

Important notice for immediate action

Government Actuary's Department: Validity of GAD passports

Local Government Pension Scheme passports in England and Wales

Passport certificates of broad comparability are issued by the Government Actuary's Department (GAD) to assist in the letting of contracts by public bodies which involve the transfer of employees from the public service. Passports are issued by reference to the provisions of the relevant public service pension scheme as they apply at the time of issue. The wording of the passport provides that the passport remains valid only for such time as the provisions of the public service scheme remain materially unchanged.

Regulations have now been made which provide for significant changes to the Local Government Pension Scheme (LGPS) in England and Wales. Similar regulations are due to be issued for the LGPS in Scotland.

All GAD Certificates of Broad Comparability for the LGPS issued before 26 April 2007 therefore cease to have validity for any transfer of staff covered by LGPS in England and Wales taking effect after that date.

Such certificates are no longer valid for such staff transfers and should not be presented to, nor accepted by, contracting authorities.

This blanket withdrawal is necessary as the terms of the Local Government Pension Scheme (England & Wales) have been amended. The confirmatory regulations (SI2007/1166) were laid on 4 April 2007. Although the terms of the LGPS are not due to change until 1 April 2008 the changes would have affected all transferring members had they continued in public sector employment beyond that date. The principles for assessment of broad comparability as set out in our Statement of Practice www.gad.gov.uk/Publications/PPP_PFI require recognition of such known future changes in the broadly comparable assessment process.

From work GAD has undertaken so far we expect the majority of contractors will need to make changes to their schemes in order to continue to meet the broadly comparable test. Although there will be no requirement to mirror the differing accrual (and other) bases applying for service before and after April 2008 in the LGPS, contractors should be aware that GAD will take account of new LGPS basis from 1 April 2008 (ie 60ths accrual with cash by commutation and earning related member contribution rates) as part of the assessment.

A comparison of the key features of the new and old style LGPS can be found on the GAD website www.gad.gov.uk . Further details of the LGPS changes can be found at www.lgps.org.uk.

We are writing separately to each contractor and are also notifying local government associations, consultants, trade bodies and other stakeholders of the passport withdrawal. Contractors seeking to replace withdrawn certificates should contact their normal GAD actuary or enquiries@gad.gov.uk . Contractors will need to formulate proposals for modifying their schemes before progress towards replacement can commence.

We appreciate that this action will create some practical difficulties for imminent transfers. We envisage contractual terms may need to provide for some after transfer work on agreeing pension terms for service from 1 April 2008. Contracting authorities or others may wish to appoint GAD to give advice in this context although we have no statutory remit over such work. Parties wishing to engage GAD in this capacity should contact Sue Vivian (sue.vivian@gad.gov.uk or 0207 211 2657) in the first instance.

National Health Service Pension Scheme and Principal Civil Service Pension Scheme passports

Both the National Health Service Pension Scheme and the Principal Civil Service Pension Scheme are also currently under review and we expect similar action will be necessary in respect of passports for these schemes in the near future.

Andrew Johnston
Deputy Government Actuary
16 May 2007