

RESTRUCTURING OF THE PROBATION SERVICE

Report of the County Treasurer

Please note that the following recommendations are subject to consideration and determination by the Committee before taking effect.

- Recommendation:**
- (a) That the Committee notes the changes to the Probation Service and the arrangements that have been made to transfer responsibility for the Devon and Cornwall Probation Trust's LGPS members to the Greater Manchester Pension Fund.**
 - (b) That the County Treasurer be authorised to implement the required transfer of assets, to be funded from the allocation to passive equities.**

1. Introduction

- 1.1. During 2013 the Ministry of Justice announced a major reform of the probation service under the "Transforming Rehabilitation" programme. As a result, the existing 35 Probation Trusts will be replaced by the National Probation Service (NPS) and 21 Community Rehabilitation Companies (CRCs). This was originally due to happen from 1 April 2014, but has now been delayed by two months to 1 June 2014.
- 1.2. As a result of this change the Devon and Cornwall Probation Trust will cease to exist, and will therefore cease to be an employer in the Devon Pension Fund. Under the new Probation Service arrangements, the Ministry of Justice has decided that the Greater Manchester Pension Fund (GMPF) will act as the LGPS Fund for the NPS and for all 21 CRCs. A consultation on draft regulations to effect the LGPS changes has been conducted since the last meeting of this Committee, and it is expected that the final regulations will be laid in March.
- 1.3. The impact of these changes on the Devon Fund is outlined in this report.

2. Benefits Administration

- 2.1. Responsibility for pension administration for all past and present employees of the Devon and Cornwall Probation Trust who are members of the LGPS will pass to GMPF. The administration of active and deferred members by GMPF will commence from 1 June, and from that date they will calculate and pay benefits, although Peninsula Pensions will finalise any cases, such as retirements, transfers or deaths, already in progress as at that date.
- 2.2. However GMPF have asked that Peninsula Pensions should continue to pay the pensions of Devon and Cornwall Probation Trust retired members for an interim period. GMPF will take on pensioner payrolls on a phased basis and the date for Devon & Cornwall pensioner payroll to move across has yet to be decided. It is also still to be confirmed how the cost of pensioner payroll will be recharged to GMPF, whether it will be invoiced to them

on a monthly basis or just deducted from the final transfer value payable. As Peninsula Pensions will still be paying pensioners, we will retain work relating to the pensioner payroll, for example dealing with deaths and setting up new dependants' pensions, until the date GMPF takes on that responsibility.

3. Transfer of Assets

- 3.1. All liabilities in relation to the Devon and Cornwall Probation Trust will transfer to GMPF. It will also therefore be necessary to transfer the Devon and Cornwall Probation Trust's share of the Devon Pension Fund's assets. The regulations to be laid in March will set out how the asset share is to be calculated. It is estimated on the basis of the draft regulations that this will be in the region of £50-£60 million.
- 3.2. In line with the draft regulations it is expected that the transfer of assets will be limited to cash or "liquid, transferable holdings of pooled vehicles which track market capitalisation weighted indices". A 0.2% deduction will apply in respect of the amount if transferred as cash. This is to allow for the assumed redemption expenses, although it is questionable if 0.2% would be sufficient to meet the cost.
- 3.3. It is proposed that the transfer of assets be funded from the Fund's investment in the passive funds managed by State Street Global Advisors (SSGA). The current asset allocation outlined in the Investment Management report on the agenda for this meeting shows that the current allocation to passive equities is significantly above the target, and therefore funding the asset transfer from this source will assist in bringing the asset allocation back in line with target.
- 3.4. GMPF have been approached in order to determine whether they would want to receive units in the SSgA Funds, as they would meet the definition of "liquid, transferable holdings of pooled vehicles which track market capitalisation weighted indices", or whether they would prefer the transfer to be in cash. If the cash option is preferred, then units in the SSgA Funds will be sold in order to raise the cash.
- 3.5. The timing of the transfer of assets is yet to be agreed. It will be linked to when GMPF take on the payroll for the retired Devon and Cornwall Probation Trust members, and as set out in paragraph 2.2 it is likely that the payroll costs met by the Devon Fund in the interim period will be deducted from the transfer amount.

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Electoral Divisions: All

Local Government Act 1972

List of Background Papers - Nil

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