

# Client Briefing Note

**Client:** London Borough of Bromley

**Date** 12 January 2010

**Subject:** Ravensbourne College

## 1 Introduction

- 1.1.1 The purpose of this note is to provide an update on the pension issues associated with the relocation of Ravensbourne College out of the Bromley boundary.

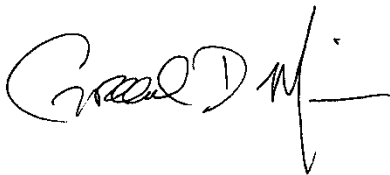
## 2 Background

- 2.1.1 Ravensbourne College is a scheduled body under the Local Government Pension Scheme Regulations 1997. These Regulations effectively state that the appropriate LGPS Pension Fund that the College should participate in is the one within which it lies geographically and so historically the College has been a scheduled body within the Bromley Fund. The College is however due to relocate to a new site which is within the London Borough of Greenwich rather than Bromley. At the time the Regulations were originally made we doubt they ever envisaged scheduled bodies having to change Funds due to relocation – scheduled bodies were originally the local authorities themselves.
- 2.1.2 There is therefore no specific Regulation which deals with scheduled body relocating. However the default position is that the College would have to leave the Bromley Fund and join the Greenwich Fund. Active members would have their benefits transferred from the Bromley Fund to the Greenwich Fund and the liabilities for former College employees – deferred pensioner and current pensioners would remain in the Bromley Fund.
- 2.1.3 There has been considerable correspondence with CLG in relation to any options that may be available. Due to the funding and related issues associated with a full transfer which we discuss below in section 3, the option of a partial transfer was explored with CLG whereby existing active members would remain in the Bromley Fund and new recruits would join the Greenwich Fund. Having examined the LGPS Regulations in detail the conclusion was that this would not be possible under the existing Regulations and a change in the Regulations would be required. CLG indicated that such a change in the Regulations would be unlikely.
- 2.1.4 There however is the option of applying to the Secretary of State for what is known as a direction order that would allow the College to continue to participate in the Bromley Fund as before with both former, existing and future staff receiving their benefits from the Bromley Fund.
- 2.1.5 CLG have advised that such a direction would be available.

## 3 The Case for the Direction Order

- 3.1.1 Our recommendation is that Bromley seek the direction order as we believe this is in the best interests of the Fund and taxpayers in Bromley.
- 3.1.2 Under the transfer option we would look at reserving sufficient assets in the Bromley Fund to fully fund the liabilities that are left behind on a “minimum risk basis”. This is a much stronger reserving basis than the normal ongoing funding basis and produces a much higher reserve than the ongoing reserve we calculate at triennial funding valuations.

- 3.1.3 The amount required to fully fund the pensioner and deferred pensioner liabilities on the “minimum risk basis” is currently of the order of £5.8m compared with an estimated asset share within the Bromley Fund for the College of around £4.2m. The ongoing reserve we use for funding purposes is of the order of £3.2m.
- 3.1.4 Thus the College would first of all have to make a capital payment of £1.6m even before having to consider the £3m or so of liability in respect of active members that would transfer to Greenwich.
- 3.1.5 However even if the College has the necessary funds to make the £1.6m payment to the Bromley Fund it is still in the interests of the Bromley Fund and the other Bromley employers, for the College to remain in the Bromley Fund.
- 3.1.6 Whilst we have assessed the reserves that would be required to fund the residual liabilities on a “minimum risk” basis following a transfer, there is no guarantee that these reserves will be sufficient as they are still based on assumptions relating to future events which are not entirely predictable.
- 3.1.7 Provided the College still has a link with the Bromley Fund then any additional (unexpected) costs would still be met by the College. Once the College has left the Fund then any (unexpected) additional costs would ultimately have to be met by the remaining employers in the Bromley Fund.
- 3.1.8 Under the LGPS Regulations and as confirmed by the recent South Tyneside case, a Fund cannot seek further contributions from a former employer to the Fund and any shortfall is ultimately funded by the remaining employers/local taxpayers.
- 3.1.9 Under the direction order route, the College remains in the Bromley Fund and picks up all pension costs thus protecting the other employers/taxpayers.
- 3.1.10 We would be pleased to discuss further if required



**Graeme D Muir FFA**