



# eNews from GAD



## Welcome to eNews

**Welcome to eNews!** After more than 10 years as our flagship newsletter, this is our last quarterly edition of eNews before its relaunch in April as an exciting monthly round-up of news stories, case studies, blogs and insights. Fittingly therefore, this edition starts with a spotlight on GAD's communications strategy – discussing the role eNews plays, our achievements so far, and providing a flavour of how things will look in the future.

Following this, we have a feature article discussing how the work of our staff transfer specialists helps achieve a smooth transition of public pension rights for employees who are moving within the public sector, or whose jobs have been outsourced to the private sector.

Our last article considers what it takes to be a learning organisation, and how GAD is working to foster a learning ethos within both our individuals and our department. One example of this is GAD's involvement in the Forum for Public Actuaries, a GAD founded initiative which organises topical learning events throughout each year for actuaries working for public sector organisations.

Finally, as a result of the coronavirus outbreak I know this is a difficult time for everyone and like many organisations we're adapting to these new realities. I'd like to reassure you that we'll continue our work, using technology and virtual meetings with clients to make sure we deliver client projects and analysis.

I hope you have enjoyed this edition. [Previous editions](#) are available online and you can now also read about topical issues and how the work we do makes a difference at [actuaries.blog.gov.uk](https://actuaries.blog.gov.uk).

**Martin Clarke, Government Actuary**

## News from GAD

### Publication of National Insurance Fund – Up-rating report

In February 2020 GAD published the Government Actuary's [annual report](#) on the impact of Up-rating Social Security Benefits and updating National Insurance Contributions on the National Insurance Fund. See our [news story](#) for more detail and a summary of this year's key results.

### GAD supports major pensions consultation

GAD is helping The Pensions Regulator (TPR) to consider funding approaches for defined benefit pension schemes. TPR has launched [a consultation](#) seeking views on principles for a new funding code of practice. GAD helped TPR assess suitable principles to consult upon by [analysing and reporting](#) on the impact of setting a long-term funding objective at different levels. See GAD's [Technical Bulletin](#) which summarises the main consultation proposals and what will happen next.



## Spotlight on GAD communications

This is the final quarterly edition of eNews before its relaunch in April as a monthly publication. eNews has long been a key part of GAD's wider communications strategy, which sets out our approach to sharing news and insights with our clients and stakeholders. As the breadth of GAD's communications continues to develop, in this article we reflect on what we've achieved so far and how things will look in the future...

### Celebrating our work

Teams in GAD provide actuarial and analytical support for wide-ranging and fascinating projects – all of which lead to real and meaningful conclusions. Recent highlights include our analysis supporting a review of measures to [assist stranded passengers](#) of failed airlines, provide advice about pensions for [local government employees](#) and review the [costs of utility companies](#) digging up the roads.



### Channels and changes

Our website is the main platform where we share news about our key stories and successes. As a highly successful actuarial practice, we also retain a busy and engaging presence on LinkedIn. Our blog site [Actuaries in government](#) is our newest platform and among its strengths is that it offers us opportunities to show the people behind the formulae.

However, as GAD's work continues to grow, so does the amount of news we publish. We have a lot to talk about, a great many insights to share and reports to, well ... report on. This expansion means we've re-examined how we share our stories with our readers.

### Relaunching eNews

eNews has been produced on a quarterly basis for several years; sharing helpful insights and essays on topical actuarial issues and of course, the work we've done. Over the past 2 years alone we've reported on stories ranging from GAD's role in supporting the sale of the [student loans book](#) to [how we advise on public service pension schemes](#), from [GAD's role in social security](#) and the future of insurance and [genetic testing](#) to how we [add value to decision making](#) in public services.

However, the next step in our communications modernisation programme will include moving to a refreshed, monthly version of eNews. Following its relaunch in mid-April our newsletter will become a monthly round-up of news stories, case studies, blogs and insights. It will still retain the extended feature articles and, as now, we'll continue to publish these articles every quarter. All current eNews recipients will automatically be subscribed to the new format, and if you are a new reader you can subscribe [here](#).

### A new chapter

We're making these changes to streamline our communications with clients and create further opportunities for engagement around our blog site [Actuaries in government](#). This is an exciting new chapter in GAD's communications strategy, and we look forward to sharing even more news than ever before about our work, projects and successes.





## Real people, real money: GAD's work on Staff transfers

It is often said that the 3 most stressful life events are bereavement, divorce and moving house. But, changing employer can also be stressful, and even more so when that change is due to a compulsory transfer of employment. This article discusses how the work of GAD's staff transfers specialists helps achieve a smooth transition of public pension rights for employees who are moving within the public sector, or whose jobs have been outsourced to the private sector.

### A Fair Deal for outsourced employees

When public sector services are outsourced or change hands, the government's [Fair Deal policy](#) applies. Since the late 1990s GAD has been advising employers on the Fair Deal requirements. We support them to achieve compliance and provide practical guidance and support to ensure the process runs smoothly.

Fair Deal has been subject to various revisions over the years. The latest policy, released in 2013, introduced a significant change in policy direction. The intention was that, going forwards, outsourced public sector workers should remain in their public service pension scheme rather than being transferred to a contractor's scheme. Staff who have previously moved out to a contractor's pension scheme on an outsourcing are now brought back into the relevant public service scheme at the first contract renewal after 2013. Local Government is still in the process of implementing this.



### Protecting the interests of affected employees

GAD's work assisting contracting authorities with the new Fair Deal policy in respect of their staff who have previously been moved to a contractor's pension scheme, safeguards the staff's interests in relation to their existing pension. We work with the contracting authorities to ensure that returning members are offered a 'bulk transfer option' in line with the Fair Deal policy. This is a choice between retaining their accrued pension benefits in their current scheme or transferring them into their new scheme with any final salary linking maintained. Following the requirements of Fair Deal or any other policy or contract, with GAD's input, should provide a welcome reassurance to affected members.

### Protecting pensions on government transfers

The government's [COSoP](#) (Cabinet Office Statement of Practice) policy provides protection to staff transferring within government. When staff are moved to their new employer's pension scheme, in addition to providing an option to transfer their past pension, 'what staff get' for the future is also protected. This is known as 'broad comparability'. We compare the members' pension benefits going forwards with those they would have accrued had they remained in their previous scheme to check they are expected to be equally valuable and that take-home pay is not reduced. Our calculation follows the requirements of New Fair Deal and is based on the structure of both schemes at the time of change of employer (and scheme). Where the broad comparability criteria are not met, we work with the receiving employer to enable the certification.



### Protecting the Public Purse

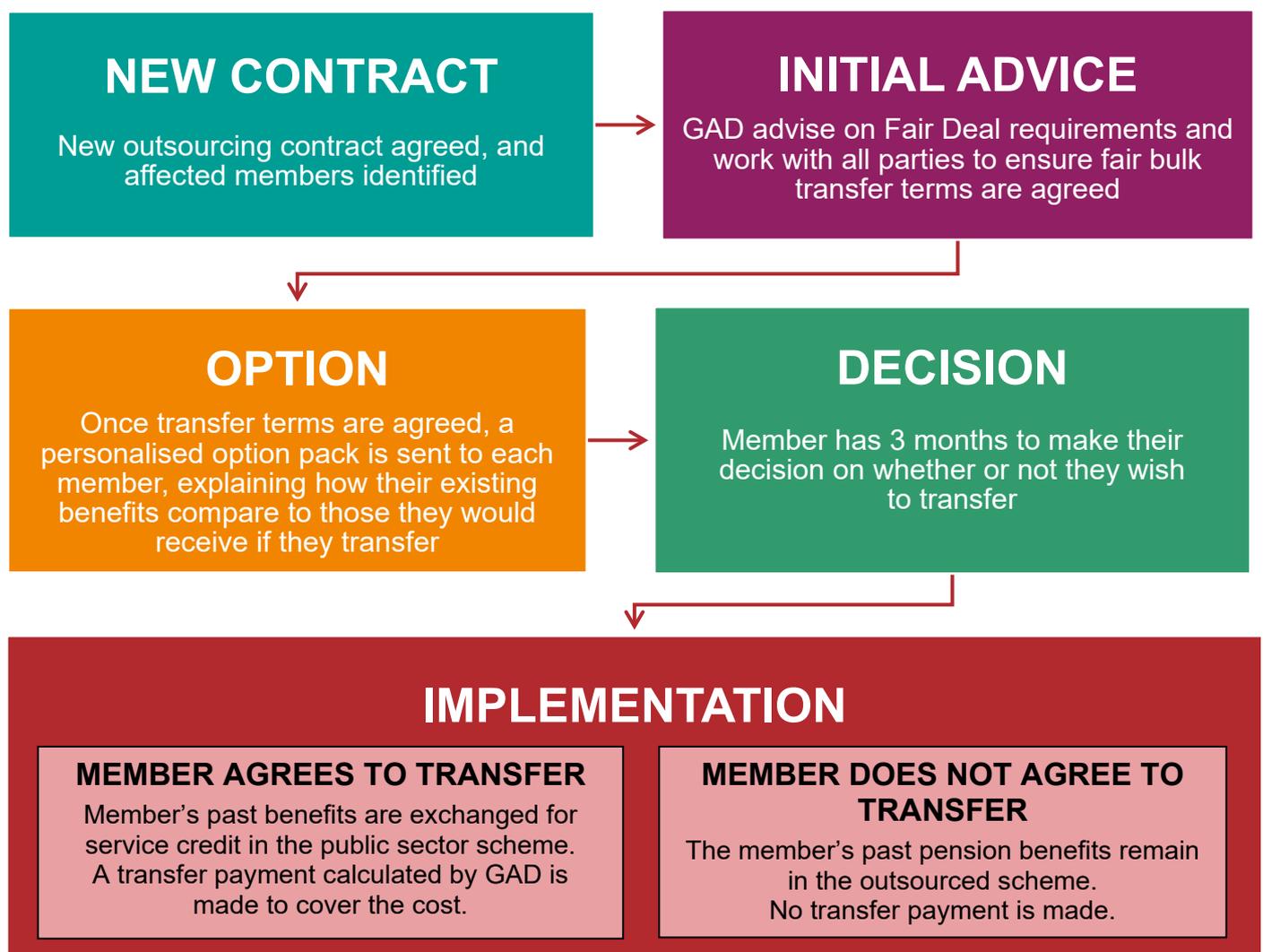
When there is a bulk transfer back to a public service scheme, GAD supports contracting authorities in ensuring the payment which the public service scheme receives from the contracting firm's pension scheme is reasonable relative to the benefits being transferred across and any scheme or contractual



requirements. However, this may still not represent the full costs to the public service scheme for providing the benefits. GAD calculates if a 'shortfall' payment is necessary. This is paid, as agreed between the contractor and contracting authority, into the public service scheme to ensure that the costs of the transferring benefits are fully covered.

## Bulk transfer process

An illustration of the bulk transfer process is shown in the graphic below. From start to finish the process can take up to a year to complete, but timescales can vary greatly depending on the individual circumstances of the exercise. Each individual case, like each member, is unique and the outcome of the options process will have real financial implications for the members in question. Therefore, it is essential that a thorough and accurate assessment of each member's individual circumstances is made.



## The end of staff transfers?

Many thought the introduction of 2013's Fair Deal policy might signal an end to GAD's involvement in Fair Deal work. However, 7 years on there are still many ex-public service employees currently employed in the private sector under government contracts that have yet to terminate, and for whom the Fair Deal policy is still very relevant. So, GAD's assistance in advising on the requirements of the Fair Deal Policy is still likely to be required for many years to come.

If you have any questions about this article or would like to find out more about how GAD can help with your staff transfer arrangements, please contact [staff.transfers@gad.gov.uk](mailto:staff.transfers@gad.gov.uk) in the first instance.



## Forum for public actuaries: learning through sharing

GAD is placing increasing emphasis on our growth as a learning organisation. We are a founder member of, and active participant in, the Forum for Public Actuaries (F4PA), which organises learning events throughout each year for actuaries working for public sector organisations. This article discusses GAD's ambitions to grow further as a learning organisation, and how the F4PA initiative is helping us realise them.



### Growing our people

At GAD one of our key aims is to grow and nurture our greatest resource, namely our people. We do this through actively seeking opportunities to improve our knowledge and skills as individuals and as a department. New ideas help us strengthen our client propositions through increased efficiency and greater innovation. In addition, we learn by experimenting, from experience, from others, and by transferring knowledge.

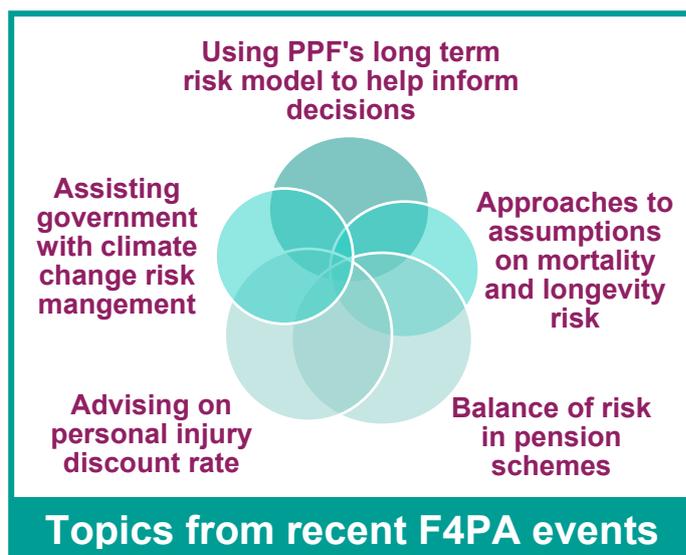
### Actuarial ecosystem for the public sector

With over 150 actuaries and actuarial staff, we are proud to be part of a much wider population of actuaries working in public service. These are mostly based in financial regulators such as the Prudential Regulation Authority and Financial Conduct Authority, and pension organisations such as The Pensions Regulator and the Pension Protection Fund. However, some other organisations employ small numbers of actuaries. These provide an important community for GAD to share our experiences with and to learn from.

### Forum for public actuaries

The Forum for Public Actuaries regularly brings public sector actuaries together to consider the contribution they can make to topical issues of increasing importance, such as climate change. Its friendly and informal structure provides a unique opportunity for participants to discuss and share their work and professional issues with colleagues who have similar public service ethos and insight. Our most recent sessions have seen:

- GAD present on the actuarial principles behind our advice on setting the discount rate used in valuing damages awarded by courts to injury claimants
- wider experts provide insights on long standing consumer investment 'with profits' products and a new type of pension coming to the UK, Collective Money Purchase



### GAD's wider learning

When setting its ambitions for learning growth, GAD is certainly not limiting its focus to engaging with other public sector actuaries. We are a core member of the Civil Service [Analysis Function](#) community and are also passionate about learning directly from the departments and public bodies we work with on a day to day basis. This is done through both informal engagement and, where relevant, hosting specific events to bring together contacts working with similar issues. Through this network of learning focused engagement, GAD will continue to maintain and build our support for the UK government and ultimately the country.



## Recent developments

### Budget 2020

The Chancellor of the Exchequer presented his [Budget](#) to Parliament on 11 March, with measures to support those affected by coronavirus (COVID-19) taking centre stage. With a wide range of policy measures announced, our [Technical Bulletin](#) focuses on 3 announcements which are likely to be broad relevance to our readers: pensions taxation, managing the public finances and the future of the Retail Prices Index.

### Coronavirus (COVID-19)

While the impact of coronavirus (COVID-19) is evolving day by day, various technical developments have taken place. Alongside the [support announced by the Chancellor](#) in the Budget, the Bank of England set out a [package of measures](#) to respond to the economic shock of COVID-19. This included reducing the base rate of interest, the Bank Rate, from 0.75% to 0.25%. The Pensions Regulator has issued a statement setting out what the trustees of [pension schemes need to consider](#) – this will be kept up to date with the latest information.

### Response to Future of Trusteeship and Governance consultation

In February, ahead of their new consultation on the [funding of defined benefit pension schemes](#) (see 'News from GAD' on page 1 of this eNews edition), The Pensions Regulator (TPR) published its [formal response](#) to its 2019 consultation on the 'Future of trusteeship and governance' (see [consultation webpage](#) for further details). TPR's response [announces new measures](#) to protect savers and improve member outcomes by ensuring they are in well run schemes able to deliver good value.

### Climate risk assessment and reporting practices

The Financial Reporting Council (FRC) has [announced a major review](#) of how companies and auditors assess and report on the impact of climate change. The FRC will review the extent to which UK companies and auditors are responding to the impact of climate change on their business. Meanwhile, DWP has launched a consultation on non-statutory guidance for occupational pension schemes on [assessing, managing and reporting climate-related risks](#) in line with the Taskforce on Climate-Related Financial Disclosures (TCFD).

### Mortality rates and health inequality

The Continuous Mortality Investigation (CMI) has found that [standardised mortality rates](#) in England and Wales (E&W) were on average 3.8% lower in 2019 than in 2018. This is the largest fall in mortality rates since 2011. Mortality in 2019 was the lowest they have ever seen in E&W. The Institute of Health Equity has published a report considering how [health inequality has changed](#) over the last decade. This report comes 10 years on from [The Marmot Review](#), which considered the effectiveness of evidence-based strategies for reducing health inequalities in England.