



## Important Announcement (Staff Transfers)

### Changes to the passport certificate system for broad comparability

#### Background

1. The passport certificate system for broad comparability has been operated by the Government Actuary's Department (GAD) for a number of years. It enables contractors to obtain pre-certification of their pension arrangements, with the passport certificate being available for use in different staff transfer exercises within its validity. This eliminates the need for a contractor to apply for a certificate of broad comparability for each staff transfer exercise in which it is involved. However, as a consequence of the new Fair Deal policy published in October 2013, contractors will not require a passport certificate if they are offering staff continued membership of the relevant public service pension scheme instead of membership of a broadly comparable scheme.
2. GAD has therefore reviewed the current passport certificate system.

#### Drivers for change

3. The new Fair Deal policy has considerably reduced the demand for passport certificates but, although voluntary, there remain a number of situations where a contractor might choose to have a passport certificate. For example, we have seen some demand in the following circumstances:
  - staff transfer exercises which need to be completed under the old Fair Deal policy
  - staff transfer exercises in local government, where the Department for Communities and Local Government has yet to publish its review of what is needed in respect of directions or other arrangements to achieve the principles of new Fair Deal

There may also be some demand for passport certificates for use in staff transfer exercises under the new Fair Deal policy where, due to exceptional circumstances, a broadly comparable scheme will be offered to transferring staff.

4. The existing passport certificate system involves a contractor applying for an interim passport certificate, which is normally valid for 6 months, during which time scheme documentation is updated, as necessary. The contractor can then apply for a final passport certificate, which is normally valid for 2 years. This involves an independent legal review of the scheme documentation, at the contractor's cost, to provide assurance that the scheme documentation has been appropriately updated. Contracting authorities should nevertheless include contractual provisions to enforce the terms of the passport certificate should there be any conflict between the certified benefits and the scheme documentation.



5. Public service pension schemes are undergoing significant reforms, with major revisions to each scheme, in different ways and at different times, through a series of one or more sets of regulations. These changes invalidate existing passport certificates, so require contractors to submit revised proposals to obtain a further passport certificate and, in the case of a final passport certificate, to submit revised scheme documentation for a legal review. However, the scale and timing of the reforms are expected to cause significant challenges and difficulties for contractors in updating scheme documentation for final passport certificates under the existing system.
6. Moreover, the increasing complexity in scheme documentation over the years has increased the work required to obtain a final passport certificate as well as the legal costs, which are borne by the contractor.
7. The new Fair Deal policy also provides staff with enforceable rights and a mechanism to pursue complaints if they consider that the requirements of the policy have not been met, for example if they have not been provided with the required benefits.

### **Changes**

8. As a result of the review, GAD has concluded that it should continue to operate a passport certificate system, at least for the time being, but that the system should be modified.
9. Accordingly, the following changes are being made to the passport certificate system with effect from 1 July 2014 until further notice:
  - The existing two-tier approach of interim and final passport certificates is being discontinued
  - A new single tier approach for a passport certificate is being introduced
  - These new single tier passport certificates will normally be valid for a maximum of two years (although passport certificates could still become invalid earlier if, for example, there are changes in the benefits provided in either the public service pension scheme or in the contractor's broadly comparable scheme)
  - GAD will not review scheme documentation and the requirement for an independent legal review (as a pre-condition for the issue of a passport certificate) is being discontinued
  - Contractors will be asked to give an undertaking in relation to the updating of scheme documentation
  - A passport certificate may be suspended or withdrawn if the contractor fails to comply with (or if GAD has good reasons to believe that the contractor has failed to comply with) one or more undertakings given to GAD
  - Contracting authorities/commissioning bodies should incorporate enforceable provisions in the contract for services to require that staff are provided with the benefits promised by the contractor, as outlined in the passport certificate.



**What happens if GAD is currently processing an application for an interim or final passport under the existing passport certificate system?**

10. All applications for an interim passport will be treated as applications for a new single tier passport valid for up to two years.
11. Applications for a final passport will be concluded under the existing passport certificate system, with an independent legal review, unless the client instructs GAD to cease work on that application and to switch the application to a new single tier passport. If work ceases, clients will still be liable for fees accrued for work on the final passport, including legal costs already incurred for the independent legal review

**What happens to existing passport certificates already in force?**

12. These will continue to remain in force until expiry (unless otherwise withdrawn), but will not be automatically converted into single tier passport certificates. If contractors wish to replace an existing interim passport certificate with a new single tier passport certificate, or renew an existing final passport certificate with a new single passport certificate, applications for such a new passport certificate should be made to GAD in the usual way.

**Can I still apply for an individual certificate for a TUPE transfer?**

13. Yes, GAD will continue to offer individual certification where required. These certificates only apply to the TUPE transfer described in the certificate. A contractor will need to provide an undertaking in relation to the updating of scheme documentation.

**What if I have some further questions?**

14. Further questions should be raised with your normal GAD contact or you can contact the Staff Transfers team at [staff.transfers@gad.gov.uk](mailto:staff.transfers@gad.gov.uk), telephone 020 7211 2676 or 020 7211 2752.

**Staff Transfers  
Government Actuary's Department**

**1 July 2014**