



**Havering**  
LONDON BOROUGH

## Notice of Non-key Executive Decision

<b>Subject Heading:</b>	Funding of the Colleges bulk member transfer to London Pension Fund Authority (LPFA)
<b>Cabinet Member:</b>	Cabinet Member for Finance and Property, Councillor Roger Ramsey
<b>SLT Lead:</b>	Statutory Section 151 Officer - Jane West
<b>Report Author and contact details:</b>	<i>Debbie Ford</i> 01708432569 <a href="mailto:Debbie.ford@onesource.co.uk">Debbie.ford@onesource.co.uk</a>
<b>Policy context:</b>	<i>Funding the transfer in line with the Pension Funds Investment Strategy Statement expectations.</i>
<b>Financial summary:</b>	<i>Estimated c£40m</i>
<b>Relevant OSC:</b>	
<b>Is this decision exempt from being called-in?</b>	<i>Yes –it is a non-key decision by a member of staff</i>

**Non-key Executive Decision**

**The subject matter of this report deals with the following Council Objectives**

Communities making Havering	X
Places making Havering	x
Opportunities making Havering	x
Connections making Havering	x

**Part A – Report seeking decision**

## Non-key Executive Decision

### **DETAIL OF THE DECISION REQUESTED AND RECOMMENDED ACTION**

Cabinet made a decision on the 13 November 2018 to support the merger of Havering Sixth Form College and Havering College of Further & Higher Education with New City College and the transfer of all its Pension Fund members to the LPFA (that being the pension fund that New City College belongs to).

The colleges' members transferred to the LPFA on the 1 August 2019 and the Fund now needs to transfer cash to fund the liabilities that were transferred.

The Funds Actuary has been liaising with the LPFA to agree the settlement terms and the initial value of the transfer is to be c£40m. It is proposed that this payment be made in two stages, to reduce the risk to the Havering Fund.

The transfer payment of c£40m is required to be made in cash. As the Fund does not hold the required amount in cash, a sell down of assets will be required.

The Fund consulted with its investment advisor as to the most appropriate route to fund the transfer and this advice can be found attached as Appendix A.

The proposed transfer payment be funded as per advice, is as follows:

Pension Fund Internal Cash - £15m

Full Disinvestment of GMO (full realisation) - c£5.5m

Part Disinvestment of LCIV Ballie Gifford (Diversified Growth Fund) - £5m

Part Disinvestment of LCIV Ruffer (Absolute Return Fund) - £5m.

The balancing payment of c£9.5m will be met from Royal London (investment grade bonds). This amount will be finalised once the final settlement negotiations are concluded.

The first payment of £30m is required to be made no later than the 10 July 2020. The balance will be paid in the second instalment currently scheduled for 31 July 2020.

**It is recommended that the proposed transfer payment of c£40m be funded as set out in this report.**

### **AUTHORITY UNDER WHICH DECISION IS MADE**

Part 3.3 of the constitution.

Para 3.10.3 (j) The S151 Officer has the function of managing the Council's pension scheme and pension Fund.

Cabinet delegated authority to Chief Operating Officer/s151 Officer to take all necessary actions and steps considered appropriate in order to give effect to this decision of 13<sup>th</sup> November 2018.

## Non-key Executive Decision

### **STATEMENT OF THE REASONS FOR THE DECISION**

Cabinet made a decision on the 13 November 2018 to support the merger of Havering Sixth Form College and Havering College of Further & Higher Education with New City College and the transfer of all its Pension Fund members to the LPFA

Cabinet delegated authority to Chief Operating Officer/s151 Officer to take all necessary actions and steps considered appropriate in order to give effect to this decision.

The transfer payment of c £40m is required to be made in cash. As the Fund does not hold the required amount in cash, a sell down of assets will be required.

### **OTHER OPTIONS CONSIDERED AND REJECTED**

Advice was sought from the Fund's Investment Advisor Hymans Robertson as to the most effective disinvestment route. The option detailed in this paper is recommended by the Advisor and is in line with adopted Investment Strategy Statement.

### **PRE-DECISION CONSULTATION**

Not applicable

### **NAME AND JOB TITLE OF STAFF MEMBER ADVISING THE DECISION-MAKER**

Name: Debbie Ford

Designation: Pension Fund Manager (Finance)

Signature: Debbie Ford

Date: 23 June 2020

## Part B - Assessment of implications and risks

### LEGAL IMPLICATIONS AND RISKS

In line with Part 3.3 of the constitution and delegated decision of Cabinet on the 13 November 2018, s151 Officer, having taken appropriate advice, is authorised to take all necessary actions and steps considered appropriate in order to give effect to this decision.

The Cabinet Report of 8<sup>th</sup> November 2018 contained exempt legal implications as to the arrangements on merger.

### FINANCIAL IMPLICATIONS AND RISKS

Following advice sought from the Fund's Investment advisor, it is proposed that the transfer payment be funded is as follows:

Pension Fund Internal Cash - £15m

Full disinvestment of GMO (full realisation) - c£5.5m\*

Part disinvestment of LCIV Ballie Gifford (Diversified Growth Fund) - £5m

Part disinvestment of LCIV Ruffer (Absolute Return Fund) – £5m.

The balancing payment of c£9.5m will be met from Royal London (investment grade bonds). This amount will be finalised once the final settlement negotiations are concluded. As part of the negotiations, the Funds Actuary will propose an allowance is included to cover the expenses involved in the selling down of assets.

Due to LCIV dealing dates it may be necessary to change the sequence of disinvestments and use the monies redeemed from Royal London mandate for use in the first payment.

\*Circa amounts are being included in this report for GMO as the final amount will not be known until the settlement has been completed. If required, any shortfall to meet the initial £30m payment will be used from cash balances held with Northern Trust..

At time of drafting this report the internal pension fund cash balance is currently £23m. Cash balances have been held at this level in anticipation of making this cash transfer. The Funds cash management policy sets out that the target cash level should be £6m but not fall below the de-minimus amount of £3m or exceed £8m. Withdrawing the £15m keeps the target cash level in line with the cash policy. The reasons for the cash balance are stated at Appendix A. Pension Fund cash is pooled with the Councils Treasury investments for greater investment opportunities.

At the time of drafting this report. the Council's Treasury balances are £142.8m which comprises of £17m in the money market fund. There are sufficient funds available in the money markets to meet the withdrawal of £15m for use by the Pension Fund. Withdrawal of £15m cash will put more pressure on the treasury investment income budget but this should be offset by internal borrowing and capital slippage.

## Non-key Executive Decision

The first payment is required to be made no later than the 10 July 2020 for £30m and the balance will be paid in the second instalment on the 31 July 2020. The proxy portfolio only approximates the returns on the actual assets and whilst our advisors can calculate actual returns up to 30 June, returns from then onwards will be estimated which gives rise to a degree of risk to the Fund. It is recommended that the first instalment is made as close as possible to 30 June 2020.

The Investment Strategy Statements (ISS) has been structured to anticipate these disinvestments. Once assets have been sold this will bring the resultant asset allocation more closely aligned to the Committee's agreed long term asset allocation targets.

### **HUMAN RESOURCES IMPLICATIONS AND RISKS (AND ACCOMMODATION IMPLICATIONS WHERE RELEVANT)**

All members transferred to New City College on the 1 August 2019. There are no direct HR implications for the London Borough of Havering on the funding of the transfer of members.

### **EQUALITIES AND SOCIAL INCLUSION IMPLICATIONS AND RISKS**

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:

- i. the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- ii. the need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- iii. foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are: age, sex, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment/identity.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants

An EIA is not considered necessary regarding this matter as the protected groups are not directly or indirectly affected.

### **BACKGROUND PAPERS**

Appendix A – Hymans College Bulk transfer advice

**Non-key Executive Decision**

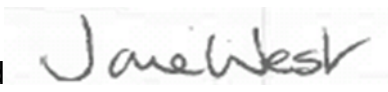
**Part C – Record of decision**

I have made this executive decision in accordance with authority delegated to me by the Leader of the Council and in compliance with the requirements of the Constitution.

**Decision**

Proposal agreed

**Details of decision maker**

Signed 

Name: Jane West

Cabinet Portfolio held:  
CMT Member title: Chief Operating Officer  
Head of Service title  
Other manager title:

Date: 01/07/2020

**Lodging this notice**

The signed decision notice must be delivered to the proper officer, Debra Marlow, Principal Democratic Services Officer in Democratic Services, in the Town Hall.

**For use by Committee Administration**

This notice was lodged with me on \_\_\_\_\_

Signed \_\_\_\_\_