



Pension Fund Committee

18 April 2024

Title	Direction Order for Barnet & Southgate College
Date of meeting	18 April 2024
Report of	Interim Executive Director of Resources (S151 officer)
Wards	All
Status	Public
Urgent	No
Appendices	Appendix A - Actuary Letter - Southgate College to Barnet College
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Summary

This paper provides the Pension Fund Committee with details of the proposed transfer of assets from the Enfield Pensions Fund to the Barnet Fund resulting from the merger of Barnet and Southgate Colleges in 2011.

Recommendations

That the Pension Fund Committee approve the transfer of assets and liabilities from Enfield resulting from the merger of Barnet and Southgate Colleges (subject to the Actuary confirming that the resulting transfer does not lead to an adverse funding outcome for Barnet & Southgate College).

1. Reasons for the Recommendations

Background

- 1.1 Barnet College and Southgate College merged on 31 October 2011.
- 1.2 Before the merger, Barnet College participated in the Barnet Pension Fund and Southgate College participated in the Enfield Pension Fund. Southgate College ceased to exist at the merger date and all its staff and operations were transferred to Barnet College.

- 1.3 The merged Barnet and Southgate College continued to participate in the Barnet Pension Fund from the merger date. All Southgate College staff who were employed at the merger date and transferred to the merged college were admitted to the Barnet Pension Fund from the merger date.
- 1.4 To date, no transfer payment has been received from the Enfield Pension Fund for the past service of actives members who were admitted to the Barnet Fund.
- 1.5 Southgate College's deferred and pensioner members remained in the Enfield Pension Fund. Southgate College did not trigger an exit debt to the Enfield Pension Fund as the LGPS regulations at the merger date did not provide for an exit debt.

Historic actions since the merger

- 1.6 Since 2011, there has been an ongoing discussion between Barnet and Enfield concerning the treatment of the former Southgate staff who were deferred member or pensioners in the Enfield Fund and the appropriate transfer value to be paid to compensate Barnet for taking on the liability for past service of active members who transferred to the Barnet Pension Fund.
- 1.7 Initially, the Enfield Fund position was that the Barnet Fund should pay Enfield an estimated transfer value of £4.2 million.
- 1.8 When the Enfield Fund's actuary undertook this calculation, they calculated that for Southgate College there were insufficient assets to cover the deferred member and pensioner liabilities by £2.287 million as at October 2011. This liability has been inflated by missed investment returns since 2011 and as at mid-2018 was estimated at £4.2 million.
- 1.9 Normally, the transfer value would be paid by the Enfield Fund to the Barnet Fund as the latter would be taking on pension liabilities that had been accumulated in the Enfield Fund.
- 1.10 The rationale for the 'reverse' transfer value was due to the approach taken by Enfield in calculating the value of assets that they require to pay former Southgate staff who were pensioners or deferred members of the Enfield Fund as at the merger date.
- 1.11 Discussion on the appropriate methodology for the transfer value concluded in October 2015, with the Barnet Pensions Team and Barnet & Southgate College agreeing to the preferred Enfield methodology. This was notified to Enfield and a formal agreement letter was drafted but not signed.
- 1.12 The Barnet Fund actuary at the time was then asked to verify the calculation of the transfer value. However, in 2017 the Barnet Pensions Team were made aware that Enfield has taken two years to provide their Actuary with the relevant membership data that was subsequently passed on the Barnet actuary to review.
- 1.13 Subsequently, the Barnet Fund has changed actuary to Hymans Robertson and delays occurred due to the previous actuary being unwilling to release data they received to allow Hymans to undertake calculations of the various options.
- 1.14 A proposal was apparently agreed by Barnet & Southgate College and the Barnet Pensions Team college that the Barnet Pension Fund pay the £4.2 million to Enfield to balance their retained liabilities and that Barnet would receive no assets for taking on the active liabilities. This would have increased Barnet & Southgate College's contribution rate going forward.
- 1.15 Due to the passage of time and staff changes, the College claim no knowledge of this agreement and subsequently expressed a disagreement with the Enfield's proposal.

Current Position

- 1.16 In July 2021, Hymans were asked by the Barnet Pensions Team to provide indicative analysis of the impact on the funding position of Barnet and Southgate College if the residual deferred and pensioner liabilities and residual assets transferred from the Enfield Fund.
- 1.17 Hymans analysis showed that there would be a significant improvement in the funding position for Barnet & Southgate College in the Barnet Fund, up from 85% at the 31 March 2019 valuation to 98% in July 2021.
- 1.18 Based on current market conditions, this estimated funding position for the College will have almost certainly improved further since July 2021, however, we are awaiting analysis from the Actuary that confirms this.
- 1.19 The Barnet Pensions Team have now reached agreement with the Enfield Pension Fund to transfer all of Southgate College's assets and liabilities from the Enfield Pension Fund to the Barnet Pension Fund on terms agreed by the actuaries of the Barnet Pension Fund and the Enfield Pension Fund.
- 1.20 Under the provisions of Schedule 3, Part 2, Paragraph 3, of the Local Government Pension Scheme Regulations 2013, the Secretary of State for the Department for Levelling Up, Housing & Communities (DLUHC) is required to issue a retrospective "Direction Order" that the London Borough of Barnet should be substituted for the London Borough of Enfield as the administering authority for all Southgate College members in the Enfield Pension Fund with effect from an "Effective Date" and the pension assets and liabilities of both of these colleges will be combined in the Barnet Pension Fund with effect from this date.
- 1.21 The proposed "Effective Date" is to be determined.
- 1.22 The asset transfer from the Enfield Pension Fund to the Barnet Pension Fund will be on the terms agreed by the actuaries to the Barnet Pension Fund and the Enfield Pension Fund and this is attached as Appendix A.
- 1.23 The transfer payment will be Southgate College's notional share of assets held in the Enfield Pension Fund at the merger date updated in line with investment returns in the Enfield Pension Fund between the merger date and the payment date, adjusted appropriately to reflect benefit payments made and intra-fund membership movements prior to the transfer date.
- 1.24 Legal advice received has confirmed that this approach is acceptable.
- 1.25 The transfer payment (ie the market value of assets in the Enfield Pension Fund notionally attributable to the Southgate College at the merger date) previously calculated was £9,252,000. We are waiting for the Actuary to confirm an updated figure.
- 1.26 The Pensions Team's recommendation is that the retrospective Direction Order is applied for and request that the Committee approve the transfer of assets and liabilities between the Enfield Pension Fund and the Barnet Fund resulting from the merger of Barnet and Southgate Colleges. This recommendation is subject to the Actuary confirming that there is no adverse funding impact on Barnet & Southgate College in making the transfer (no adverse outcome is expected).

2. Alternative Options Considered and Not Recommended

- 2.1 Not applicable in the context of this report.

3. Post Decision Implementation

3.1 Not applicable in the context of this report.

4. Corporate Priorities, Performance and Other Considerations

Corporate Plan

4.1 The Pension Fund Committee supports the delivery of the Council's strategic objectives and priorities as expressed through the Corporate Plan, by careful monitoring of the Pension Fund activities with a view to ensuring the overall sustainability of the Pension Fund.

4.2 Sustainability of the Pension Fund is a crucial pillar in allowing the council to fulfil its wider objectives.

4.3 The Pension Fund is also developing its NetZero and Stewardship policies which feed into the wider objectives around Planet, Places and People.

Corporate Performance / Outcome Measures

4.4 Not applicable in the context of this report.

Sustainability

4.5 Not applicable in the context of this report.

Corporate Parenting

4.6 Not applicable in the context of this report.

Risk Management

4.7 Risk management is central to the LGPS. LGPS pension funds are in themselves risk management tools, managing the risk that future employer income streams will be able to meet future pensions liabilities by creating a reserve from which future liabilities will be met. Good governance is essential to managing the risks of the pension fund.

Insight

4.8 Not applicable in the context of this report.

Social Value

4.9 Not applicable in the context of this report.

5. Resource Implications (Finance and Value for Money, Procurement, Staffing, IT and Property)

5.1 Risks that are not mitigated or managed can have a financial penalty to the Fund.

6. Legal Implications and Constitution References

6.1 Under the Council's Constitution Part 2B Section 15.1, the terms of reference for the Pension Fund Committee, the Committee is to have responsibility for all aspects of the governance, investment and administration of the LB Barnet Pension fund, including:-

- To ensure compliance with all Local Government Pension Scheme statutes, regulations, and best practice.
- To monitor the administration of the Pension Fund.
- To approve admissions agreements with any admission body.
- To consider recommendations from the Local Pension Board.
- To determine how the various administering authority
- To consider recommendations from the Local Pension Board.

6.2 The Pension Fund commissioned specialist legal advice who have advised that this is an acceptable approach.

7. Consultation

7.1 Not applicable in the context of this report.

8. Equalities and Diversity

8.1 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.

8.2 The rules governing admission to and participation in the Pension Fund are in keeping with the public sector equality duty. The [Public Sector Equality Duty](#) requires public authorities in carrying out their functions, to have due regard to the need to achieve the objectives set out under s149 of the Equality Act 2010. Good governance arrangements will benefit everyone who contributes to the fund.

9. Background Papers

9.1 None