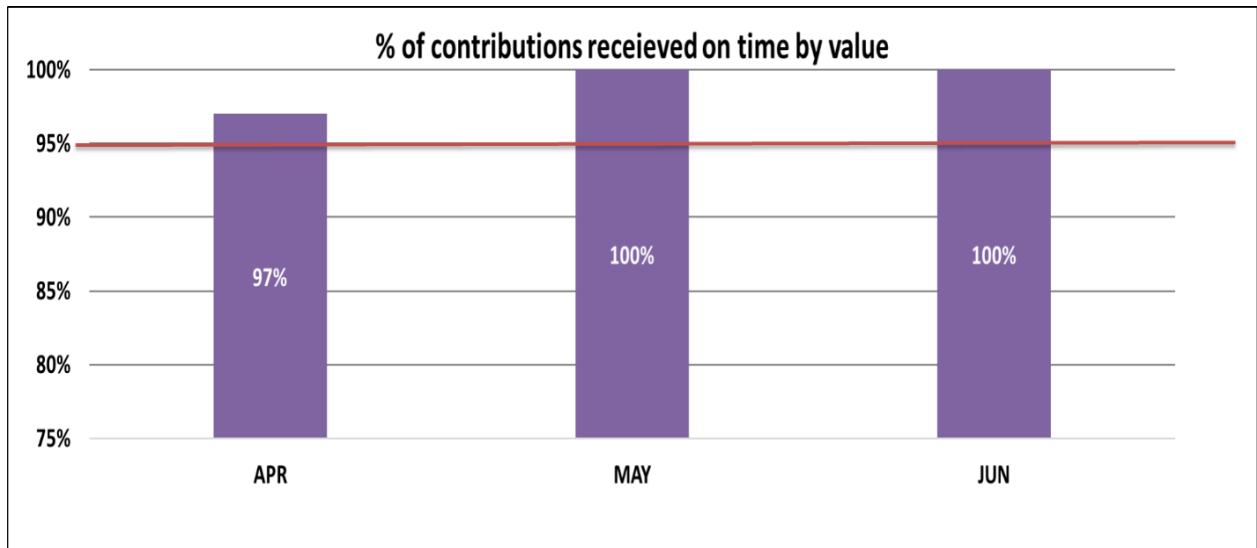
<b>New Employers</b>	<b>Effective date</b>
<b>Admission Bodies</b>	
Churchill Contract Services Ltd (re Thinking Schools Academy Trust)	1 September 2019 (backdated admission)
<b>Scheduled Bodies</b>	
Canterbury Environment Company Ltd	1 February 2021 (backdated admission)
<b>Academy Trusts</b>	
Inspire Trust	1 April 2021

<b>Ceased / Merged to Trust Employers</b>	<b>Effective Date</b>
<b>Admission Bodies</b>	
Kent College Canterbury	31 January 2021 (late notification of last active member leaving)
Rochester Care Homes Ltd	31 March 2021
<b>Scheduled Bodies</b>	
Hever Parish Council	31 May 2021

2.11 In the 3 months to June 2021 the Fund received £66.7m from employers in respect of their monthly contributions (employer and employee) as follows:

	<b>Received Early</b>	<b>Cash on 19th</b>	<b>Received Late</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
April	12,840,115	8,765,012	587,525	22,192,651
May	12,279,932	9,762,932	60,322	22,103,186
June	12,716,335	9,642,629	76,950	22,435,554
<b>Total</b>	<b>37,836,382</b>	<b>28,170,573</b>	<b>724,797</b>	<b>66,731,391</b>

2.12 Officers continue to monitor the receipt of these contributions and the following two charts show the % of employer contributions received on time by two different measures; by value and by number of employers. The KPI of 95% for % of contributions received on time by employer was not achieved in April, due to backdated admissions and some Parish Councils having issues with their bank.



### 3 Funding Strategy Statement (FSS) and associated Fund policies

3.1 The Funding Strategy Statement has been updated to include reference to deferred employers taking account of the Scheme Advisory Board Guide to Employer Flexibilities and the MHCLG statutory guidance issued on 2 March 2021.

- 3.2 Copies of the updated FSS and associated policies covering Contribution reviews, Deferred debt arrangements, and Debt spreading arrangements are at appendices 1-3 with a copy of Barnett Waddingham's note on the changes from the previous version at appendix 4.
- 3.3 Barnett Waddingham have explained that in addition to updating the FSS in respect of employer flexibilities, it has been changed to take account of
- a) the changes to the inflation basis used for funding future pension increases
  - b) the McCloud / Sargeant judgements
  - c) the Guaranteed Minimum Pension (GMP) indexation and equalisation
  - d) the consolidation of Multi Academy Trusts (MATs)
- 3.4 At their meeting on 23 June 2021 the Committee agreed to endorse the updated Funding Strategy Statement subject to consultation with interested parties.
- 3.5 The revised statement and associated policies were published on the Fund's website for a period of 6 weeks ending on 13 August 2021 and comments were invited from employers and other interested parties. 3 responses were received, and a report will be taken to the Committee meeting on 8 September seeking members agreement to the statement taking account of these responses and advice from Barnett Waddingham.

#### **4 McCloud judgement and proposed remedy update**

- 4.1 On 14 May 2021 MHCLG issued a written statement in relation to the consultation on changes to the underpin in the LGPS in England and Wales, and this confirms much of what was already expected given the general support for the key elements of the proposal. However, a degree of uncertainty remains for some elements of the proposal where the Statement is silent, and we await a further full response later this year for more details.
- 4.2 In due course, primary legislation for public service pensions will be taken through Parliament and then regulations will be made to make the changes for the LGPS, with the expectation they will come into force on 1 April 2023 retrospective to 1 April 2014.

The key points from the Written Ministerial Statement are:

- The age requirement for underpin protection will be removed
- A member will not need to leave with an immediate entitlement to benefits to qualify for underpin protection
- The remedy period will end on 31 March 2022

- The underpin calculation will be based on final pay at the underpin date, even if this is after 31 March 2022
- There will be two stages to the underpin calculation: the first on the underpin date which is the date of leaving or age 65, if earlier, the second when the benefits are paid

## **5 Government consultations**

- 5.1 On 24 June, HM Treasury issued its consultations on proposed changes to the cost control mechanism and the Superannuation Contributions Adjusted for Past Experience (SCAPE) discount rate. The consultations closed on 19 August. Barnett Waddingham responded to these consultations and a copy of their response is at appendix 5.

### **Cost control mechanism**

- 5.2 Barnett Waddingham are mostly in favour of the proposals but have concerns about the widening of the 2% corridor, which they describe further in their response. Barnett Waddingham are also of the view that the LGPS will need its own economic check to reflect the funded nature of the scheme.

### **SCAPE discount rate**

- 5.3 Barnett Waddingham are mostly in favour of these proposals but think that they should be modified to be able to achieve the stated objectives of making it more applicable to the longer-term nature of public sector pensions.

## **6 Employer admission matters**

### **Committee meeting 12 March 2021**

- 6.1 The Committee agreed to the admission to the Fund of Aspens Services Ltd, Olive Dining Ltd, Oliver Winter t/a Victory Cleaning and Pabulum Ltd (re Tenterden Schools Trust).
- 6.2 Members were also advised of Canterbury Environment Company Ltd, a company wholly owned by Canterbury City Council, which had made a resolution to join the Fund from 1 February 2021.

### **Committee meeting 23 June 2021**

- 6.3 The Committee agreed to the admission to the Fund of Birkin Cleaning Services Ltd (re Kent Catholic Schools Partnership), Ecocleen Services Ltd and Independent Catering Management Ltd (re Fort Pitt Thomas Aveling Academies), and that a Deed of Modification be entered into in respect of Orbit South Housing Association Ltd.



- 6.4 Members were also advised of a proposed transfer out of the Fund of Oasis Community Learning Trust Academy (Oasis) and Sodexo Ltd to the London Pension Fund Authority.

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**August 2021**

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