



Julian Kelly  
Director, Public Spending

**By email only**

21 May 2014

Dear Julian

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

Thank you for your letter of 15 May 2014 explaining some proposed amendments to the Directions and asking for my professional opinion on these proposed amendments.

I have considered the proposed amendments and, in my opinion, the revised Directions will deliver your policy intention described in your letter.

I can also confirm that these changes do not affect our view that the Directions do, in the round and to a significant degree, meet the Treasury's principles for the valuations and the operation of the employer cost cap mechanism, and in the round are technically complete and coherent.

The need for these changes does highlight the complexity of the directions and the importance of the review processes.

I note that the first point at which the employer cost cap mechanisms could potentially impact on the benefits offered by schemes to scheme members (or impact on member contribution rates) cannot fall until sometime after the completion of the 2016 valuation cycle and so it seems inevitable that further reviews and, potentially, amendments will be necessary.

I am therefore re-assured that the policy document you published alongside the directions on 13 March 2014 clearly set out commitments to carry out such reviews.

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.

Yours sincerely

**Trevor Llanwarne CB**

Fellow of the Institute of Actuaries

Government Actuary