



January 2015

The Pension Deficit - Outsourcing

What is the total Pension Deficit?

2010 Valuation

The results of the valuation were as follows:

The London Borough of Barnet Pension Fund had a funding level of 76%, i.e. the assets amounted to 76% of the liability promises made as at that valuation date. This corresponded to a [deficit of £189.6m](#) at that time. It is important to note that the pension deficit affects all stakeholders in the LB Pension Fund, not just Barnet Council.

What is clear is that private contractors **are being treated differently** from YCB & Barnet Homes.

In order to explain here is a list of the One Barnet outsourcing projects. For each project there is a hyperlink to the relevant Pension Fund Committee report.

1. Barnet Homes/Housing options 2012 [15/03/2012](#) (not funded) paragraph 6.2
2. Your Choice Barnet 2012 [01/09/2011](#) **not funded**
3. NSL Parking 2012 20/12/2011 **fully funded** paragraph 6.3
4. CSG/NSCSO 2013 [11/07/2013](#) not funded
5. Re DRS 2013 [09/09/2013](#) **fully funded** paragraph 6.4
6. Harrow Legal 2013 [13/06/2012](#) **fully funded** paragraph 9.7
7. Brent Registrars 2014 [18/03/2014](#) **fully funded** paragraph 6.2
8. OCS CCTV 2014 [18/03/2014](#) **fully funded** 7.2

Below are short precis of each project including relevant extracts from the committee reports. All **emphasis** is by the author of this report.

1. Barnet Homes 79 staff transferred, estimated pension fund deficit of £629,000

2. Your Choice Barnet, a Local Authority Trading Company (LATC).

Paragraph 2.4

“2. That the Pensions Fund Committee note that it is proposed the LATC is 100% owned by the Council and further agreement will be sought from the Cabinet Resources Committee (CRC) that should the LATC enter financial difficulty, staff will transfer back to the Council.”

- No details of the number of staff transferring.
- No details of the size of the Pension Deficit.

3. NSL Parking

Paragraph 6.3

“NSL will become an admitted body to the Pension Fund under a closed agreement. The agreement will be fully funded at the point of transfer and the contractor will pick up employer pension costs associated with future liabilities. Provision has been made in the business case both for the costs associated with a pension bond, and also for costs that **the Council will retain in respect of the past deficit for these employees.**”

- No details of the number of staff transferring.
- No details of the size of the Pension Deficit.

4. Capita - CSG/NSCSO

Paragraph 6.3

“Capita will become an admitted body to the Pension Fund under a closed agreement. The contractor will **continue to pay the contribution rate** that the Council is currently paying for internal staff to provide for future pension liabilities. The **contribution rate** will also provide for the repayment of the **pension fund deficit.**”

- No details of the number of staff transferring
- No details of the size of the Pension Deficit.

5. Capita - Re/DRS

Paragraph 6.4

“The joint venture will pay the future contribution rate to meet any pension fund liabilities. **The council has retained the element of the budget that pays for the repayment of the past service pension fund deficit.**”

- No details of the number of staff transferring
- No details of the size of the Pension Deficit.

6. Harrow Barnet Legal Services

Paragraph 4.1

“There is a risk to the Council that the employer contribution rate is insufficient to fund the pension liabilities. This risk is mitigated by ensuring that the calculation of the deficit

payment to Harrow is accurate and that sufficient budget is clawed back from the transferring legal service to fund any change in the contribution rate.”

Paragraph 6.2

“Staff will transfer on a “fully funded basis”. This means that the **pensions deficit will not transfer to Harrow from Barnet in respect of these staff.** To reflect that the liability will remain with Barnet, the employee budget associated with the recovery of the pension deficit (the difference between the total contribution rate of 24.8% and the fully funded contribution rate) will be removed from the Legal Service funding and will remain with Barnet. The calculation of the deficit is subject to an actuarial assessment.”

Paragraph 9.3

“The past service pension fund deficit in respect of the staff transferring will not transfer to Harrow. It will remain with Barnet, and the employee budgets associated with the recovery of the pensions deficit will also remain with Barnet. These **total £121,000** and have been removed from the Legal Service baseline.”

Paragraph 9.4

“**Currently circa 38 FTE are employed by the London Borough of Barnet,** though this employment relationship will change when the staff are transferred from the council to London Borough of Harrow under the principles set out in the Transfer of Undertakings (Protection of Employment) Regulations 2006 (“TUPE”) and the Council’s TUPE Transfer Commitments.”

Paragraph 9.6

“An actuarial assessment of the pension fund associated with the transfer was undertaken by Barnett Waddingham LLP (9 January 2012), to determine the amount of deficit attributable to transferring members. The estimated share of the **deficit attributable to Legal Shared Services as at 31 March 2012 is £462,000.** This will change over time until the transfer date as the investment returns earned by the fund may vary from the assumptions made. In addition the assumptions that will apply to calculate the liabilities may change in line with the financial conditions suitable at the date of transfer. The final deficit will be calculated by the pension fund actuary at the transfer date and taken into account in the calculation of the bulk transfer payment to LB Harrow. The bulk transfer payment will be made to LB Harrow in respect of the pension liability being transferred to LB Harrow for the transferring staff.”

Paragraph 9.7

“Staff will transfer on a “fully funded basis”. This means that **the pensions deficit will not transfer to Harrow from Barnet** in respect of these staff. To reflect that the liability will remain with Barnet, the employee budget associated with the recovery of the pension deficit (the difference between the total contribution rate of 24.8% and the fully funded contribution rate) will be removed from the Legal Service funding and will

remain with Barnet.”

7. Brent Registrar Service

Paragraph 4.1

“There is a risk to the Council that the employer contribution rate is insufficient to fund the pension liabilities. This risk is mitigated by **ensuring that the calculation of the deficit payment to Brent is accurate** and that sufficient budget is clawed back from the transferring registration and nationality service to fund any change in the contribution rate.”

Paragraph 6.2

“Staff will transfer on a “fully funded basis”. This means that **the pensions’ deficit will not transfer to Brent from Barnet** in respect of these staff. To reflect that the liability will remain with Barnet, the employee budget associated with the recovery of the pension deficit (the difference between the total contribution rate of 24.8% and the fully funded contribution rate) will be removed from the Registration and Nationality funding and will remain with Barnet. The calculation of the deficit is subject to an actuarial assessment.”

Paragraph 9.3

“The past service pension fund deficit in respect of the staff transferring **will not transfer** to Brent. It will remain with Barnet, and the employee budgets associated with the recovery of the pensions’ deficit will also remain with Barnet. These total approximately £10,000 and have been removed from the Registration and Nationality Service baseline.”

Paragraph 9.4

“Currently **circa 13 FTE** are in scope for transfer, circa 4 of the posts are vacant. **9 staff are employed by the London Borough of Barnet**, though this employment relationship will change when the staff are transferred from the council to London Borough of Brent under the principles set out in the Transfer of Undertakings (Protection of Employment) Regulations 2006 (“TUPE”)”

Paragraph 9.5

“The transferred employees will become members of the Local Government Pension scheme administered by LB Brent from the date of the transfer. An option will be provided to the employees to elect to transfer their accrued pensionable membership within the LB Barnet pension fund to the LB Brent pension fund.”

Paragraph 9.6

“An actuarial assessment of the pension fund associated with the transfer was undertaken by Barnett Waddingham LLP (3 March 2014), to determine amount of deficit attributable to transferring members. The actuary has assessed that the share

of the deficit attributable to the shared Registration and Nationality Services as at 31 March 2014 is **£45,000.**”

Paragraph 9.7

“Staff will transfer on a “fully funded basis”. This means that the pensions’ deficit **will not transfer to Brent** from Barnet in respect of these staff. To reflect that the liability will remain with Barnet, the employee budget associated with the recovery of the pension deficit (the difference between the total contribution rate of 24.8% and the fully funded contribution rate) will be removed from the Registration and Nationality service funding and will remain with Barnet.”

8. OCS CCTV

Barnet transferred their CCTV service to private contractor OCS.

Paragraph 7.2

“Staff will transfer on a “fully funded basis”. This means that **the pensions’ deficit will not transfer to OCS from Barnet** in respect of these staff. The total deficit retained by Barnet has been calculated at **£98k. £25k per annum** needs to be retained from **Adults and Communities budget** to fund the repayment of the deficit over the lifetime of the contract.”