

## Merseyside Pension Fund Factsheet 14: The Hutton Report: Questions & Answers

### What is the Hutton Report?

In the June 2010 Budget, the Chancellor invited Lord Hutton of Furness to chair the Independent Public Service Pensions Commission.

The Commission's remit was to undertake a fundamental structural review of public service pension provision and make recommendations on provision which the Government termed as *'sustainable, affordable and fair in the long term.'*

The Commission's final report was published and delivered to the Government on **Thursday 10 March 2011**.

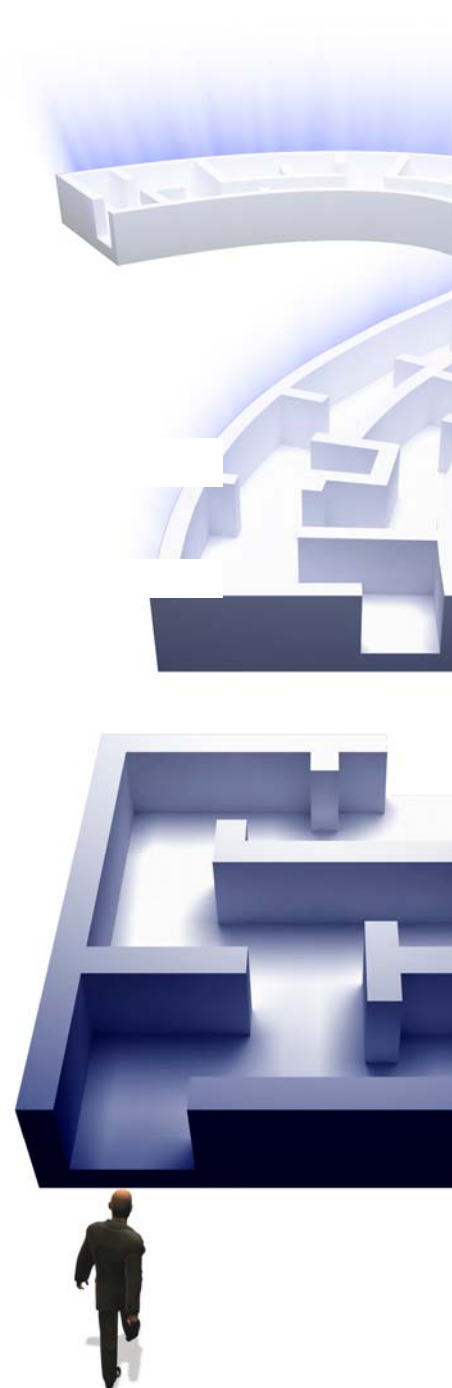
### Will the Government implement the Commission's recommendations and if so, when?

Not necessarily. The Government may choose to implement some, all or none of the Commission's recommendations in re-designing public sector pension schemes. Any re-design will only come after a comprehensive consultation process. In his report, Lord Hutton considers implementation of new schemes possible before the end of this Parliament in **2015**.

### How would the Commission's recommendation to replace final salary schemes in the public sector affect me?

The Commission recommends that existing final salary public sector pension schemes should be replaced with new Career Average Revalued Earnings (CARE) schemes.

This would mean that your pension at retirement would still be based on the number of years you work in local government, but your retirement income would be linked to your average revalued earnings over the course of your career, rather than being linked to your final salary at retirement, as is currently the case.



### **Will this recommended change affect the pension I have already accrued in the Local Government Pension Scheme (LGPS)?**

No. The Commission recommends that any pension already built up should still be linked to your final salary. Pension rights you would build up in any future re-designed scheme would then be linked to average earnings for the remaining period of your career.

This change would have a limited effect on those employees nearing retirement already, according to the Commission. Also, those employees who have longer to work, would have sufficient time to make preparations for their retirement under the new scheme arrangements.

### **Does the Commission recommend that I should work longer before receiving my local government pension?**

No. The normal pension age in the LGPS is already 65. However, you can draw your pension earlier than age 65, subject to conditions and possible reduction. The Commission recommends that members of public sector schemes should continue to be given the choice of drawing their pension benefits earlier or later than the normal pension age, with their pension adjusted accordingly.

The Commission recommends that the normal pension age in all public sector schemes, should be linked in future to the state pension age. The Government has already proposed that the state pension age for both men and women will start to increase to reach age 66 by April 2020.

### **Does the Commission recommend that I should pay more?**

The Commission makes no recommendations about the level of employee contributions in the LGPS.

The Commission recommends that the differing characteristics of higher and lower earners in public sector pension schemes should be addressed through tiered contribution rates. Tiered contribution rates have been in operation in the LGPS since April 2008, with contribution earnings bands reflecting inflationary increases as calculated by the Consumer Prices Index (CPI).

The Government is currently considering separate proposals by HM Treasury to increase employee contribution rates in the LGPS. The Fund will communicate any developments to members as soon as they happen.



### More information

You can download the Independent Public Service Pensions Commission's Final Report at: <http://tinyurl.com/2bax767>

You can download both of Merseyside Pension Fund's responses to the Commission at:

20 August 2010 <http://tinyurl.com/6fqzsrk>

10 December 2010 <http://tinyurl.com/6esenf8>

Please feel free to contact the Fund about this or any other matter concerning your membership of the Local Government Pension Scheme at:

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