

Cabinet Office – Scheme Management Executive

Employer Pensions Notice

EPN 312

Impact on employers of MyCSP becoming a Mutual Joint Venture

Audience	This Notice will be of particular interest to: <ul style="list-style-type: none">• HR Directors,• HR Managers,• Finance Directors
Action	To note changes connected with the mutualisation of MyCSP
Timing	The new arrangements will come into effect on the same date as MyCSP becomes a mutual joint venture in Spring 2012

This notice is from Cabinet Office, Scheme Management Executive.

1. MyCSP, who administers the Civil Service pension arrangements, is going to become part of a Mutual Joint Venture (MJV) in Spring 2012.
2. As a MJV, MyCSP will have a private sector partner and become a private sector company. The government, the MyCSP staff and the private sector partner will all be shareholders of the new company.
3. On the same day the MJV comes into being, the current service level agreement between the Scheme Management Executive (SME) and MyCSP will come to an end. In its place, the Cabinet Office will enter into a formal contract with MyCSP Ltd. SME will manage this contract on behalf of all employers who participate in the Civil Service pension arrangements. This includes employers who currently have a contract with one of the private sector PSCs (Xafinity Paymaster and Capita),



whose contracts will novate to MyCSP Ltd, again on the same day. SME understands that all affected employers have been contacted about this.

4. Contract negotiations between the Cabinet Office, and MyCSP are ongoing. The contract will cover the service that MyCSP must provide from the first day it comes into operation, and their obligations to transform the service, supported by the introduction of new administration software. It will run for between 7 and 10 years.

What will change

5. Once the transformation is complete, MyCSP intend to have made improvements in many areas of the current service. But on the day the contract comes into effect, most employers will notice few changes as far as pension administration is concerned. Employers will still have the same Pension Service Centre, and they will still have the same responsibilities for giving MyCSP correct data, for paying the correct contributions to the Cabinet Office and so on.
6. The current funding arrangements for pension services will remain in place until further notice. Employers currently pay for scheme administration in two ways. First, they make a direct payment to MyCSP, in the same way they formerly did to their APAC. As from the date the MJV comes into effect, employers will pay this money to the Cabinet Office instead, who will in turn pay MyCSP's charges. The Cabinet Office is currently developing the processes for setting and collecting the payments from employers, and will contact you separately when this task is complete.
7. Secondly, a small charge is levied on employer pension contributions to pay for central administration and management charges, historically covering items such as the Capita payroll contract and the scheme administration software.
8. In due course, at a time to be determined by HM Treasury, employers will no longer need to make the direct payment to MyCSP. SME will tell employers when this will come into effect. The cost of all pension service charges will, following HM Treasury's decision, be met from the charge levied on employer contributions. In the meantime, employers should plan future budgeting on the basis of their current level of expenditure.
9. The principal area of change from the establishment of the MJV concerns the Civil Service Compensation Scheme (CSCS), due to the volume of work involved at present and the impact that this has on MyCSP's costs and resource requirements. At present, the way that employers pay for the administration of the CSCS varies greatly across the employers covered by the scheme. Under the new contract, employers will contract directly with MyCSP for all CSCS cases. MyCSP will charge employers directly for the service they will provide in accordance with the provisions of the main contract that MyCSP will have with the Cabinet Office. The amount employers pay will relate directly to the number of quotes they ask for and the number of staff who actually leave. Employers who wish to run exit schemes should, at as early a stage as possible contact their MyCSP Client relationship manager in the same way they do now to discuss and commission the work required.
10. SME will keep this revised process under review. If it becomes clear that it would be more efficient to meet costs through the central administration charge, then SME

will look to negotiate this change with MyCSP. This approach may become more appropriate when the numbers of staff leaving under the CSCS returns to more normal and predictable levels. In any event, SME will review the process at the end of the Current Spending Review.

Employer Participation Agreements

11. Employers covered by the Civil Service pension arrangements all currently have a signed Participation Agreement in place with SME. As the contract comes into force, SME will issue new Participation Agreements for employers to sign. The revised agreements will restate the employers' responsibilities and explain the service levels that they can expect to receive from MyCSP.
12. The Participation Agreements will also cover contact with MyCSP. Day-to-day contacts should remain as they are now. MyCSP will maintain the network of Client Relationship Managers. Employers should address any issues regarding service with the Client Relationship Managers in the first instance. If the employer still has concerns after discussions with their Client relationship Manager, they should then contact SME on the following:

SMEemployers@cabinet-office.x.gsi.gov.uk
01256 846123

Outstanding MyCSP charges for period up to signing of the contract

13. In the current year, many employers have continued to pay MyCSP in the same way that they have done in the past. However some employers have not yet paid for these services. MyCSP has recently written to all employers to resolve any outstanding payments (copy at Annex A). MyCSP's letter also covered CSCS casework. In both cases, it is important that any outstanding issues are resolved before the new contract comes into place.
14. The Cabinet Office's Executive Director of Civil Service Workforce Reform is writing in similar terms to HR and Finance Directors.

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Reference

Contacts Enquiries regarding distribution or to receive in a different format

Mycsp.basingstoke@dwp.gsi.gov.uk

You can also find electronic copies of the EPG, all current EPNs and forms on our website www.civilservice.gov.uk/pensions in the Guidance for employers section.

Members should be directed to your Pension Service Centre if they have any queries.

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Annex A

11 November 2011

HR Directors
Finance Directors

Financial Arrangement for MyCSP prior to Vesting

You may be aware that MyCSP, the function within the Cabinet Office responsible for the administration of the Principal Civil Service Pension Scheme, the Injury Benefit Scheme and the Civil Service Compensation Scheme, is going to become a Mutual Joint Venture.

That next step in that journey is due to occur on 1 February 2012, when the activities currently undertaken by MyCSP will be transferred to MyCSP Ltd, which will then start trading as a private sector company.

From that date (known as Vesting Day) MyCSP Ltd will work to a commercial supply contract agreed with Cabinet Office (represented by the Scheme Management Board). The Cabinet Office will be writing to you before the Vesting Day to explain the processes that will come in to effect from then.

The purpose of this note is to explain what will happen for the remainder of MyCSP's time within government.

On the creation of MyCSP in 2009/10, it was agreed by Gus O'Donnell that Civil Service pensions administration should continue to be funded through its two existing funding routes, being:

- The central administration charge deducted from the Accruing Superannuation Liability Charge, which covers central costs, and
- Payments from employers in respect of pensions and other administration services. In this area, most employers are served by MyCSP with a small number supported by the private sector directly.

For those employers served by MyCSP, whilst we are still a part of government, MyCSP will continue to charge on a cost recovery basis and the remainder of this document sets out the basis upon which that will occur. These arrangements will cover the period from 1 April 2011 to 31 January 2012 when the Vesting will occur.

Employer charges for PCSPS and Injury Benefit administration

MyCSP has inherited a number of different charging arrangements with employers. Some employers have been charged on an annual basis, others quarterly, whilst others have been charged monthly.

To simplify the situation for the remaining period up until MyCSP leaves government, I propose to issue a single statement to each employer covering the balance owed for PCSPS and Injury Benefit administration for the April 2011 to January 2012. The invoice will be issued

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within the next month. The Cabinet Office will be taking over charging arrangements with effect from 1 February 2012.

Each statement will set out the charge for the 10 months to 31 January 2012 reflecting the level of charge in 2010/11, and will show any amounts already invoiced and/or paid. This will state a final amount due and will be accompanied by an invoice for this amount. This invoice will be payable upon receipt to ensure that all accounting arrangements are addressed before vesting.

For those employers who have already paid for the full year to 31 March 2012, then the statement will show an overpayment and arrangements will be made to credit any surplus against charges under the new arrangement for the final two months of the financial year.

This arrangement will allow a clean break when vesting occurs and simplify accounting arrangements for both MyCSP and employers. If any individual employers have concerns over this arrangement, then please let me know and I will ask my finance team to discuss this with you.

Compensation Scheme charges

Historically, prior to 2011/12, the majority of charges for work under the Civil Service Compensation Scheme (CSCS) work have been made as part of the normal charge.

Work in this area during 2011/12 has greatly increased as many employers request support to help with exit programmes. As a consequence, the MyCSP cost base has increased.

To allow employers to understand the full cost of exit programmes, MyCSP will set out, on a separate statement, the costs incurred in respect of each exit programme.

Where payments have already been made in respect of these costs, then this will be identified and any balance due will be shown. We do not plan to re-open any agreements reached with employers over charges to date.

The full range of CSCS work to 31 January 2012 (vesting) will not be known until employers have identified all exit programmes for which work during that period will be required.

As a consequence, we will issue a statement during November setting out work that we are aware of and will then issue a final statement as at the end of January 2012, to include all activity to that date and to make a clean break with the new arrangements under MyCSP Ltd, from vesting. These charges will be payable once the statements are issued.

I trust that the above is fairly self explanatory and thank you all for your on-going support as we continue our journey towards becoming a Mutual Joint Venture from 1 February 2012.



Phil Bartlett
CEO
MyCSP