New Fair Deal: implications for actuarial advice

Presentation to the Association of Consulting Actuaries

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Consulting
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Which legislation / guidance to follow

New Fair Deal / Old Fair Deal / Best Value / Nothing

- LGPS
  - Fair Deal or Best Value Authorities Directive?
  - Eg Academies with LGPS members
- NHSPS/TPS/smaller schemes
  - New Fair Deal only once regulations allow (Old Fair Deal until then)
    - PCSPS already amended
  - Will NHSPS use Direction Body status for all?
- Bids currently in progress?
- Rebid for pre-1999 contracts on Fair-Deal-like terms?

Bulk transfers on second-generation transfers

Key area for actuarial advice

As "specified" in old contract / TD&Rs

Shortfall: priced into bid

Top-up from old contractor

Amount that old Scheme will pay out

Amount required by public service scheme

(or contractor's scheme)

Bulk transfers: what old contract specified

2004 clarification to New Fair Deal: onward bulk transfer to be “no less favourable” than the terms of earlier transfer in

- Still not always clear on all details
- Pre – 2004 contracts
  - Often no contract requirements
  - Though old scheme’s rules may require an (undefined) “past service reserve”
  - Old Fair Deal: left to new and old scheme to sort out, contracting authority not pick up shortfall, sometimes service credits reduced
  - New Fair Deal: early discussions, agreement before ITT

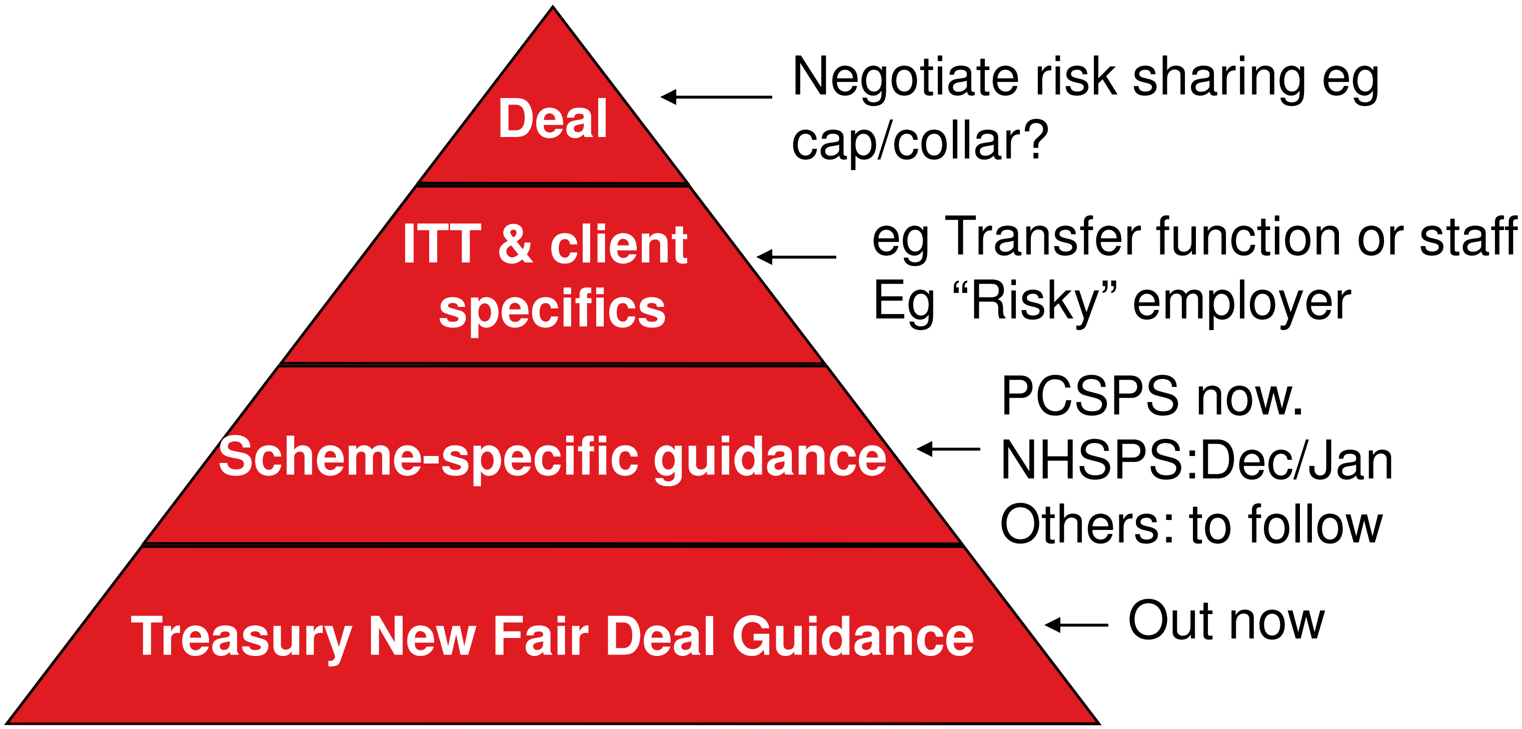
Assisting with pricing

Consider impact of:

- Pension costs during the contract, with 100% past service taken on
- Scheme-specific additional costs
- Auto-enrolment, throughout contract
- “Wholly or mainly” definition and planned restructuring of roles

Terms for participation: risk taken on

DB risk shared between Scheme (tax payer), Employer and (possibly) Contracting Authority depending on



Assisting with Employee Communications

Ensure you are aware of all New Fair Deal consequences if you advise on the following employee communications:

- Bulk transfer options under New Fair Deal
- Consultations with employees/unions re offer of alternatives that include giving up Fair Deal protections
- Auto-enrolment communications where some staff are covered by Fair Deal: to ensure affected employees are not accidentally auto-enrolled into the wrong scheme

Key uncertainties

- Guidance and opening dates for NHSPS/TPS etc
- When and how Best Value Authorities Directive will change
- How contracting authorities or schemes will decide if employers are “risky”
- How bulk transfers will work for second generation contracts
  - Will all pieces be in place in time for ITT?
  - Where old contract terms vague/ non-existent
  - Data problems
- How many current bids will continue with old Fair Deal
- How many pre-Fair Deal contracts will be brought into the New Fair Deal regime?

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