

Ref: RL-2022-015

11 July 2022

Dear Stakeholder,

Consultation on MPs' pensions: Responding to the McCloud judgement detailed proposals

Earlier this year, IPSA undertook a further consultation setting out the more detailed policy changes to the MPs' pension scheme as a result of the McCloud judgement. This followed our earlier consultation in spring 2021. I can confirm that the IPSA Board has decided to proceed with changes to the MP scheme to remove any potential age-related unfairness in the transitional arrangements since 2015. These will be reflected in revised scheme rules.

The key policy decisions which are being taken forward are:

- An immediate choice approach for affected members with discretion for the Trustees to determine the timing of the choice exercise with a backstop date at the end of 2024.
- The closure of the Final Salary section on 31 March 2023
- Fully Protected Members are to be offered a choice in line with other impacted members
- Partially Protected Members are to be offered a 'no change' option (i.e., to retain their mix of Final Salary and CARE accrual)
- Defaults where a member does not communicate a choice will be 'no change' based on individual member's accrued benefits.

We also consulted on amending the cost cap mechanism in line with other public sector pension schemes and I can confirm that this change will go ahead. The cost cap 'corridor' will change from +/- 2 percent to +/- 3 per cent, to provide greater stability while still controlling costs.

The implementation of changes in response to McCloud is a complex undertaking. As I wrote to you on 10 February 2022, we continue to work closely with the PCPF Trustees to ensure the best possible outcome. In February, we set up a joint working group between IPSA and the PCPF secretariat to take forward our changes in response to McCloud, given the size and complexity of the project. This group meets regularly to consider implementation and to address the issues raised through the consultation process. The consultation responses indicated that there is frustration among some members about a lack of information about the forthcoming changes but also that individuals would prefer to make their choices based upon the timing of the next General Election, which would help their personal financial decision-making or retirement planning. These issues remain central to the working group's scope of work and the PCPF Trustees will be writing to those affected in the next few weeks with an update.

There are however outstanding points which IPSA and PCPF are working through with input of legal advisors and other Government officials. We aim to lay the rules of the scheme as soon as practicable but will only do so when we are confident that they will be effective in terms of our specific policy intentions in correcting any potential age-related unfairness.

Impacted members will be contacted shortly by the PCPF. We are working with the PCPF to ensure that individualised information on options is provided as soon as practicable and that the timetable for the choices exercise provides members with ample time to consider their options and make their choices.

Yours sincerely,

Richard Lloyd
Chair