Government Actuary's Department

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13 December 2022

Dear Nick,

Subject: The Public Service Pensions (Exercise of Powers, Compensation and Information) Directions 2022 - Calculation and Payment of Interest

1. Thank you for your letter of 12 December 2022[1], asking for my professional opinion on the proposed approach to determining interest payments which will be set out in the Public Service Pensions (Exercise of Powers, Compensation and Information) Directions 2022 (the 'Directions'). In particular, you have asked me to set out my views on the extent to which this approach meets the Government's objectives as set out in your letter.

2. You have explained that HM Treasury propose to determine interest payments in relation to the remedy as follows:

   For payments made from the scheme to the member as a result of the implementation of the remedy - 8% simple a year up to the date 28 days after a Remediable Service Statement is first issued in relation to the member[2]. This is consistent with the rate awarded in the employment tribunals. For recurring payments this rate will apply to the aggregate of those payments from the mid-point of the period over which the discrimination occurred. From 29 days after a Remediable Service Statement is first issued, interest will accrue in line with the interest rate available on the National Savings & Investments (NS&I) easy access savings account, 'Direct Saver', up to the date of payment. For Judges, the 8% simple per year rate will run up to the date of payment, in light of the different way their remedy operates. For the Local Government Pension Scheme, the periods of interest will be set out in their scheme regulations, to take account of the different way their remedy operates.

[1] Your letter is set out in the Appendix to this letter.
[2] In your letter you explain that HM Treasury consider that, from the date 28 days after their Remediable Service Statement (RSS) has been issued, it is appropriate for the 8% simple rate to cease since the member will have had their position remedied in law and will have been informed of their rights. This is expected to be at some point in 2023-2025.

The exception to the above is for tax related compensation payments which will accrue in line with HMRC's interest rate on tax refunds, which is set as the Bank of England base rate minus 1% p.a. with a lower limit of 0.5% p.a.

For payments made from the scheme to the member after the implementation of the remedy, when the member retires, or otherwise leaves the scheme – in line with the interest available on the NS&I easy access savings account, 'Direct Saver'[3].

For all payments made from the member to the scheme - in line with the interest rate available on the NS&I easy access savings account, 'Direct Saver'.

3. In summary, my professional opinion is that these proposed interest rates represent a reasonable approach and, in the round, meet the Government's objectives as set out in your letter, noting that there are various approaches that could have been adopted and would also have been reasonable. I comment in more detail on the choice of interest rates and the extent to which they meet the Government's objectives below.

Background

4. Your letter sets out how any interest payable, to or from members, will be determined, in relation to corrective payments arising from the remedy set out in the Public Service Pensions and Judicial Offices Act 2022. This remedy is required because the transitional protection arrangements introduced in 2014/2015 were judged to be discriminatory. Transitional protection allowed older members who were within 10 years of retirement to remain in their legacy pension schemes whilst younger members moved to a new reformed pension scheme.

5. The nature of the remedy varies somewhat between schemes, but generally it enables members to receive either legacy scheme or new scheme benefits for the period 2014/2015 to 2022. For most workforces, members will get a choice at retirement between legacy and new scheme design benefits, Judges will get a choice in the near future and local government workers will have an automatic underpin applied.

6. Payment of interest will arise when corrections are needed to historic cashflows as a result of the remedy. As detailed in your letter, most corrections will occur at implementation when members of the unfunded schemes who did not originally receive transitional protection have their remediable service returned to their legacy schemes and pensioners make their immediate choice. This may result in member contribution corrections where these differ between the new scheme and the legacy scheme, any refunds of member voluntary contributions and any corrections to historic benefits payments. Some correction payments will also occur sometime after the implementation of the remedy for those members who need a further contribution correction at the point of retirement or on leaving the scheme. Those correction payments at retirement may take place for many years to come.

[3] As set out in your letter, any members who have waived a previous contribution refund under s18(8) of the Act will still receive 8% simple per year up to the implementation of the remedy if they subsequently receive a refund of contributions at retirement.

Objectives

7. You have set out three objectives for the interest rates, which are to: “Reflect the position members may have otherwise been in”, “Recognise the circumstances of the award” and “Not unduly burden the taxpayer”. I set out below some commentary about how the proposed interest rates meet these objectives.

Reflect the position members may have otherwise been in

8. It is not possible to reflect the position each member would have been in as different members would have made different decisions with respect to their marginal income. However, the use of the NS&I ‘Direct Saver’ rate is not unreasonable to meet this objective, and effectively assumes the member invested, or would have invested, any additional money in an instant access savings account. However, the rate of 8% simple applicable to cashflow corrections due from the scheme to the member at implementation is expected to place the member in a better position than they may otherwise have been in. I discuss this in more detail below.

9. It is not known what members have done, or would have done, with marginal income. Options include, but are not limited to:

   - Investing the money: there are a range of options here such as an easy access savings account, ISAs, bonds, stocks and shares to name a few
   - Paying off an existing debt such as a mortgage or other form of loan
   - Spending the money

   In practice different members will do different things and therefore it is not possible to choose a single interest rate which will more exactly reflect the circumstances of all members.

10. For circumstances where the member is owed money shortly after the implementation of the remedy, for example because they are due a refund of member contributions or additional benefit payments, the above options would not be expected to offer the member a return as high as 8% simple p.a. consistently over the relevant period. Therefore, awarding members interest at 8% simple a year up to implementation would generally be expected to put those members in a more advantageous position than they would have been in had they paid the correct level of contributions or received the payment on the date it originated from. For cashflow corrections that take place at a member’s retirement, where the member is owed an amount, the application of the NS&I Direct Saver rate could be expected to leave them in a similar position to having received the amount when it was originally due and saved it in an instant access savings account.

11. Charging members interest in line with the NS&I Direct Saver rate effectively assumes such members saved the additional income they received in an instant access savings account. This is not unreasonable given the size and frequency of the income, which under many circumstances will be recurring monthly payments.

12. Since 2015, the NS&I Direct Saver rate has generally been lower than the rate of CPI inflation. Therefore, any member who used the additional income to purchase goods or services is arguably in an advantageous position by paying interest in line with the NS&I Direct Saver rate. This is because the cost of buying something in the past, plus the

interest they will be charged, is expected to be less than the cost of buying the same item today.

13. Similarly, the NS&I Direct Saver rate has been lower than typical borrowing rates of interest. Therefore, any member who used the additional income to pay off existing debt is arguably in an advantageous position by paying interest in line with the NS&I Direct Saver rate. I note in your letter that you consider this scenario less likely than saving the money in an instant access savings account, which seems reasonable.

14. There is, of course, no guarantee that this relationship (i.e. the rate of CPI inflation exceeding the NS&I Direct Saver rate) will continue in the future. However, for the future, I note that members will know in advance the basis on which the interest rate between implementation and their future retirement is to be calculated, so if they are expected to owe additional contributions at retirement they can plan accordingly. I also note that HM Treasury plan to keep the rate under review, and I welcome this to ensure the choice of rate remains appropriate over the long term.

15. HMRC's interest rate on tax refunds is set as the Bank of England base rate minus 1% p.a. with a lower limit of 0.5% p.a. This currently provides an interest rate of 2.0% p.a. (from 22 November 2022), but for the majority of the time since the start of the remedy period has been 0.5% p.a. Awarding interest for payments in relation to tax-related compensation in line with this rate is similar to, albeit slightly lower on average than, the NS&I Direct Saver rate. Members may, therefore, be in a slightly worse position than if they had received the money sooner and invested it in an easy access savings account.

16. Further details of how the various rates compare are provided in the financial impacts section of this letter.

Recognise the circumstances of the award

17. This objective gives a clear rationale for the use of an 8% simple interest rate up to the implementation of the remedy for cashflow corrections where the scheme owes the member. For correction payments where the members owe the scheme, the use of the NS&I Direct Saver rate is lower than the alternative considered of inflation, and therefore would also appear consistent with reflecting the circumstances of the award. This is discussed further below.

18. For payments from the scheme to the member as a result of the implementation of the remedy, you propose to award interest at 8% simple per year up to the implementation of the remedy. I understand this is the rate awarded by employment tribunals. It effectively includes a compensatory element to reflect the judged discrimination that has been experienced. Given the nature of the remedy being implemented here and noting that some public service pension scheme members are claimants in various employment tribunals regarding the transitional protection, awarding all members 8% a year simple up to implementation meets this objective in my opinion.

19. I understand applying the 8% simple a year rate of interest to the aggregate of any recurring payments from the mid-point of the period over which the discrimination occurred is also consistent with practice in employment tribunals and therefore would seem to equally meet this objective. However, I note that such an approach could be regarded as less accurate than applying interest separately to annual, or monthly, cashflows, although should be simpler to administer.

20. Once implementation of the remedy has taken place, any discrimination has effectively ended, with all relevant members largely being placed in the same position, or having the same options available to them, regardless of their original transitional protection status. Therefore, it would seem reasonable in my opinion to cease awarding the compensatory 8% interest rate after this point. I understand any member contribution refunds at retirement may largely be as a result of members choosing to defer any refund they could have received at implementation.

21. I understand that the only relevant employment tribunal decision to date was silent on whether interest should be charged on monies owed by the litigant. However, I do not consider it unreasonable in principle to add interest to monies owed by the member to the scheme as a result of the application of the remedy. I do note, however, that the NS&I Direct Saver rate that is proposed for this purpose has, throughout the relevant period to date, typically been lower than other rates that might have been chosen for this purpose, such as the rate of CPI inflation. It can therefore be considered that this approach also reflects the circumstances of the award given that members did not have a choice to make the payments at the original date.

22. Awarding interest on tax related compensation payments in line with HMRC interest rates reflects the nature of the award in so far as all tax related payments will be treated the same with regards to interest regardless of whether they are in scope of HMRC's statutory time limit or not. However, I note that members will receive substantially lower interest payments with respect to tax related payments compared to other payments associated with the remedy.

Not unduly burden the taxpayer

23. I view this objective as aiming to find an appropriate balance between the need to recognise the circumstances of the award (which lean towards being generous to the member) and responsible use of public funds. In my opinion the rates selected achieve such a balance.

24. Awarding interest at a rate of 8% simple p.a. is potentially more generous than other reasonable alternatives and it does represent a cost to the taxpayer. However, to the extent such an award is in line with common practice in employment tribunal discrimination cases I would not consider it is unduly burdening the taxpayer, especially as this rate will cease to be awarded once implementation has taken place.

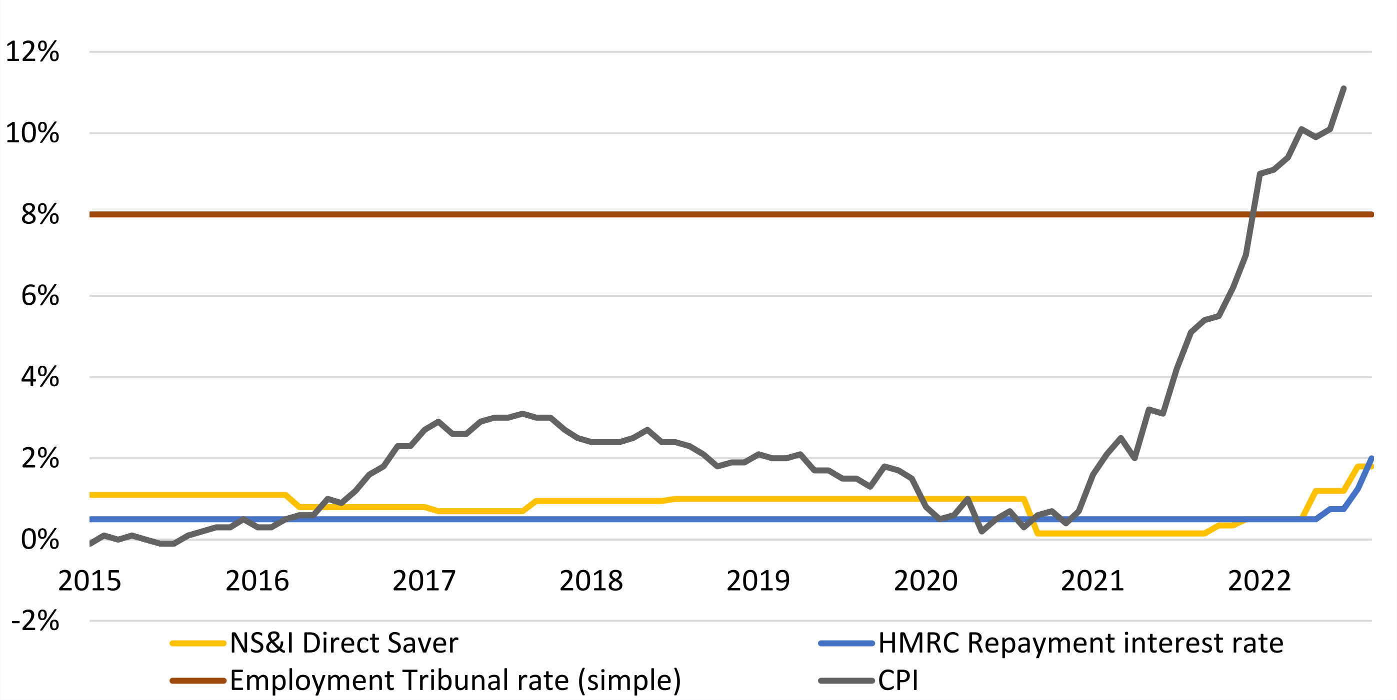
25. Without any additional restrictions, it would be possible for members who are awarded interest at a rate of 8% simple on voluntary member contribution refunds to make a risk-free profit at the expense of the taxpayer in certain situations. This may occur if they are able to take a refund and then re-purchase the voluntary benefit foregone for less than the amount they have been refunded and so have money left over by virtue of the favourable interest rate differential. It may be worth considering a restriction on recycling voluntary member contributions in such a way which should prevent such a situation from occurring.

26. Where a member owes monies to the scheme, there are reasonable alternative interest rates that would be higher than the NS&I Direct Saver rate and would therefore compensate taxpayers more. Conversely, a case could equally be made for charging no interest at all on these payments. On balance, the rate proposed would, therefore, seem to meet this objective. Furthermore, it has the virtue of symmetry in that it is also proposed in cases where the member is owed money after the implementation of the remedy.

Financial impact

27. The chart below shows the various interest rates since 2015, alongside the change in CPI inflation over the preceding year.

Chart 1. Interest rates since 1 April 2015



28. Chart 1 shows that the 8% employment tribunal rate has been significantly higher than the NS&I Direct Saver rate and CPI inflation for most of the relevant period, although CPI inflation is currently in excess of 8%. The NS&I Direct Saver rate and the HMRC Repayment interest rate have largely been below CPI inflation for the relevant period apart from 2015-2016 and a brief period in 2020.

29. It should be noted that the employment tribunal rate of 8% is a simple rate whereas the other rates displayed are all compound rates, so they are not complete comparisons. All else being equal a compound rate will accrue more interest than a simple rate. Therefore, the chart somewhat overstates the generosity of the 8% simple rate relative to the others. The exact impact depends on the period over which interest accrues, but as an example, if interest accrued for 7 years, a simple rate of 8% p.a. would be equivalent to a compound rate of around 6.5% p.a.

30. The interest awarded, or charged, to any individual member will depend on the exact timing of when the payment was originally due and when it is corrected.

31. The fiscal impact to Government as a result of these proposals is unclear without further information on the expected cashflows arising from the remedy in the short-term. However, very broadly, it may be in the region of low hundreds of millions of pounds. This compares to the total expected cost of the remedy of £17 billion.

Conclusion

32. On the whole I can understand why the stated approach has been taken and my professional opinion is that, in the round, it meets the Government's objectives.

33. Awarding interest at a rate of 8% simple up to implementation could be considered as generous, but it ensures the Government is being as fair as possible to those members affected and therefore the solution is a pragmatic one.

34. I am supportive of the use of the NS&I Direct Saver as an easy access savings account rate as it is a rate available to members of the public, yet the NS&I pitch their savings rates to draw funds as a small borrowing diversifier to other forms of government borrowing, but does not seek to be market leading and therefore distort the retail savings market.

35. The choice of interest rate is not strictly an actuarial consideration and I note that there are various approaches that could have been adopted that would also appear reasonable.

Compliance, limitations, and third-party disclaimer

36. This letter has been prepared in accordance with the applicable Technical Actuarial Standards: TAS 100 and TAS 300 issued by the Financial Reporting Council (FRC). The FRC sets technical standards for actuarial work in the UK.

37. This letter is addressed to HM Treasury. The purpose of this letter is to give my professional opinion on the approach to determining interest payments as set out in your letter. The assessment contained within this letter is based on my technical analysis of the proposals and the circumstances in which they have been applied. I have not carried out a review of the draft Directions which were not included as a part of this letter exchange, nor have I considered any legal risks or wider precedents.

38. This letter must not be reproduced, distributed, or communicated in whole or in part to any other person without GAD's prior written permission. I understand that HM Treasury may publish this letter. Other than HM Treasury, no person or third party is entitled to place any reliance on the contents of this letter. GAD has no liability to any person or third party for any action taken or for any failure to act, either in whole or in part, on the basis of this letter.

Yours sincerely

Martin Clarke
Government Actuary

Appendix – copy of HM Treasury letter sent to the Government Actuary on 12 December 2022

HM Treasury

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12 December 2022

Dear Martin

The Public Service Pensions (Exercise of Powers, Compensation and Information) Directions 2022 - Calculation and Payment of Interest

Background

1. As you will be aware, HM Treasury have developed a set of policies to remedy the discrimination resulting from the transitional protection arrangements introduced when public service pension schemes were reformed under the Public Service Pensions Act 2013.

2. This discrimination ceased from 1 April 2022 with the closure of the legacy schemes to accrual and all active members becoming members of the new schemes. Affected members are entitled to a retrospective remedy, which will apply to a member's 'remediable service'. This is the period of eligible service from when their new scheme was first introduced up to the closure of their legacy scheme. In most cases this is 1 April 2015 to 31 March 2022.

3. Members eligible for the remedy include both those who originally received transitional protection, as well as those who did not. For all workforces apart from Judges and local government workers, non-pensioner members who are in-scope will receive a 'deferred choice'. This will operate as follows:

    1) When remedy is implemented, those members who did not originally receive transitional protection will have their remediable service retrospectively moved from their new scheme into their legacy scheme.
    2) On reaching retirement, all in scope members will be given a choice between receiving legacy or new scheme design benefits for their remediable service.

4. The remedy takes a slightly different form for Judges and local government workers. Judges will get an immediate choice of benefits with respect to their remediable service once the remedy has been implemented. Local government workers will have an automatic underpin applied to provide the higher pension between the legacy and new scheme benefit design.

5. In-scope members who retired before the remedy is implemented will be given an immediate choice as to which set of scheme benefits they wish to receive. This choice will be applied retrospectively back to the point of retirement, with any corrections to previous benefit

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payments made as appropriate. There will also be a choice of benefits for cases where an in-scope member died, or otherwise left the scheme, before remedy was implemented. Similarly, for local government workers, the automatic underpin will be retrospectively applied.

6. The legislative framework for the remedy is set out in the Public Service Pensions and Judicial Offices Act 2022 (the Act).

7. Sections 27, 62 and 85 of the Act enable HM Treasury to make Directions regarding certain features of the remedy set out in the Act. As required under Sections 27(4), 62(4) and 85(4) of the Act, Directions that relate to the calculation and payment of interest may only be made after consultation with the Government Actuary.

8. HM Treasury has considered the appropriate determination of interest payments in relation to the remedy and will set these out in Directions. I am formally writing to you to ask for your professional opinion on the proposed approach to determining interest payments as set out in this letter. This approach will be set out in Directions in due course to enable schemes to amend their regulations and begin to implement the remedy.

Situations where interest will apply

9. There are various situations where interest may be awarded, or charged, to members by their public service pension scheme as part of the wider remedy. Generally, interest will be applied to any corrections to past cashflows which occur as a result of the remedy.

10. Application of interest will be required in the following scenarios:

    1) Payments made from the scheme to the member as a result of the implementation of the remedy:

        i. pension and/or retirement lump sum back-payments for pensioners, or dependants of deceased members, if these members (or the decision-maker) choose to receive alternative scheme design benefits which results in historic benefit payments having been underpaid.

        ii. member contribution refunds - When eligible members' remediable service is moved from their new to legacy scheme, some members may require a refund if the new scheme contributions they previously paid were higher than the legacy scheme contributions. Affected members will primarily be members of the 2006 Police and Fire pension schemes who did not originally receive full transitional protection.

        iii. voluntary member contribution refunds. When those members who did not originally receive transitional protection have their remediable service moved to the legacy schemes, in certain circumstances they may elect for a refund of any voluntary contributions made to their new scheme.

        iv. compensation payments, including those for tax related refunds that are otherwise in years 'out of scope' such that refunds may not be obtained from HMRC[1].

    2) Payments made from the scheme to the member after the implementation of the remedy, when the member retires, or otherwise leaves the scheme:

[1] HMRC are subject to a statutory 4 year time limit in which they can go back and reopen someone's tax affairs. Any tax refunds that relate to the earlier years, that are out of scope of this 4-year time limit, will be paid as compensation.

i. member contribution refunds – This will apply to the members of the 1987 Police and 1992 Fire pension schemes who ultimately choose new scheme benefits.
   It may also apply to any member who waives the right to a contribution refund at the time of the implementation of the remedy under s18(8) of the Act, and instead receives it at retirement. If such an option is made available to them this will primarily be members of the 2006 Police and Fire pension schemes who did not originally receive full transitional protection, who chose not to receive their refund of excess contributions at implementation and who then elect to receive legacy scheme benefits at retirement.

3) Payments made from the member to the scheme as a result of the implementation of the remedy:

   i. pension and/or retirement lump sum back-payments for pensioner or deceased members should these members make an immediate choice for their alternative scheme design benefits which results in historic payments having been overpaid

   ii. additional member contributions – Affected members will primarily be members of the 1987 Police and 1992 Fire pension schemes who did not originally receive full transitional protection. These members would have originally paid lower contributions to the new scheme than they would have paid to their legacy schemes and are therefore required to pay the difference when moving back to the legacy schemes.

4) payments made from the member to the scheme after the implementation of the remedy, when the member retires, or otherwise leaves the scheme:

   i. additional member contributions – Affected members will primarily be members of the 2006 Police and Fire pension schemes who ultimately choose new scheme benefits. This will include both members who originally received transitional protection and also members who did not originally receive transitional protection but who previously received a refund of contributions when being moved back to their legacy scheme.

Government objectives and rates for interest

11. The Government's objectives for the interest payments are to:

    1) Reflect the position members may have otherwise been in – The determination of interest payment should consider what position the member may have been in had the payments been made on the date they originated from.

    2) Recognise the circumstances of the award – The interest payments should reflect the context as to why the remedy is being implemented and what interest rates are being applied elsewhere as a part of the remedy.

    3) Not unduly burden the taxpayer – Any interest payments should be proportionate and where possible not result in unnecessary costs to the taxpayer.

12. In light of the above objectives, HM Treasury consider that the interest applicable should be:

    1) For payments made from the scheme to the member as a result of the implementation of the remedy - 8% simple per year up to the date 28 days after a Remediable Service

Statement is first issued in relation to the member[2]. Then in line with the interest available on the National Savings & Investments (NS&I) easy access savings account, 'Direct Saver', thereafter. For Judges, the 8% simple per year rate will run up to the date of payment, in light of the different way their remedy operates. For the Local Government Pension Scheme, the periods of interest will be set out in their scheme regulations, to take account of the different way their remedy operates.

Except for payments in relation to tax related compensation which will accrue in line with HMRC's interest rate on tax refunds, which is set as the Bank of England base rate minus 1% with a lower limit of 0.5% p.a.

2) For payments made from the scheme to the member after the implementation of the remedy, when the member retires, or otherwise leaves the scheme – in line with the interest available on the NS&I easy access savings account, 'Direct Saver'[3].

3) For all payments made from the member to the scheme - in line with the interest available on the NS&I easy access savings account, 'Direct Saver'.

13. Where a member has both underpayments and overpayments with respect to different elements of the remedy, the interest will be applied to each set of cashflows separately[4]. The amount collected from the member or paid to the member will reflect the net position of these two sets of cashflows, as opposed to paying the member to correct an underpayment whilst simultaneously requesting payment for an overpayment.

14. A rate of 8% a year simple is in line with the interest awarded to the claimants in the associated employment tribunals. Adopting the same approach for the wider remedy will ensure consistent outcomes with those who were awarded interest payments by the employment tribunal.

15. In line with the Employment Tribunals (Interest on Awards in Discrimination Cases) Regulations 1996; the interest will accrue from day to day and is simple rather than compound. Furthermore, when considering recurring payments the rate will apply to the aggregate of those payments from the mid-point of the period over which the discrimination occurred.

Interest applying to payments due from members to schemes

16. As set out in paragraph A.32 of the response to the Public service pension schemes: changes to the transitional arrangements to the 2015 schemes consultations the Government consider that interest should be applied to money owed by members to aim to achieve fair and equal treatment of all members. Otherwise, members who make payments to the scheme later are in a more favourable position compared to members who paid at the time the payment originated from.

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[2] The remedy will come into force for the majority of members on 1 October 2023, unless HM Treasury decides to bring it into force earlier for some members, in accordance with section 131(2) of the Act. However, in relation to those schemes subject to Chapter 1 of Part 1 of the Act ('Chapter 1 schemes'), each member will be informed of their rights in relation to the remedy through their Remediable Service Statement (RSS) which will normally be issued within 18 months of that date. This is expected to be at some point in 2023-2025. HM Treasury consider that, from the date 28 days after their RSS has been issued, it is appropriate for the 8% simple rate to cease since the member will have had their position remedied in law and will have been informed of their rights.

[3] Any member who has waived a previous contribution refund under s18(8) of the Act, as discussed in paragraph 10, will still receive 8% simple per year up to the date 28 days after a RSS is first issued in relation to the member.

[4] Any tax relief adjustment made to a contribution correction will not be considered as a separate cashflow for this purpose.

17. In selecting an appropriate interest rate for payments from members to schemes, we have considered what the member may have done with the money in the additional time they have had access to it. This will vary by member, but we view the two most likely options as using the money to purchase goods and services or saving it in an easy access savings account. This would suggest the use of either an interest rate based on inflation or a savings account interest rate. Recognising that members had no option to make any payment when it was originally due, we view that opting for a savings account rate, which has typically been below inflation since 2015, is most appropriate and in line with the objective to recognise the circumstances of the award.

18. We have considered, and dismissed, the use of a borrowing rate of interest. Whilst it is possible that the prolonged access to money may have resulted in a member needing to borrow less, we do not view this situation as more likely than those set out above. Furthermore charging members interest on such a basis would appear to fit less well with the 'recognise the circumstances of the award' objective.

19. For consistency with the interest rate charged to members, the same savings account interest rate will also be awarded to members from 29 days after the RSS has been first issued for the Chapter 1 schemes[5]. At this point the discrimination has been remedied, members have been informed of their rights, and therefore the use of the 8% tribunal rate is no longer appropriate. Similarly the savings account interest rate will be used for corrective payments that occur after the implementation of the remedy, when the member retires, or otherwise leaves the scheme. The majority of interest awards are expected to be with respect to cashflow corrections arising at the time remedy is implemented.

20. HMRC apply their own rates of interest to tax refunds and additional tax charges, and these will apply as usual for any tax related changes as a consequence of the remedy. These rates of interest are not in scope of the HM Treasury Directions. For consistency with HMRC tax refunds, the Directions provide that any compensation payments for tax related refunds that are in years 'out of scope' of HMRC will attract interest at the same rate as HMRC's interest rate on tax refunds.

21. HM Treasury recognises that it is important to keep the choice of interest rates set out in the Directions under review to ensure that they continue to deliver the Government's objectives. The choice of interest rate will therefore be subject to a review every five years, or in response to unexpected events.

22. I would be grateful if you could offer your professional opinion on the proposed approach to determining interest payments as set out in this letter. In particular, I would welcome your view on the extent to which they meet the Government's objectives.

Nick Donlevy

Director, Public Spending Group, HM Treasury

[5] A Chapter 1 scheme is a scheme to which chapter 1 of Part 1 of the PSPJOA 2022 applies.