New Fair Deal policy

NHS Pension Scheme –
Bulk Transfer Arrangements

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Bulk Transfer Arrangements – Members

Same principles for transfers from and transfers back to the NHSPS

old employer pension scheme

service credits / CARE benefits built up

exercise bulk transfer option?

 NO  YES

benefits become preserved – with increases in deferment based on full or capped price inflation

new employer pension scheme

equivalent service credits / CARE benefits – final salary benefits linked to future salary increases with new employer
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

NHSPS

bulk transfer offer → terms sufficient for bidder?

shortfall sought

reasoned statement of need
rigorous testing of reasonableness

justifiable?

NO → resolve with bidder and commissioner

YES → no shortfall sought, bulk transfer terms can be agreed

NO → shortfall terms agreed, bulk transfer terms can be agreed

YES → shortfall sought

new employer pension scheme
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)

- incumbent / incumbent’s pension scheme
- bulk transfer offer (level 1) end of contract / exit provisions?
  - Does the bulk transfer offer meet level 2 – Fair Deal requirements?
    - NO
    - YES
      - incumbent and commissioners to resolve
        - improve level 1 to level 2?
        - top up level 1 to level 2?
        - some combination?
      - decision on how to meet level 2

- bulk transfer offer (level 2) made available to all bidders
Re-tenders – work with bidders (levels 2 and 3)

- incumbent / incumbent’s pension scheme
- bulk transfer offer (level 1) (preparatory work)
- bulk transfer offer (level 2)

Is the bulk transfer offer (level 2) sufficient to meet the NHSPS requirement (level 3)?

**NO** bidder can price some or all the shortfall between levels 2 and 3 into its bid

- agreement over meeting whole shortfall between levels 1 and 3, bulk transfer terms can be agreed

**YES** agreement over meeting any shortfall between levels 1 and 2, bulk transfer terms can be agreed

NHSPS
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.
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