



# Pensions Committee

## 25 September 2013

<b>Report Title</b>	Transforming rehabilitation pensions proposal	
<b>Originating service</b>	Pension Services	
<b>Accountable officer(s)</b>	Geik Drever Tel Email	Director of Pensions 01902 55(2020) Geik.drever@wolverhampton.gov.uk

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### Recommendations for decision:

1. The Committee is asked to ratify the decision to approve submission of a proposal to become the “one Fund” for the Probation Service and approve the expenses incurred in preparing the bid.
2. Ratify the decision to accept the position as the one Fund if selected on 20 September 2013.

## **1.0 Purpose**

- 1.1 Members are requested to note the content of the report and ratify the expedited decision of the Chair and Shadow Chair to accept the position as one Fund if selected by the MoJ.

## **2.0 Background**

- 2.1 In May 2013, the MoJ published the Government response Transforming Rehabilitation: A Strategy for Reform, setting out a programme of reform that offers a step change in the way offenders are rehabilitated by opening up community offender management to a diverse range of providers and encouraging innovative approaches to rehabilitation.
- 2.2 As part of these reforms, the part of offender management which will remain within the public sector will be provided by a new National Probation Service and the existing 35 Probation Trusts will be wound up. Critical to the success of these changes is protecting the pensions of existing and retired probation staff.
- 2.3 Furthermore in May a paper was issued to Administering Authorities for comment setting out proposals for the proposed structure of the probation service, through the transfer of the probation trusts into 21 private limited companies which will be owned and operated initially by the Secretary of State for Justice (SSJ) and the National Offender Management Service (NOMS), an executive agency of the MoJ and the subsequent proposals for the management of LGPS pensions.
- 2.4 On 23 July 2013, the Ministry Of Justice issued a further paper, inviting Administering Authorities to notify the MoJ if they would like to be considered as the LGPS fund in which all of the Community Rehabilitation Companies (CRC's) and the National Probation Service (NPC) will participate.

## **3.0 Transition of Probation Trusts**

- 3.1 Currently there are 35 Probation Trusts being administered by different LGPS pension funds nationally. There are approximately a total of 40,000 active, deferred, pensioner members within these funds with total assets of £2.6bn.
- 3.2 Following discussions with the Chair of the Pensions Committee the Fund expressed an interest in becoming the one Administering Authority to administer the LGPS for the probation service on 26 July and a full proposal was submitted to the MoJ on 16 August.
- 3.3 As one of the largest funds in the LGPS, the Fund believes it is well positioned to manage the size and scale of this transition. The officers of the Fund and their advisors have relevant experience and knowledge of managing bulk transfers into the Fund which are very similar to this project and we see this as a distinct advantage for the transformation activity.

- 3.4 A copy of the final submission and clarification questions is stored at the Fund offices at Mander House.
- 3.5 On the basis of the final submission and clarification questions, the Fund was shortlisted as one of three funds invited to attend a final interview on 12 September (the other shortlisted funds were interviewed on 11 September and 13 September respectively). The Fund was asked to prepare based on set questions as part of the interview process, but to also be aware that the panel could ask questions not included on the list.
- 3.6 The Fund was represented at the interview by a team consisting of;
- Geik Drever, Director of Pensions  
Mark Chaloner, Assistant Director of Pensions  
Amy Whiles, LGPS 2014 Project Lead  
Simon Taylor, Employer Relationship Manager  
Paul Middleman, Mercer and WMPF's actuary
- 3.7 The interview was structured over an hour and a half and was conducted by a panel of ten, including MoJ representatives and their advisors (legal, actuarial, financial and implementation).
- 3.8 The MoJ implemented a deadline of 13 September 2013 for confirmation of satisfactory approval for the Fund's bid. As a result, the Fund enacted the urgent decision procedure which enables the Chief Executive of Wolverhampton City Council to take the appropriate action in respect of matters delegated to the Pension Committee, provided that action is discussed with, and approved in writing, by the Chair (or in the Chair's absence the Vice Chair) and Shadow Chair (or in the Shadow Chair's absence the Vice Shadow Chair) of the Pension Committee. This written authorisation was granted and includes detail of the proposal and justification for using the expedited procedure.
- 3.9 The Fund requests that the Committee ratify the urgent decision procedure approved by the Chair and Shadow Chair as part of this meeting (given the timing of the preparation of papers for Committee, the Fund will already be in a position to know whether it has been successful in its bid by the time this report is tabled).

#### **4.0 Timescales**

- 4.1 Following consideration of the submissions and the final interviews of each of the three funds, the MoJ will notify the successful fund by Friday 20 September.
- 4.2 The proposed timescales for the transition of members and gaining admitted body status and scheme employer status for the CRC's and NPS is by April 2014, with a mid 2014 timescale for the transfer of assets and liabilities.

## **5.0 Financial implications**

- 5.1 The bid submission process and the final interview will incur costs of between £20,000 to £30,000, which will be contained within the Fund's internal budget. The final breakdown of these costs is yet to be outlined, but will include the fees of the Fund's advisors as part of this bid. Significant parts of the work undertaken by these advisors will be utilised by the Fund in future business and therefore the associated costs would have been incurred any way.
- 5.2 This transfer will be supported by a Secretary of State for Justice Guarantee (SSJ Guarantee). The intention is that the SSJ Guarantee will cover the CRCs' liability to make employee and employer contributions to the chosen LGPS fund on the insolvency, liquidation or winding-up of the CRC in respect of the employees who are either:
- (a) employees of the Probation Trusts at the point of transfer of the probation services to the CRCs and who transfer to the CRCs; or
  - (b) employees who join the CRCs before they are transferred to a service provider;  
and who participate in the LGPS or are eligible to participate in the LGPS
- 5.3 In addition, there will be one off costs that will be charged to the project and on-going costs will be attributable to the new asset base, which may assist to reduce WMPF's total cost base.
- 5.4 WMPF will ensure that no additional costs will fall onto the Fund and a full and final costing will be carried out as the project develops.
- 5.5 The bid highlights an additional resources requirement comprising amongst other expenses, recruitment of a number of staff to cover the project take-on and also for ongoing work. The final numbers will be agreed with the MoJ, but indicative numbers show a requirement of 15 staff to service 40,000 members and a £2.6bn fund.

## **6.0 Legal implications**

- 6.1 The SSJ Guarantee is in draft form and the Fund have sought legal advice on its content and if successful with this proposal, the legal agreements will need to be finalised.

## **6.0 Equalities implications**

- 6.1 This report has no implications for the Council's equal opportunities policies.

## **7.0 Environmental implications**

- 7.1 The report contains no direct implications for the Authority's Environmental Policies

## **8.0 Human resources implications**

8.1 The report contains no direct implications for the Authority's Human Resources Policies

## **9.0 Schedule of background papers**

9.1 There were no preceding background papers.