



Government
Actuary's
Department

New Fair Deal policy

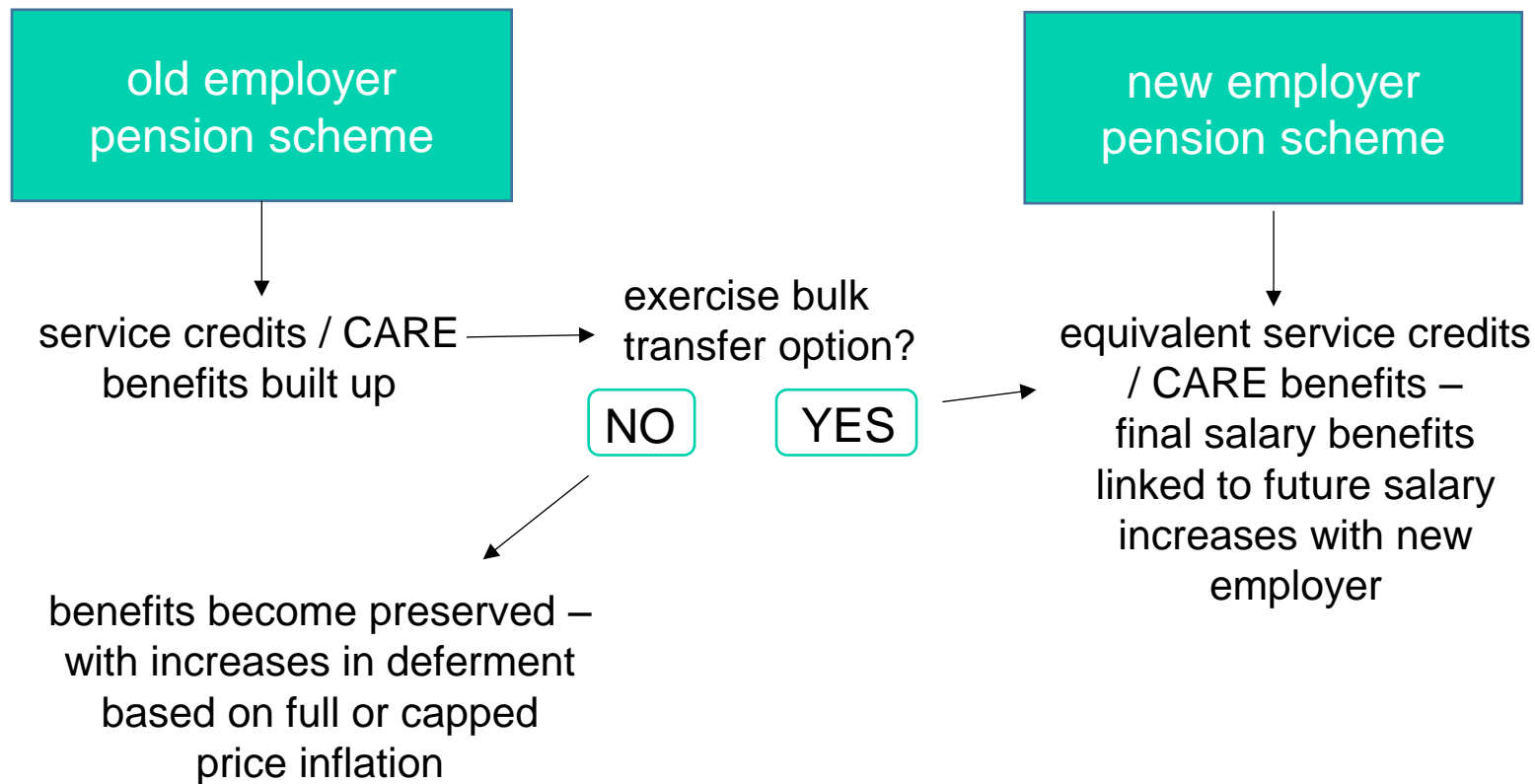
NHS Pension Scheme –
Bulk Transfer Arrangements

Adrian Hale
30 September 2014



Bulk Transfer Arrangements – Members

Same principles for transfers from and transfers back to the NHSPS





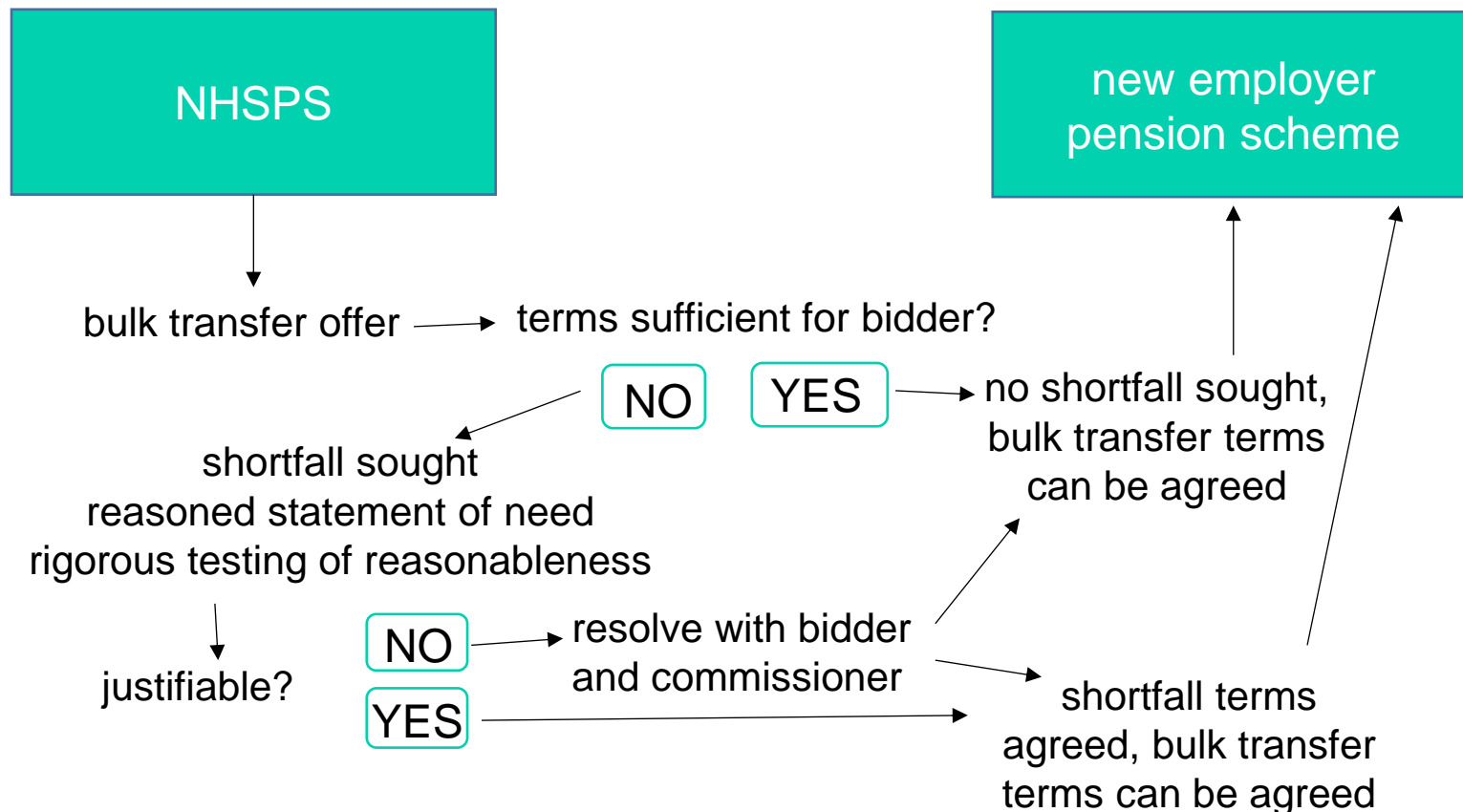
Bulk Transfer Arrangements – Members

- Members receive day-for-day service credits / £-for-£ credits (or actuarial equivalent) if they elect to transfer their accrued benefits
- The service credits / £-for-£ credits do NOT depend on how much money passes from the old scheme to the new scheme
- Options exercise is carried out after the contract award and after staff have transferred employment
- Voluntary decision with members having 3 months to decide
- Commissioners cannot know who will choose to transfer their accrued benefits before they award the contract
- Terms need to be agreed with different bidders at bidding stage



Bulk Transfer Arrangements – Commissioners

Bidding stage (usually at shortlist stage) – transfer from NHSPS





Bulk Transfer Arrangements – Commissioners

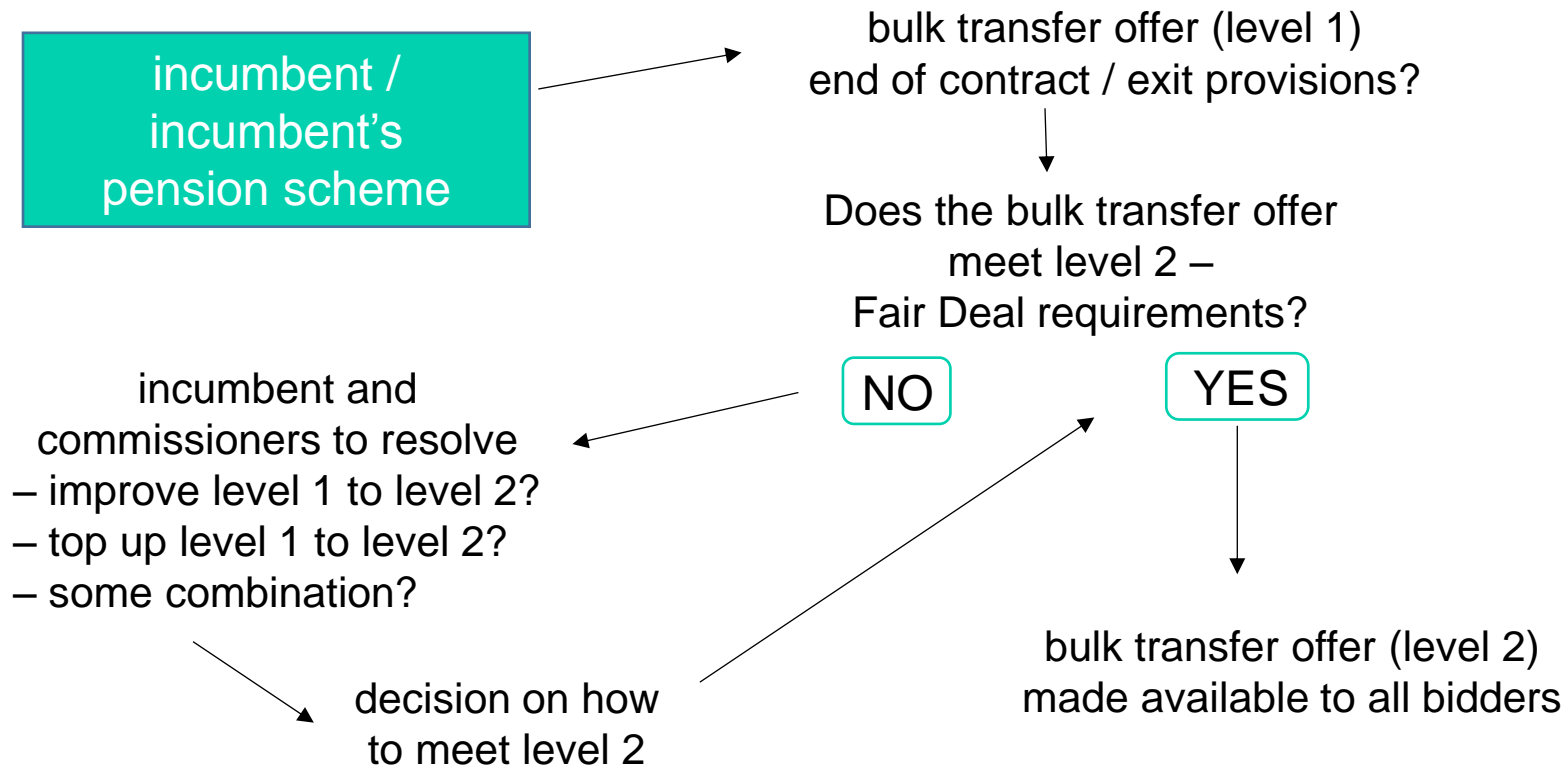
Re-tender situations – same principles as under old Fair Deal

- The bulk transfer terms offered by the incumbent/incumbent's pension scheme ('level 1')
- The bulk transfer terms required to meet the requirements of the Fair Deal policy ('level 2')
- The bulk transfer terms that would be required by a bidder's scheme ('level 3')
- *Under new Fair Deal all bidders will be offering the same scheme – the NHSPS – unless there are legal reasons which prevent this*



Bulk Transfer Arrangements – Commissioners

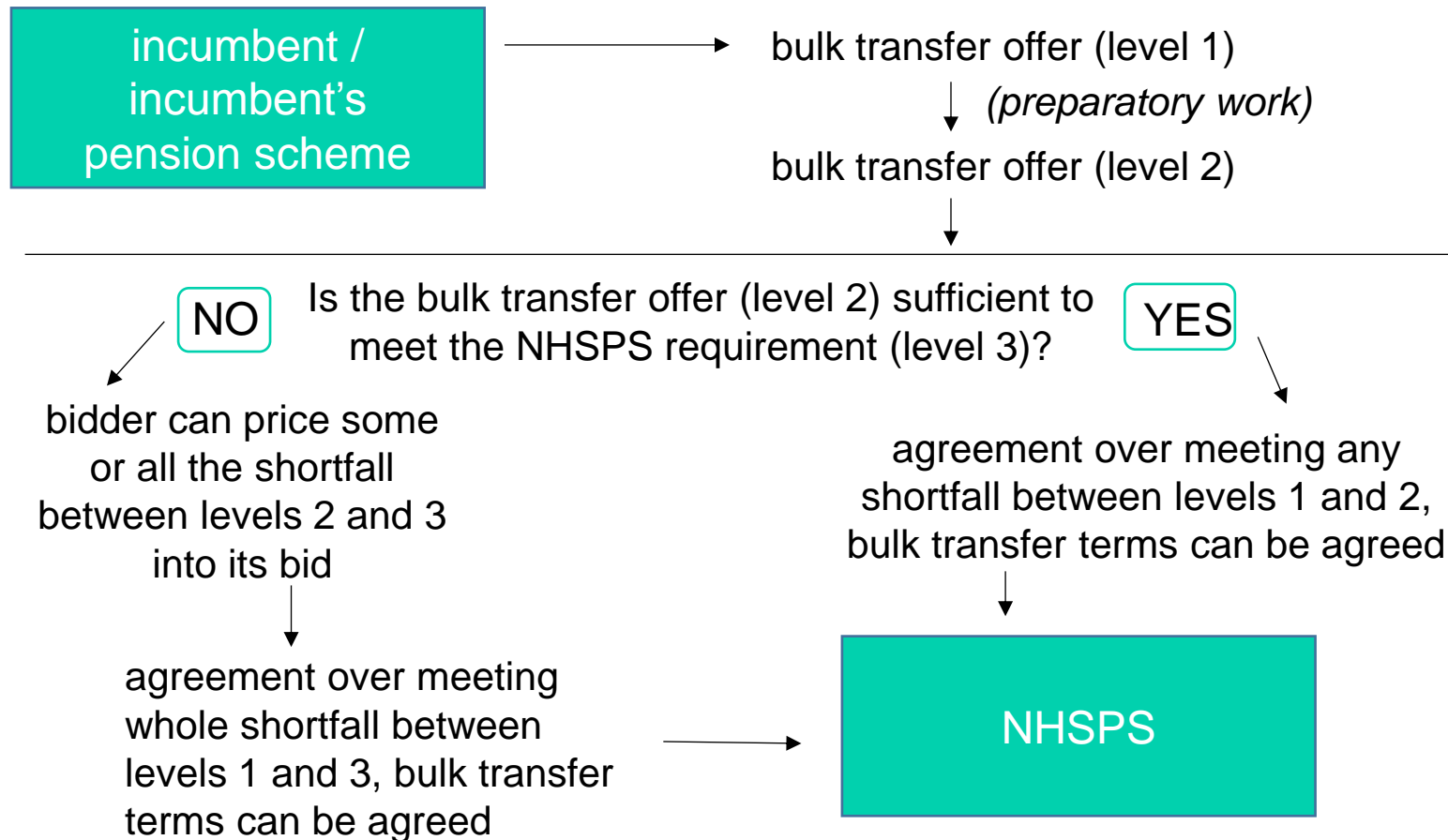
Re-tenders – preparatory work with incumbent (levels 1 and 2)





Bulk Transfer Arrangements – Commissioners

Re-tenders – work with bidders (levels 2 and 3)





Bulk Transfer Arrangements – Commissioners

Re-tenders

- The successful bidder will need to finance the shortfall in the NHSPS between what is offered by the incumbent's scheme for a bulk transfer to the NHSPS and what is required by the NHSPS
- The shortfall is a single capital payment required at the time the bulk transfer is payable by the incumbent's scheme
- The successful bidder can “re-coup” part of that shortfall under its contract, to the extent that a difference between levels 2 and 3 was priced into its bid – depending on the pricing mechanism used, that might be a single capital payment or a series of staged payments
- The successful bidder would be reimbursed for any difference between levels 1 and 2; commissioners may be able to re-coup some or all of that difference from the incumbent, depending on what was agreed in the preparatory work prior to tender



Bulk Transfer Arrangements – Commissioners

Ongoing contracts

- The incumbent will need to demonstrate the savings that would accrue to the NHS through contract amendments, if the incumbent were allowed to join the NHSPS for future service
- The incumbent must offer a bulk transfer arrangement for past service, under which it would need to finance the shortfall in the NHSPS (if any) between what is offered by the incumbent's scheme for a bulk transfer to the NHSPS and what is required by the NHSPS
- If the incumbent is seeking to recover part or all of that shortfall through contract amendments, the cost of that should be fully allowed when calculating savings that would accrue to the NHS



Bulk Transfers – some common issues

- Pensions are left until the last minute, leading to unforeseen delays and additional unbudgeted costs
- Absence of preparatory work can distort the tender process, leading to possible challenge
- Financial challenges facing incumbents if pension provision is switched to the NHSPS
- Lack of clarity over which staff have Fair Deal protection
- Shortfalls can be significant relative to the contract value
- Uncertainty and confusion for staff