

Freedom of Information Request

Request:

Details of the contract drawn up with Citibank for the banking transfer of pensions to ex-patriots living in the Euro zone.

Status: Complete**Response Date:**

The NHS Business Services Authority is responsible for the administration of the NHS Pension Scheme. The following responses therefore relate to the NHS Pension Scheme.

1. The Contract
 - a. What is the period of the contract between Xafinity Paymaster and Citibank?

The contract between Xafinity Paymaster, pensions paying agent for NHS Pensions, and Citibank is not for a fixed term. Instead Xafinity Paymaster has a full range of termination rights to end the contract (including to the right for Xafinity Paymaster to amend or ultimately terminate the contract if uncompetitive exchange rates were being applied, the transfer of funds was slow and/or reduced country coverage was offered).

- b. How were the tenderer's chosen?

Xafinity Paymaster had a contract in place with Halifax Bank of Scotland (HBOS) for the provision of payment services, via their TAPS (Transcontinental Automated Payments Service), which had been in place for 17 years and, was due to expire at the end of December 2006.

In view of the impending contract renewal, Xafinity Paymaster undertook a review of service providers who could deliver overseas payment services to

all of our existing pensions and with the capacity to extend the coverage from the current 37 countries. After our original round of assessment, we selected HBOS, RBS (Royal Bank of Scotland) and Citibank as suitable candidates with whom to develop the service.

Following our procurement process we selected Citibank to be our service provider with effect from 1 January 2007.

c. What were the criteria for awarding the contract?

The main criteria were:

Competitive Exchange Rates;

Financially Secure Organisation;

Ability to pay in many overseas currencies;

Systems Infrastructure to enable simplified electronic payments;

Speedy transfer of funds.

d. What was the evaluation in awarding the contract to Citibank?

The primary reasons for the selection of Citibank were:-

the exchange rates they are able to secure due to their global presence in the banking sector. This ensures a wider coverage of countries and the sums of currency they are able to purchase;

their development of the Worldlink system for electronic overseas payments;

the time taken to process monies into pensioner's overseas accounts

2. What gain to pensioners receiving an NHS pension?

Overseas payment services are offered as a service enhancement for NHS pensioner's who choose to retire overseas and want their pension paid in an overseas currency. The scheme is a UK based pension scheme and is paid and accounted for in Sterling.

The service enables them to benefit from highly competitive exchange rates. We believe that the exchange rates offered by Citibank are, in almost all circumstances, better than can be obtained by individuals via their own High Street bank. They represent value for money to the NHS pensioner community.

There is no compulsion for any pensioner to accept payment via the Citibank service and, should they no longer wish for their payments to be made in this way, we will, upon their confirmation, amend the payment method to BACS to a UK bank account or via Sterling Payable Order to their home address.

Upon receipt of detailed evidence to suggest that the terms of our arrangements are becoming less favourable to NHS pensioners, we are able to discuss this with Citibank at our regular service review meetings.

3. What is the contracted wording with regard to the exchange rate at which Citibank are expected to exchange Sterling?

The commercial details of the arrangement were for an administration fee of £2.60 (increasing to £2.74 in June 2009) to cover the additional processing involved in paying overseas together with banking fees paid on a subcontracting basis. This is collected from every sterling payment prior to currency conversion and a guaranteed foreign exchange rate of no less than 98.5% of the European Central Bank Interbank Rate of exchange applied.

This charging structure is no different in design to the terms of the previous service provider's process or those offered by other organisations offering similar payment services.

4. Legal entitlement to extract monies from pensions without prior agreement.

Xafinity Paymaster, on securing the Citibank deal has always communicated the administration fee via the annual NHS Newsletter.

The actual exchange rate utilised varies for each payment and is dependent on the precise date and time of the actual trade and the prevailing currency market volatility at that exact time. The fact that we have secured a lower limit of 98.5% of the ECB interbank rate from Citi offers a degree of protection for the pensioner. The precise mechanics of calculation have not been specifically shared with pensioners. However, they are in a position to know their Sterling pension amount, the administration fee and the amount received in local currency, which enables them to calculate the particular exchange rate applied to each particular payment.