

Freedom of Information Request

Request:

Given the current financial crisis with the banking system, I am wondering in which banks are pension contributions deposited?

Status: Complete**Response Date:** 03/12/2008

In response to your enquiry I can confirm that The NHS Pension Scheme banks with the Office of the Paymaster General. I have also attached. At Appendix 1, some additional information, which provides further background and that, you may find useful.

APPENDIX 1

Extract from "Managing Public Money"

Banking

The various organisations in central government together handle very large flows of public funds every working day. At the end of each working day, the Exchequer must either borrow from the money market or place funds on deposit with the money market, depending on the net position reached after balancing outflows to finance expenditure against inflows from taxes and other sources. So there is considerable advantage to be gained for the public sector as a whole by minimising this net position. In practice this means gathering balances together at the end of each working day. Together all these accounts make up the Exchequer Pyramid at the Bank of England. Most are held with the Office of the Paymaster General (OPG).

This is why it is essential for departments and NDPBs to minimise the balances in their own accounts with commercial banks. Were each to retain a significant sum in its own account with such banks, the amount of net government borrowing outstanding on any given day would be appreciably higher, adding to interest costs and hence worsening the fiscal balance. Annex 5.7 sets out the requirements. In particular, balances held with commercial banks bear a capital charge, whereas OPG balances attract no such charge.

It is good practice for each organisation in central government to establish a policy for its use of banking services. Sponsor departments should make sure that their ALBs are aware of the importance of managing this aspect of their business efficiently and effectively.