

**Independent
Public Service**

Pensions Commission

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28 June 2010

As you will no doubt be aware, the Chancellor of the Exchequer has invited me to conduct an independent review of public service pension provision and to make recommendations on provision that is sustainable, affordable and fair in the long term. The full terms of reference are attached.

In the first phase of my review ahead of my interim report in September I will be assessing the current provision, identifying problems and considering the objectives that should set the framework for any change. This represents a significant task and I would like to invite evidence and views from you by the end of July that will assist me with considering:

- Affordability, fairness, impact on mobility and plurality of current public service provision of the current public sector pension schemes and;
- The objectives that should guide public service pension in future.

In addition, as set out in the terms of reference, I have been asked to consider the case for delivering savings on public service pension ahead of the Government's spending review. I would welcome any thoughts or observations on whether given the long term nature of structural reform there is a case for more immediate action on public service pensions, in the

context of affordability and fairness, and if so, what options there might be to deliver savings within the spending review period.

After my interim report I will conduct a further round of evidence-gathering on what alternative pension provision should look like. This first round of evidence is designed to set about identifying the problem and establishing the framework for solutions.

I look forward to receiving your input by the end of July emailed to pensions.commission@hmtreasury.gsi.gov.uk.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'John Hutton', written in a cursive style.

John Hutton

Chair, Independent Public Service Pensions Commission

Independent Public Service Pensions Commission: terms of reference

To conduct a fundamental structural review of public service pension provision and to make recommendations to the Chancellor and Chief Secretary on pension arrangements that are sustainable and affordable in the long term, fair to both the public service workforce and the taxpayer and consistent with the fiscal challenges ahead, while protecting accrued rights.

In reaching its recommendations, the Commission is to have regard to:

- the growing disparity between public service and private sector pension provision, in the context of the overall reward package – including the impact on labour market mobility between public and private sectors and pensions as a barrier to greater plurality of provision of public services;
- the needs of public service employers in terms of recruitment and retention;
- the need to ensure that future provision is fair across the workforce;
- how risk should be shared between the taxpayer and employee;
- which organisations should have access to public service schemes;
- implementation and transitional arrangements for any recommendations; and
- wider Government policy to encourage adequate saving for retirement and longer working lives.

As part of the review, the Commission is invited to produce an interim report by the end of September 2010. This should consider the case for delivering savings on public service pensions within the spending review period – consistent with the Government's commitment to protect those on low incomes - to contribute towards the reduction of the structural deficit. The commission is invited to produce the final report in time for Budget 2011.

Scheme coverage

- For civil servants:
 - Principal Civil Service Pension Scheme
 - Principal Civil Service Pension Scheme (Northern Ireland)
- Armed Forces Pension Scheme
- For NHS employees:
 - NHS Pension Scheme
 - NHS Superannuation Scheme (Scotland)
 - Health and Personal Social Services Northern Ireland Superannuation Scheme
- For teachers:
 - Teachers' Pension Scheme (England and Wales)
 - Scottish Teachers' Superannuation Scheme
 - Northern Ireland Teachers' Superannuation Scheme

- For Local Government:
 - Local Government Pension Scheme (England and Wales)
 - Local Government Pension Scheme (Scotland)
 - Northern Ireland Local Government Pension Scheme

- Police Pension Scheme (administered locally)
- Firefighters' Pension Scheme (administered locally)
- United Kingdom Atomic Energy Authority Pension Schemes
- Judicial Pensions Scheme
- Department for international Development – Overseas Superannuation Scheme
- Research Councils' Pension Schemes

In addition to the schemes mentioned above, there are a number of smaller schemes and many established to cover only one senior appointment which do not specifically need to form part of the review but which will be required to act on the recommendations.