

Brian Donohoe MP  
Chair of PCPF Trustees  
House of Commons  
London,  
SW1A 0AA

Date: 1<sup>st</sup> December 2014

Our ref: BC-2014-01

Dear Brian,

### **MPs PENSION SCHEME**

I write to inform you that IPSA intends to lay the new MPs' Pension Scheme before the House of Commons on Monday 8 December. This will put in place the new arrangements for pension accrual for MPs and certain office holders in the new Parliament.

I am grateful for the help that your officials have provided to mine over the last few months in finalising the rules of the new Scheme and ensuring that they are fair and workable. The new Scheme puts MPs' pensions on a par with those payable in other parts of the public sector and provides suitable security for MPs in retirement.

As you know, our final proposals in December 2013 set out that MPs would pay 46% of the cost of accrual in the CARE pension scheme. At the time, the Government Actuary's Department had calculated that the cost of accrual was 22.9% of payroll. MPs' would therefore be paying 10.53% of gross pay, with the Exchequer paying 12.37%. We made clear in the report that these figures were indicative and may be higher or lower when the Scheme came to be introduced.

The Actuary has now updated the cost of the Scheme and found that due to several factors, it has increased slightly. The Actuary assesses that the cost of the Scheme has increased to 24.1% of payroll. Contributions from the Exchequer and from MPs

will therefore also need to increase slightly. From 8 May 2015 MPs in the CARE scheme will pay 11.09%, while the Exchequer will pay 13.01%.

I have attached a letter from the Government Actuary's Department, setting out the reasons for the increase in the cost of the Scheme.

We will also be laying two other pension schemes before Parliament on 8 December. These revised MPs' and MEPs' schemes will put in place changes to protect the pension expectation of spouses of members who change gender.

I am sending a copy of this letter to the Minister for the Cabinet Office, the Leader of the House of Commons and the Chancellor of the Exchequer.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Ian Kennedy', with a stylized flourish at the end.

Professor Sir Ian Kennedy  
Chair