



**UNCLASSIFIED**

Julian Kelly  
Director, Public Spending

**By email only**

24 February 2014

Dear Julian

**Draft Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014**

Thank you for your letter of 20 February 2014. Further to the preliminary work<sup>1</sup> carried out over the last year you have asked me to comment on an updated draft (v5-0) of the draft Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 (“the draft Directions”).

This letter sets out my professional opinion on the actuarial aspects of the draft Directions and should be read in conjunction with the preliminary work we carried out last year.

I note that the over-riding objective which the draft Directions seek to achieve, and the principles which you have had regard to in preparing the draft Directions remain as set out in your letter of 10 October 2013. I also note that, with the exception of the “Discount Rate” principle, this over-riding objective and these principles are also intended to apply at future reviews of the Directions.

I have reviewed the draft Directions and your letter of 20 February 2014 (including the summary of changes to Directions made in response to stakeholder comments).

**Professional opinion**

My professional opinion on the actuarial aspects of the draft Directions is that;

- the points made in your letter of 20 February 2014, combined with the draft Directions do address the points in my letter of 17 December 2013;
- the draft Directions will deliver results which, in the round, do meet to a significant degree the principles, with some met better than others, and, in the round, are technically coherent and complete;

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<sup>1</sup> Your letters of 22 February 2013, 10 October 2013 and 20 February 2014 and my letters of the 25 February 2013 and 17 December 2013

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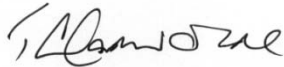
- for the various reasons discussed more fully in my letter of 17 December 2013, it is impossible to be certain the draft Directions are, at a detailed level, fully technically complete and coherent until the valuations they apply to are complete and it would be impossible for the draft Directions to meet all the principles fully; and
- given the three points set out above and the review processes you are putting into place, I am content for you to make the Directions so that the preliminary valuations can proceed to completion

**Third party reliance**

I understand HM Treasury intend to publish this letter. Third parties cannot place reliance on this letter without making such a request and, in general, third parties with an interest in actuarial matters should seek their own actuarial advice where appropriate.

I am available at any time to address any questions you may have or to undertake any future analysis.

Yours sincerely



**Trevor Llanwarne CB**

Fellow of the Institute of Actuaries

Government Actuary