



HM TREASURY

Julian Kelly
Director, Public Spending

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Dear Trevor

As you will be aware, the Public Service Pensions Bill, which is currently before Parliament, will enable HM Treasury to make Directions regarding valuations of the public service pension schemes made under that Bill, and relevant connected schemes. The Bill will also place an obligation on HM Treasury to consult the Government Actuary before these Directions are made.

The Directions made under the Bill will set out key elements of policy on how schemes are to be valued, including technical details such as the data, methodology and main assumptions that will be used to determine the results of these valuations. These Directions will therefore be of crucial importance in determining the level of the employer contributions that will be needed to meet the costs of the public service pension schemes. The valuations will also be used to set schemes' employer cost caps and measure future changes in the costs of the schemes against their employer cost caps. As such these Directions will play an important role in ensuring that public service pension schemes remain sustainable in the future.

The Treasury will write to you in due course, once the Bill has been enacted, to formally consult you on a set of draft Directions, in line with the legal requirements set out in the Bill. In order to start this process, I would be grateful if our officials could begin some preparatory work to produce a first draft of the Directions to be used as a basis for consultation.

Yours sincerely

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Julian Kelly