Mr Robert Ellis
Department for Communities and Local Government
LGPS - Transforming Rehabilitation Programme
5/F5 Eland House
Bressenden Place
London
SW1E 5DU

Our Ref: MPF/PJW
Your Ref:
Direct Line: 0151 242 1309
Please ask for: Peter Wallach
Date: 10 February 2014

Dear Mr Ellis

Local Government Pension Scheme - Transforming Rehabilitation Programme

Merseyside Pension Fund provides the Local Government Pension Scheme for the Merseyside region, delivering pensions administration, investments and accounting on behalf of the 5 Merseyside District Councils, plus 145 other employers.

The Fund has over 123,000 scheme members and is responsible for the investment and accounting for a pension fund of £5.9bn.

Response to questions within the consultation.

1. **Are there any other categories of member who are or who have been engaged in the provision of probation services that are missing from Regulation 3 i.e. in relation to whom responsibility should be transferring to the Secretary of State?**

   No, we do not believe any other category of member has been overlooked

2. **Are there any additional transitional provisions required to facilitate the pensions aspects of the Transforming Rehabilitation Programme as they relate to the Local Government Pension Scheme? In particular, the draft regulations set out a process whereby the future funding of liabilities relating to deferred and pensioner members who were previously employed by the Probation Trusts (and their predecessor probation boards) will be transferred to the responsibility of the National Probation Service? Do the draft regulations achieve their aim?**

   We believe that the draft regulations achieve the aim to transfer all residual liabilities for deferred and pensioner members to the National Probation Service and remove the requirement for a termination assessment.

Although there is particular concern as to the ability to recover appropriate costs incurred by the ceding Fund in relation to advisory and administration costs.

The inclusion of a general provision to permit the recovery of reasonable costs via a reduction in the transfer share or as a recharge from GMPF or the Secretary of State for Justice would prevent the cost falling to other employers in the Fund.

3. Do the regulations and proposed actuarial guidance provide sufficient detail and guidance for the transfer of assets and liabilities from the funds of the current administering authorities to the Greater Manchester Pension Fund?

Yes, in our view the draft GAD guidance is broadly sufficient to enable the transfer of assets but clarity is required in relation to the following measures;

It is not clear if the return applied under paragraph 2.1 is gross or net of investment expenses (excluding transaction costs). It should reference net returns as calculated by the transferring Fund. In addition under paragraph 2.6 an appropriate deduction for expenses should be made after applying the indexed returns as agreed between the existing Fund and GMPF.

The transaction costs specified in the guidance is 0.2% of the proportion of the transfer share paid in cash. When liquidating assets the transaction costs will vary and we therefore propose that the transaction costs allowance can be varied as agreed between the Fund and GMPF. This is on the proviso that all parties should seek to minimize these costs.

Paragraph 2.4 of the guidance refers to the use of the IPD UK Index All Property monthly Total Return. However, this index is only published monthly and an index which is published daily such as the FTSE All UK Property total return is more appropriate for use in the calculation.

4. Do the regulations strike the right balance between flexibility and prescription in relation to the mechanics of agreeing the transfer share and payment date?

Yes, the mechanics proposed provide adequate flexibility and provide a clear basis for agreeing the transfer share.

However Regulation 104 (10) (c) prescribes a 45 day window for GMPF to reimburse Funds for continuing to pay pensions for a limited period. Therefore each Fund needs to be content with the timescale and consider the implications for system costs, treasury management and the practicalities and complexities for accounting purposes.

5. **Do you have any comments on the timescales for reaching agreement on, and achieving the transfer of assets and liabilities set out in the draft regulations and the proposed interest chargeable in the event that a transfer is not made in accordance with payment dates agreed or notified under the regulations?**

   The concept of a penalty interest charge is unnecessary as the transfer payment is calculated in accordance with the Guidance so is cash neutral to the Fund versus investment performance. If a penalty is applied this would result in the other employers in the Fund bearing the cost.

   If it transpires that agreement can not be reached on a payment date for isolated cases then a corresponding adjustment to the transfer payment could be made either way as a result of a delay due to the failing of the ceding or receiving Fund.

   In achieving the timescales prescribed the transfer of records and data quality will be crucial to the process. The Fund will be reliant on the IT provider of its pensions adminstration system delivering a solution to facilitate the transfer of scheme members records. We understand that since this consultation was issued, the life of Probation Trusts is being extended for a further two months which will be helpful in developing the software required.

6. **Will any of the changes made by the draft regulations have any unintended consequences?**

   We have not identified any unintended consequences.

Yours sincerely

Head of Pension Fund