



Pension Fund Committee

16 October 2018

| | |
|--------------------------------|---|
| Title | Transfer Value in respect of Barnet Southgate College |
| Report of | Director of Finance |
| Wards | All |
| Status | Public |
| Urgent | No |
| Key | No |
| Enclosures | N/A |
| Officer Contact Details | George Bruce, Head of Treasury & Pensions 0208 359 7126 george.bruce@barnet.gov.uk |

Summary

Barnet and Southgate college merged in 2011 and the active members of Southgate College transferred from the Enfield scheme to Barnet Pension Fund. Enfield are seeking to retain deferred and pensioner members within their fund and requesting a transfer value of circa £4.2 million from Barnet Pension Fund. Negotiations are continuing with Enfield and their actuary. The Actuary is attending the meeting and will appraise the Committee of the issues and potential approaches to resolve.

Recommendations

1. That the Pension Fund Committee note the ongoing discussions with Enfield and that proposals to resolve the transfer will be submitted to the Committee for approval at a later date.

1. WHY THIS REPORT IS NEEDED

- 1.1 At the June 2018 meeting, the Committee was notified of a pension issue connected with the merge of Barnet and Southgate colleges at 31 October 2011. Since the June meeting the Scheme Actuary has been reviewing the proposals from Enfield Council and seeking opportunities for a better outcome for the college as a participating employer within the Barnet scheme. The Actuary will be attending the meeting and will discuss ways to resolve this issue. The rest of the paper is a summary of the background and is an extract of the paper presented to the June meeting.
- 1.2 Given the slow progress to date, putting a timescale on resolution is guesswork. The Committee's and the College will be asked to approve any final proposals.

Background

- 1.3 As part of the merger of Barnet and Southgate Colleges, the active employees of Southgate college transferred to the Barnet Pension Fund. Barnet assumed responsibility for past service accrued when the transferred employees were members of the Enfield scheme.
- 1.4 Since 2011 there has been an ongoing debate concerning the treatment of former Southgate staff who were either Enfield pensioners or deferred scheme members as at October 2011 and the appropriate transfer value to be paid to compensate Barnet for taking on the liability for past service of active staff who transferred to the Barnet Pension Fund in 2012. As will be explained below the Enfield position is that Barnet Pension Fund should pay Enfield an estimated £4.2 million.
- 1.5 The suggestion that the Barnet Pension Fund pay Enfield for taking on past service liabilities of transferred staff is counter intuitive. Normally the transfer value would be paid by Enfield to Barnet as the latter will be taking on pension liabilities that had been accumulated in the Enfield Fund. The rationale for the 'reverse' transfer value is due to the approach taken to calculating of the value of assets that Enfield requires to pay former Southgate staff who were pensioners or deferred members of the Enfield Fund as at 2011, as discussed below.
- 1.6 Pension funds normally calculate the value of assets required to pay liabilities assuming an investment return that is based on a reasonable expectation of future investment returns. When an employer ceases, the fund can take a more cautious approach and assume a lower (gilt based) return. This leads to a higher calculation of the required value of assets to meet the liabilities. Often the increase in the value placed on the liabilities is around 50%. When Enfield's Actuary undertook this calculation, they calculated that the Southgate fund had insufficient assets to cover the pensioner and deferred

liabilities by £2.287 million as at October 2011. This liability has been inflated by missed investment returns since 2011 and is now estimated at £4.2 million. Thus, the proposal is that Barnet Pension Fund pay £4.2 million to Enfield to balance their retained liabilities and we receive no assets for taking on the active liabilities.

- 1.7 All pension fund assets and liabilities are allocated to individual employers. The liabilities of active transferred staff were included within the Barnet Southgate sub-fund at the 2016 actuarial valuation and were factored into the contribution payments. If we were to accept the Enfield proposal the payment to Enfield will be taken out of the College's assets within the Barnet Pension Fund and the college will be required to pay additional contributions. If the College pays the additional contributions there will be no implications for other employers in the fund.
- 1.8 The College has been informed of the position and expressed surprise. A former officer of the College agreed to the 2015 proposal but this knowledge appears to have been lost with staff changes.

2. REASONS FOR RECOMMENDATIONS

- 2.1 The recommendation is for noting. The current Enfield proposals are not seen as the best outcome for either the Barnet Pension Fund or Barnet Southgate College.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 None – alternatives will be offered when a decision is required.

4. POST DECISION IMPLEMENTATION

- 4.1 Further discussions are ongoing involving officers from Enfield, Barnet, their actuaries and Barnet Southgate College.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 The funding of the Barnet Southgate sub-fund within the pension fund has no implications for Barnet Council.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

- 5.2.1 The payment of a transfer value has significant financial implications for Barnet Southgate College in that their share of the pension fund assets will decrease and their (and the overall) deficit will increase by the value of the proposed payment. Should Enfield's approach be adopted, the colleges schedule of contributions will require revision to increase the deficit

contributions. There are no implications for the other employers, including the Council.

5.3 Social Value

- 5.3.1 Contributing to the Pension Fund ensures that contributing members have a secured income on retirement.

5.4 Legal and Constitutional References

- 5.4.1 The Council's Constitution (Article 7) – includes Committee responsibilities for actuarial and funding matters, which are relevant to this issue
- 5.4.2 The Local Government Pension Scheme Regulations 2013, regulation 98, requires transfers involving two or more members to be treated as bulk transfers and agreed by both administering authorities and the employer.

5.5 Risk Management

- 5.5.1 There are no risk management issues.

5.6 Equalities and Diversity

- 5.6.1 Pursuant to the Equalities Act 2010, the Council is under an obligation to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and fostering good relations between persons who share a relevant 'protected characteristic' and persons who do not share it. The 'protected characteristics' are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation, marriage and civil partnership.

5.7 Consultation and Engagement

- 5.7.1 Not required.

5.8 Insight

- 5.8.1 Not used - external report.

6. BACKGROUND PAPERS

- 6.1 Paper to Pension Fund Committee, 26 June 2018, agenda item 9, Transfer Value in respect of Barnet Southgate College.