

Dear HR Director,

PUBLIC SERVICE PENSION REFORM

CONSULTATION ON ADDITIONAL EMPLOYEE CONTRIBUTIONS TO THE CIVIL SERVICE PENSION SCHEME (AND SCHEMES OPERATED "BY ANALOGY")

Issue The Cabinet Office is launching a consultation on additional employee contributions to the Civil Service pension scheme on 28 July.

This follows the announcement by the Chief Secretary to the Treasury, on 19 July, that scheme-by-scheme consultation would commence, by the end of July, on proposals to increase employee contributions to public service pension schemes from April 2012. The Chief Secretary also announced that scheme level discussions should begin on proposals for longer-term pension reform and on delivering savings in 2013 -14 and 2014 -15.

Actions

- a) **On 28 July, and working with your internal communications colleagues, to communicate the Cabinet Office consultation to all staff** in your organisation, using the note to staff and Cabinet Office links to the consultation document, Q & A and calculator.
- b) **Not before 28 July, to issue the Cabinet Office consultation document, to departmental trades unions and staff associations**, other than PCS, POA, Prospect, FDA, GMB, Unite and Unison. Cabinet Office is issuing the document to these unions.
- c) **By 4 August, to notify Cabinet Office** of the bodies to whom you have issued the consultation document. Responses should be sent to pensionreform@cabinet-office.gsi.gov.uk and nil replies are required.
- d) **To pass the consultation document to your payroll contract manager/ payroll manager** for their preliminary consideration, on the logistics of introducing tiered contributions from April 2012. Payroll queries and comments should be sent to pensionreform@cabinet-office.gsi.gov.uk as soon as possible, with 'Payroll Comment' in the email header.
- e) To provide your department's response as an employer to the consultation document proposals by **no later than close on 30 September 2011**. Please send responses to pensionreform@cabinet-office.gsi.gov.uk and put 'Employer Response' in the email header.

Parent department HRDs – please forward this letter and the material attached to your HRD colleagues in agencies and NDPBs and confirm that they have received it.

Consultation on the introduction of additional contributions

The Cabinet Office proposes to issue a consultation document, on the preferred approach to increasing contributions in the Civil Service scheme. A copy is attached. **Please note that this document is under embargo until 28 July 2011.**

Following publication, the document will be available on the Civil Service website www.civilservice.gov.uk together with a calculator and Q&A material. The calculator allows people to see the impact of the preferred approach to contribution increases on their monthly take-home pay. As the consultation document also invites people to consider alternative approaches to contribution levels, the calculator allows people to experiment with alternative contribution structures, to deliver the same result. Staff will also be able to access the communications products through the Civil Service pensions website.

The consultation document sets out a preferred approach to introducing additional contributions on a tiered basis, with higher earners paying proportionately more than lower earners, in line with the Chief Secretary's announcement. The consultation document considers the contribution structure to apply from April 2012 and the practical issues. Please note that contribution increases to apply in 2013-14 and 2014-15 are to be discussed alongside the longer-term pension reforms and are not covered by this consultation.

Deadline for Responses

Comments are invited on both the practical issues and the contribution structure. We are asking for responses by close on 30 September and expect to confirm the way forward in October. We recognise that this is a tight timescale but we are concerned to provide sufficient lead time such that payrolls are able to introduce changes from April 2012. Employers submitting comments should send them to pensionreform@cabinet-office.gsi.gov.uk and put 'Employer Response' in the email header.

Cabinet Office is consulting on this particular policy with Civil Service employers and with Civil Service trades unions and staff associations. Staff can send their comments to their trade union or can email them to pensionreform@cabinet-office.gsi.gov.uk. Cabinet Office will not undertake to respond to comments emailed by staff.

Internal Communications

A note for staff is attached. This should be topped and tailed as appropriate for your organisation and be from your Permanent Secretary or appropriate senior leader. You should circulate this using your usual method of "all staff communications" on **28 July** (but not before).

Trades unions and Staff Associations

Cabinet Office will issue the consultation document to the following trades unions:

- PCS
- POA
- Prospect
- FDA
- GMB
- Unite
- Unison

We are asking Civil Service employers to pass the consultation document on to any other trades unions or staff associations which represent members of your staff who are eligible to participate in the Civil Service pension arrangements. Please do this and email details to pensionreform@cabinet-office.gsi.gov.uk (including nil replies) by **4 August**.

As schemes that are “by analogy” to the Civil Service scheme must mirror changes to the Civil Service scheme, this consultation is also relevant to them. Please arrange to forward the documentation to any other trades unions and staff associations which represent staff in such organisations under your department’s control.

Payroll Provider

We recognise that the implementation of additional contributions will require changes to payroll systems. We will issue further guidance on this, but you may wish to pass the consultation document on to your payroll contract manager so that preliminary consideration can get under way. If your payroll provider has comments or questions, please forward them to pensionreform@cabinet-office.gsi.gov.uk and put ‘payroll comment’ in the e-mail header.

Longer Term Pension Reform

The Chief Secretary’s announcement confirmed that scheme-level discussions on longer-term reforms will now get under way, with schemes asked to produce initial proposals for reformed schemes by the end of October 2011. These initial proposals will reflect scheme-specific cost ceilings which are being worked up by the Treasury. The scheme level discussions which, for the Civil Service, will be led by Cabinet Office, are intended further to inform the discussions between the Government and the TUC.

I will keep HR Directors informed of next steps and will arrange a telekit within the next week to discuss the issues in more detail.

Kind regards

A handwritten signature in black ink, reading "William Hague", with a long horizontal flourish underneath.

WILLIAM HAGUE