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Via email

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Dear Martin,

### **Review of the SCAPE discount rate methodology**

1. Thank you for your letter of 19 January 2022 setting out your professional opinion on the Government's proposed response to the consultation on the SCAPE discount rate methodology used to set contribution rates for unfunded public service pension schemes.
2. I am pleased to note that you found the proposals, taken together, met the Government's objectives for the SCAPE discount rate as set out in the consultation<sup>1</sup>.
3. The Government now plans to respond to the consultation shortly. The Government's proposed response remains to be to:
  - retain the current methodology of setting the SCAPE discount rate in line with expected long-term GDP growth, using forecasts published by the Office for Budget Responsibility (OBR), with no modifications applied at this time;
  - align future reviews of the SCAPE discount rate with the scheme valuation cycle, with the aim of conducting one review per cycle;
4. The Government will also look to ensure that departmental budgets set in Spending Review 2021 will not come under undue pressure because of a change in the contribution rates resulting from the 2020 valuations as a consequence of changes to the SCAPE discount rate. For devolved administrations, the Barnett formula will apply in the usual way. It is for the devolved administrations to decide how to allocate funding in devolved areas.
5. I would welcome your views on whether the passage of time would change any of your comments in your previous letter of 19 January 2022.

Yours sincerely

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<sup>1</sup>[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/996113/SCAPE\\_Discount\\_Rate\\_methodologyFD.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/996113/SCAPE_Discount_Rate_methodologyFD.pdf)



**Nick Donlevy**

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