



## Parliamentary Contributory Pension Fund

Professor Sir Ian Kennedy  
Chair  
7<sup>th</sup> Floor  
Portland House  
Bressenden Place  
London  
SW1E 5BH

IPSA  
31 JAN 2014

29 January 2014

Dear Sir Ian

### **PCPF - MPs' Scheme**

As you may know, a group of our officials, advisers and administrators met on Tuesday 14 January to plan ahead for the implementation of the new IPSA and MCS schemes. I thought it would be helpful to update you following that meeting.

I note that your current implementation timetable envisages that the drafting of the new scheme will be complete in April and laid before Parliament in May. Given that time is now relatively short to achieve this, it would be helpful for our officials and advisers as a matter of urgency to have clarity on your timetable for the drafting process (for example, dates for drafts to be released for comment and turnaround times).

If achievable, completion within that timeline would be very helpful to us and to our administrators, allowing plenty of time to create and implement the necessarily complex systems changes (and testing) in particular. Naturally, we and our advisers will work alongside IPSA to facilitate that timetable as far as possible.

Nevertheless, we thought it would be worth thinking about when we would actually need to have the new scheme finalised in order to ensure that implementation can be delivered on time. In short, we believe that any elements of the new schemes which have not been finalised before Parliament rises for the summer recess could be at risk of not being ready for full implementation in May 2015. Given the need for the new schemes to be operational by then, I thought this sufficiently important to flag to you now.

We have also given some thought to how our administrators, RPMI, will approach the implementation process and whether that has any implications for how you might approach the drafting process (including review by us and our advisers). RPMI cannot make significant headway on implementation until the package that will apply to new members (i.e. those with no service in the current scheme) has been finalised. It would

therefore be helpful, from our perspective, to prioritise the drafting of the new scheme. The details relating to existing members – which we expect may be more difficult from a legal drafting perspective – could then be finalised, concurrently with RPMI working on the implementation for new joiners.

I appreciate that there may be other considerations which might affect IPSA's priorities in the drafting process, but I thought it would be helpful to flag this as an idea. No doubt April will be upon us soon enough.

I should also mention that because there is a degree of interaction between the IPSA and MCS schemes, it is possible that RPMI will be unable to implement some elements of the IPSA scheme until the MCS scheme has been finalised. I am writing separately to Cabinet Office and will highlight this point. I expect that you and your officials are in direct contact with the Cabinet Office in any event to ensure that the legal drafting is as similar as it can be across the IPSA and MCS schemes and to ensure it adequately addresses the inevitable areas of overlap.

Another point on which the interaction between the IPSA and MCS schemes should be considered relates to the AVC scheme. Our understanding is that there are no proposals to make changes to the AVC scheme, but no doubt there is work to be done to ensure that the forthcoming IPSA and MCS schemes do not have any unintended consequences for the AVC scheme.

A major concern to both me and my fellow Trustees is the significant cost of implementation of the new scheme. I understand that this will be a significant sum and I will be approaching both IPSA and the MCS to share the burden of this cost. I have asked RPMI to provide an estimate and will provide details of any other costs.

Finally, I should emphasise that we are keen to continue working co-operatively with IPSA, building on our experience with the recent scheme to bring the Great Offices of State within the PCPF. I understand that our respective legal advisers are already in contact in relation to this exercise and I hope that this constructive dialogue will help us to navigate what will inevitably be a complex exercise over the coming months.

Yours sincerely

A handwritten signature in black ink, appearing to read 'B. Donohoe', with a large loop at the end.

**Brian H Donohoe MP**  
**Chairman of the PCPF Trustees**