

Public service pension schemes reform

The Chief Secretary to the Treasury, Danny Alexander, reported to the House of Commons on 20 December 2011 that heads of agreement had been established in relation to the reform of the Local Government Pension Scheme (England & Wales), National Health Service Pension Scheme (England & Wales), Principal Civil Service Pension Scheme (Great Britain) and Teachers' Pension Scheme (England & Wales).

The full details of the heads of agreement for each scheme were set out in written statements by each relevant Department and are available through the following links:

<http://www.parliament.uk/documents/commons-vote-office/4-Cabinet-Office-Civil-Service-Pensions.pdf>

<http://www.parliament.uk/documents/commons-vote-office/5.DCLG-Local-Government-Pension-Scheme.pdf>

<http://www.parliament.uk/documents/commons-vote-office/9-Education-TeachersPensionScheme.pdf>

<http://www.parliament.uk/documents/commons-vote-office/11.Health-NHS-pension-scheme.pdf>

Fair Deal

The Chief Secretary also reported that, because the new schemes would be established on a career average basis, the Fair Deal provision would be retained and access extended for transferring staff. Following the consultation on Fair Deal earlier this year, the Government will respond formally in the New Year.

The Government will be considering what practical options might be available to reform the terms of access to the NHS pension scheme, in particular for NHS staff who move to a qualified provider outside the NHS which is delivering NHS services.

Employee contribution changes

Following publication of the Government responses to the consultations on changes to employee contribution rates, effective from April 2012, in the Principal Civil Service Pension Scheme (Great Britain), the National Health Service Pension Scheme (England & Wales) and the Teachers' Pension Scheme (England & Wales), contractors may incorporate these revised rates, or make allowance for these revised rates, in their proposals for providing a broadly comparable pension scheme under the Fair Deal policy.

This also includes situations where a compulsory transfer of employment is due to take place between the dates of these respective announcements and 31 March 2012 (although such changes in employee contributions can only apply to transferring employees with effect from 1 April 2012).

The full responses are available through the following links:

<http://www.civilservice.gov.uk/wp-content/uploads/2011/12/response-to-consultation-14-December.pdf>

http://www.dh.gov.uk/prod_consum_dh/groups/dh_digitalassets/documents/digitalasset/dh_131747.pdf

<http://www.education.gov.uk/consultations/downloadableDocs/Teachers%20Pension%20Consultation%20Results.doc>

Contractors should note that the consultations for the National Health Service Superannuation Scheme (Scotland) and the Scottish Teachers' Superannuation Scheme closed on 17 November 2011, but as yet no response to these consultations has been published. The consultations for the Local Government Pension Scheme (England & Wales), the Principal Civil Service Pension Scheme (Northern Ireland), the Health and Social Care (HSC) Pension Scheme in Northern Ireland, and the Northern Ireland Teachers' Pension Scheme close during January 2012, and responses to those consultations are expected sometime thereafter. In the meantime, the existing employee contribution rates will continue to apply for the purpose of broad comparability in connection with those schemes.

Existing certificates

Contractors should note that existing certificates of broad comparability are not being withdrawn and will continue to be valid, with allowance for the employee contribution rates in line with those set out in the relevant certificate. However, special arrangements are currently being considered for contractors who wish to amend their existing certificates in order to reflect the changes to employee contribution rates in public service pension schemes from 1 April 2012 for future transferees.

Where it is appropriate to do so – for example where the employee contribution rate in a contractor's broadly comparable scheme is the same as that which currently applies in the relevant public service pension scheme – GAD will consider issuing a short addendum to an existing certificate of broad comparability, to amend the paragraph(s) on employee contribution rates. This will avoid the need to go through the full re-certification process in order to make such an amendment.

Such an addendum would only apply to staff transferred under TUPE on or after the date of the addendum, and will only apply for employee contributions payable in respect of service with the contractor on or after 1 April 2012. Employee contribution rates for staff who have already transferred to a contractor under TUPE under the existing certificate will not be affected by the issue of an addendum.

The addendum will only allow for the published changes in employee contribution rates from 1 April 2012 and not any future changes in employee contribution rates that may apply from 1 April 2013 or subsequently, which are to be the subject of separate consultations.

The addendum would not alter the expiry date of the existing broad comparability certificate, and all other elements of the certificate would remain unchanged.

If you would like to apply for a new broad comparability certificate or for an addendum to an existing certificate, please contact your usual GAD actuary. Please note that no addenda are likely to be issued until mid-January at the earliest.

Further updates

GAD will circulate further information as it becomes available.

Government Actuary's Department
21 December 2011