States of Jersey

Public Sector Pensions in Jersey

Report of the Technical Working Group on options for change to the Public Employees Contributory Retirement Scheme of the States of Jersey (PECRS)

TREASURY & RESOURCES

November 2012

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1 Introduction

1.1 The Technical Working Group (TWG) was set up at a meeting of the Technical Sub-Committee of the Public Employees Contributory Retirement Scheme (PECRS) with the Treasurer of the States on 19th July 2011. This was done with the authority of the States Employment Board (SEB) and with the agreement of the Committee of Management (CoM) of PECRS. Its purpose was to consider and report on options for change to PECRS following two independent reports on PECRS, namely:-

- Aon Hewitt review of the PECRS – Proposed High Level Scheme Design – on behalf of the SEB, and

- Lane Clark & Peacock's Report – Scheme Review – on behalf of the Committee of Management.

1.2 The Technical Working Group comprises four officers from the States Treasury and four members of the Committee of Management.

Technical Working Group

Mr R J Amy – Chairman – Committee of Management
Mr C D Bambury – States Treasury
Mrs M A Byron – States Treasury
Mr G R Chidlow – States Treasury
Mr J H Lees – Committee of Management
Mr J F Mills – Committee of Management
Mr M A Q Richardson – Committee of Management
Ms L Rowley – Treasurer of the States
Mr M D Orbell – Committee of Management (alternate for Mr Lees)

Mr R Raggett, the CoM Secretary, has supported the TWG, and expert advice and analysis has been provided, at the Treasury's expense, by Aon Hewitt, Actuary to PECRS.

1.3 The decision to establish the TWG arose primarily from the following factors:-

i. There was a need to consider PECRS in the light of wide-ranging debate in the UK and Europe about the long-term sustainability of final salary pension schemes, given the extent to which life expectancy has improved in recent times leading to significant cost increases.

ii. For funded schemes like PECRS, estimates of reduced future investment returns has meant that the cost of current PECRS benefits has increased and might well increase further but contribution rates have remained broadly unchanged.

iii. Actuarial advice that the combined contribution rate for new entrants to the Scheme (that is, the proportion of salary contributed by both employer and employee) had become insufficient to fund the benefits being promised.

iv. If PECRS benefits were reduced relative to their UK comparators, there might be an adverse impact on the States' ability to recruit from the UK when it needed to do so.

v. The Pension Scheme Regulations, some of which came into force in 1967 and others in 1988, were outdated and no longer supported either organisational working practices or the way in which many people live their lives in a modern society.

vi. The pension benefit was disproportionate for various groups of employees, some receiving a far more valuable pension package than others. There were some significant cross-subsidies leading to the majority of members subsidising the pensions of those on higher benefits, for example members who are covered by the Existing Members Regulations and all members of the uniformed services.

1.4 To address its concerns the SEB commissioned expert advice from its actuarial advisor, Aon Hewitt, Bristol. The CoM commissioned an independent expert review of PECRS benefits and funding arrangements by Lane Clark & Peacock LLP, a UK actuarial consultancy firm. Both reviews concluded that PECRS was not sustainable in its present form; hence the decision was taken to establish the TWG to explore options for change.

2 Background to PECRS

2.1 PECRS is one of the principal 'defined benefit' pension schemes for employees of the States of Jersey. The Jersey Teachers' Superannuation Fund is not being considered at this stage, although a review is planned in the future. 'Defined benefit' means that pensions are calculated by reference to a scheme member's salary and length of service at retirement.

2.2 PECRS contains a number of distinct groups of members, each subject to a different set of Regulations and different pension benefits. Over the 25 years since its restructure in 1988, it has become increasingly complex to administer. The benefit structure is unwieldy and outdated and there are a number of inequities affecting States employees.

2.3 PECRS currently has around 13,000 members, making it by far the largest pension scheme in Jersey and of major significance to the Island's economy. Of these members, at 30th September 2012, 7,314 were in employment, either with the States itself or other bodies such as Parishes. Some 16% of Scheme members are employed by non-States organisations, known as Admitted Bodies (listed in **Appendix A**). On the same date, there were 1,885 members who had left employment with pension entitlement preserved in PECRS and deferred until retirement age. There were 3,877 individuals in receipt of pension.

2.4 The median pension in PECRS is £8,605 a year (women £5,648 and men £13,867) and the mean pension is £13,114 (women £8,166 and men £18,145).

3 The States Employment Board (SEB) expert review

3.1 The SEB's expert analysis, "Review of the PECRS – Proposed High Level Scheme Design", was prepared by Tim Lunn, FIA, of Aon Hewitt, Bristol, a leading UK firm of consulting actuaries.

Mr Lunn's conclusions were:

i. The investment strategy, coupled with changes in financial market conditions, meant that the funding position of the Scheme exhibited significant volatility over time.

ii. In addition to the volatility, there had been a steady 'background' increase in the cost of benefits, due to increases in life expectancy.

iii. The background longevity drift placed a progressive strain on the available smoothing mechanisms. Combined with increased investment volatility, the likelihood of existing smoothing mechanisms being adequate to smooth benefit levels for existing members was progressively reducing.

iv. The alternative approach to smoothing was to adjust the benefits offered to new employees. However, the benefits offered to new employees were already at a level that was hard to reduce further without imperilling the future ability to recruit.

v. The outlook, without further change, was therefore increasing volatility in benefit levels for existing members. This would create a number of tensions within the workforce and wider political environment.

vi. Changes within the current structure that would avoid this scenario involved various parties taking increasing amounts of risk, giving rise to the possibility of a much larger 'correction' being required in the future.

vii. At the 2007 valuation the cost of benefits for new entrants valued using best estimate assumptions at that time, was above the contributions receivable in respect of these members. This suggested that the current scheme was unaffordable. The results of the 2010 valuation, which might show a similar position, were awaited.

(The 2010 valuation, signed by the Scheme Actuary on 23rd May 2012, has subsequently shown that the cost of providing benefits to new members continues to exceed the contributions being paid into the Scheme.)

3.2 Action needed to be taken to address this situation which is why the TWG review was commissioned.

4 The Committee of Management's expert review

4.1 Lane Clark & Peacock's report for the Committee of Management was prepared by Martin Slack, MA, FIA, the former senior partner of the firm and a consulting actuary. He was already familiar with PECRS from earlier work. His report can be found at www.gov.je/statesemployeespension under PECRS Forms and Publications, actuarial valuation and is also available in the Jersey Library.

4.2 Mr Slack's principal conclusions and recommendations[1] were:

i. Since the Scheme was restructured in 1988, the expected cost of pension benefits had increased significantly, due to increased life expectancy and lower investment returns. Despite this, the States contribution rate to the Scheme was little different from the rate of 15.6% paid in 1988. He was not aware of any UK based pension scheme where the employer contribution had not increased over this period.

ii. It would become increasingly difficult to manage the financial position of the Scheme under the Regulations if the States remained unprepared to increase their contribution rate. Attempting to manage the financial position solely through the amendment of benefit scales, particularly using the default provisions of the Regulations, as required for the first time following the 2007 valuation, would potentially result in material "cross-subsidies" between generations of members.

iii. It was very unsatisfactory that the Regulations required the Committee of Management to continue to admit new entrants on benefit terms with an expected cost in excess of the employer contribution rate being paid.

iv. Closing the Scheme to new entrants would result in an increased deficit and, if implemented within the next few years, would require significant rescheduling of the Pre-87 Debt contributions.

v. If the Scheme had to be managed within the constraint that the States remained unprepared to increase its contribution, it would be fairer for all members to have a structure that explicitly addressed that it was the members that were bearing the risk. Holding out the promise of benefits that had a significant chance of not being delivered was potentially misleading. It

[1] Page 4. Lane Clark & Peacock Report – The benefit and funding arrangements of the PECRS – September 2011

would be better to promise lower benefits with an expectation that they might be improved.

4.3 Action needed to be taken to address this situation and led to the Committee of Management being keen to take part in the TWG review.

5 Lord Hutton's report

5.1 The final report of the UK Independent Public Service Pensions Commission, chaired by Lord Hutton, was published in March 2011. This report has already led to some significant changes in the contributions and benefit structures of UK public sector pension schemes. Details can be found at http://www.nhsbsa.nhs.uk/Documents/Pensions/hutton_final_100311.pdf. For the purposes of this report it is worth outlining Lord Hutton's main recommendations, which the UK Government has accepted.

i. The primary purpose of public sector pension schemes was to ensure adequate levels of retirement income for public service pensioners and that pensions would continue to be an important element of remuneration. Employers should seek to maximise participation in the schemes where this was appropriate.

ii. The Government must honour in full pension promises that had been accrued by scheme members.

iii. The final salary link for past service for current members should be maintained.

iv. A new Career Average Revalued Earnings ('CARE') scheme should be adopted for general use in public service schemes.

v. Pension benefits should be uprated in line with average earnings during the accrual phase for active members. Pensions in payment should be indexed in line with prices to maintain their purchasing power.

vi. The differing characteristics of higher and lower earners should be addressed through tiered contribution rates.

vii. Normal pension age should be in line with the UK Government's State pension age.

viii. The UK Government should set out a ceiling for the proportion of pensionable pay that it would contribute, on average, to employees' pensions over the long term.

(**Appendix B** sets out a summary of changes to date in the UK public sector schemes in the wake of the Hutton report)

6 Technical Working Group (TWG): Terms of Reference

6.1 The conclusions and recommendations of the two reports and of the Hutton report led to the setting up of the TWG. The TWG was charged with the task of developing, for wider discussion, a range of possible options for change to PECRS to help ensure its financial viability for the long term. Those options would be developed, according to the TWG's terms of reference (see **Appendix C**), as agreed by the SEB and the CoM, with the aim of seeking to ensure that:

i. The interests of current Scheme members were maintained including protection of their accrued rights;

ii. Public sector schemes in Jersey were affordable and sustainable;

iii. The potential impact of possible changes to benefits and contribution rates was assessed from the perspectives of affordability and sustainability;

iv. Future pension arrangements in Jersey had regard to Lord Hutton's recommendations and their final outcomes, so as to facilitate movement of staff to and from the UK through Jersey's continued membership of the Public Sector Transfer Club;

v. There was clarity over future arrangements for contributions into the Scheme;

vi. There was clarity over the sharing of costs, risks and benefits between employer and employee; and

vii. The governance of the Scheme met best practice.

6.2 The TWG's terms of reference also required it to identify the key actions that would be needed and to give an indicative timescale for consultation and negotiation on any proposed changes to the Scheme and the legislative changes required to implement revised administrative arrangements. The TWG proceeded to establish principles that would govern the options for change to be investigated. These were:

- sustainability – for at least the next 25 years.
- affordability – for members, employers and taxpayers.
- fairness – for all members.

7 The need for change – background to the TWG's review

7.1 Many features of public service pensions in Jersey are historical legacies, including accrual rates, pension ages and final salary structures. The current PECRS structure was not designed in a way that accommodates modern working patterns and has been unable to respond flexibly to changes in this area and to demographic change over the past few decades this has led to:

- rising costs of benefits due to lack of flexibility to address increasing longevity.
- unequal treatment of members within the same organisation.

7.2 Some features, such as pension ages of 60, final salary structures and the accrual rates, derive from terms and conditions initially established in the 1960s. The lower normal pension ages for the police, fire, and prison services also date from that time.

7.3 Providing good quality pensions is becoming a far more challenging task given the increasing length of time that most people can now look forward to spending in retirement. The cost of providing current pension benefits has been increasing and it is not sustainable for members to spend more and more years in retirement without the increased cost being fully reflected in the contributions to, and benefit structure of the Scheme.

7.4 The Scheme Actuary has confirmed that based on the assumptions adopted for the 2010 valuation:

- a man aged 60 at 2010 can expect to live for a further 27 years;
- a woman aged 60 at 2010 can expect to live for a further 29 years;
- a man currently aged 40 years can expect to live for a further 29 years from age 60; and
- a woman currently aged 40 can expect to live for a further 31 years from age 60.

On this basis it would seem that life expectancy is still on the increase (a life expectancy chart is at **Appendix D**).

7.5 PECRS is paying pensions for much longer than was expected when the Scheme was designed and restructured in 1988 and as a consequence, pensions are now far more expensive. It would, therefore, seem fair for Scheme members who are still working to bear more of the risks associated with longevity, for example, by working longer as life expectancy increases or by being prepared to accept a lower pension should they not wish to do so.

7.6 PECRS is a funded scheme. Employers and employees pay their contributions into a fund and these contributions are invested in assets that produce investment returns. However, it has become, and is likely to remain, increasingly difficult to generate the investment returns that were expected when the Scheme was set up in 1988.

7.7 The design of PECRS is outdated and inflexible and no longer wholly reflects the way the modern labour force lives and works. For example, there is no pension provision for non-married partners, and a final salary scheme does not assist employees to switch to less demanding roles later in their careers. Employee contracts are now very different from those issued even ten years ago – they now incorporate various options such as term-time only working and other flexible working choices. The current Scheme makes such arrangements very difficult to administer and the outcome can be unfair to members.

7.8 The final salary scheme designs currently in place mean that lower-paid public service workers might not get their fair share of benefits while those who achieve rapid promotion and become highly paid tend to get a larger share. Lord Hutton's interim report showed that the final salary design of most current schemes tends to be much more beneficial to the latter group compared to those with slower salary growth.

7.9 Under the current arrangements, PECRS is not sustainable in the long term. The existing contribution rate does not support the current benefit structure. The 'new entrant rate' as calculated by the Scheme Actuary of 19.5% of members' salaries exceeds the overall contribution rate of 18.6% of salaries provided for in the Regulations. This means that on the assumptions adopted in the December 2010 actuarial valuation, the continued admission of new entrants results in a strain on the finances of the Scheme. This issue needs to be addressed.

8 Importance of UK public sector schemes

8.1 Pension provision is an important part of employees' terms and conditions. Lord Hutton's review referred to the fact that the UK public sector performs functions that are vital to the security of the country, the success of the economy and the health of society. The Jersey public service is full of people with a wide range of skills and experience who undertake tasks of importance across a wide range upon which the community depends.

8.2 PECRS remains an important tool in attracting key public sector workers. A wide range of professions are covered within the Scheme, for instance: engineers, police officers, fire-fighters, prison officers, paramedics, customs and immigration officials; hospital consultants, nurses, doctors, allied health professionals, IT and accountancy staff, lawyers, statisticians, and many others.

8.3 The States of Jersey competes for some of its talent with the UK public sector. Benchmarking against UK public sector pension provision is therefore very important. Jersey must continue to be able to recruit and retain high quality people for many important jobs.

8.4 To move away from offering similar pension provision to that available in the UK public sector could be damaging for Jersey. The UK Government has, as a result of the Hutton report, accepted that defined benefit will continue across the public sector.

8.5 PECRS is a participant in the UK Public Sector Transfer Club (PSTC). The PSTC is a group of some 120 salary related occupational pension schemes. Participating schemes in the PSTC agree that their members can transfer benefits on standard terms with the intention that there is no loss of value to the member.

8.6 Membership of the PSTC allows easier movement of staff within the public sector. This is vital in helping Jersey attract public sector employees to transfer from the UK. Whatever new benefit structure might be adopted for PECRS, the Scheme needs to remain part of the PSTC.

9 Options for change

9.1 In this paper, the TWG sets out various options for change. Any changes proposed will be a part of a consultation and negotiation process with the Public Employees Pension Scheme Joint Negotiating Group (JNG). The JNG negotiates pension provision for the majority of States employees and will consider this report.

9.2 During the course of meetings the TWG has carefully examined a wide range of relevant factors, including:

- defined benefit schemes
- defined contribution schemes
- defined benefit Career Average Revalued Earnings schemes
- protection for current members
- contribution rates
- indexation
- risk sharing – general
- risk sharing – pre 2015
- risk sharing – post 2015
- actuarial valuation methodology.

9.3 Any references to 2015 are simply due to working assumptions of this report that the States wishes to introduce any new pension arrangements with effect from 1 January 2015.

10 The case for maintaining a defined benefit approach

10.1 The principal advantage of a defined benefit pension scheme is that it provides members with a high degree of certainty of the amount of their pension at the point of their retirement.

10.2 Unlike a defined contribution arrangement (see paragraph 11 below), there is no risk of paying benefits well below, or well in excess of what was planned. Although the incidence of funding a defined benefit scheme may be volatile, the ultimate cost is the actual benefits paid out plus the costs of running the scheme. A funded defined benefit scheme is a very efficient way of delivering a planned level of benefits.

10.3 There are different forms of defined benefit schemes and it is important that the design of any new scheme meets the principles set out in paragraph 6.2 above regarding affordability, fairness and sustainability.

11 Why not a defined contribution scheme?

11.1 Defined contribution schemes have the advantage of fixing the cost for the employer and the member. There are however some significant disadvantages.

11.2 A DC scheme, as they are known, is basically a scheme where contributions from both the individual member and usually the employer are paid into a fund which is converted into a pension on retirement by the purchase of a contract to provide a specified level of income for life on prescribed terms (commonly known as an "annuity").

11.3 Although the contribution rate is fixed for the employer and the member, the benefit outcome for members is highly uncertain. The pension is whatever the invested funds will buy, which can vary dramatically depending on investment choices, investment experience and the cost of buying a pension at retirement. It is possible that two members, with similar career patterns, retiring a few years apart could have pension outcomes where one is double the other, even if they had made similar investment choices.

11.4 It is also the case that compared with defined benefit schemes there is significant inefficiency in defined contribution schemes. The cost of investment management reduces the value of a member's fund. Evidence from the USA suggests that the cost of administering defined contribution schemes, and poor decision making by individuals, can in some cases reduce the pension outcome by up to 40% compared to defined benefit schemes.

11.5 The lack of certainty of outcome is unfair to members, and the inherent inefficiency of the system in terms of pension outcomes has the potential to be a waste of members' and taxpayers' money. For these reasons, Lord Hutton came to the conclusion that defined contribution arrangements are not suitable for public service schemes. The TWG agrees with this conclusion in respect of the situation in Jersey.

12 Career Average Revalued Earnings (CARE) Scheme

12.1 All categories of members of PECRS have final salary benefits. In other words, pensions are calculated based on the number of years of pensionable service, the accrual rate for the particular category, and pensionable salary close to retirement.

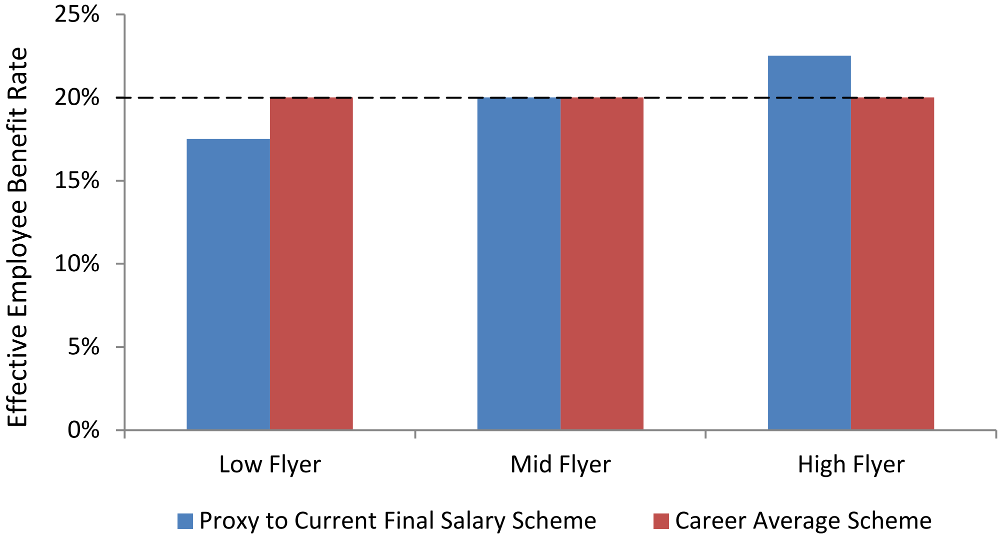
12.2 In final salary schemes, members who experience relatively fast wage growth benefit compared to those who do not. Lord Hutton, reported that 'high-flyers' (i.e. people who have been promoted several times over the course of their careers) can receive almost twice as much pension for every £100 of contributions than people on more modest salaries. Higher benefits for high-flyers, relative to their contributions, are an inherent feature of final salary pension schemes. This increase in pension is a significant hidden cost inherent in promotions close to retirement. Lord Hutton concluded that 'final salary does not provide the right design for future public service schemes'.

12.3 What then is the appropriate defined benefit design for the future? It does make sense to have a relationship between pension in retirement and earnings to deliver the desired certainty referred to in 10.1. A key feature of final salary schemes is that each salary increase elevates the pension entitlement for all past service. An alternative design, known as Career Average Revalued Earnings (CARE), addresses this design feature. Under a CARE scheme, each year of pensionable earnings provides a pension based on the annual accrual rate, which is then revalued by an index to retirement age. At retirement, all of the revalued pensions for each year of service are added up to build the member's pension entitlement. A salary increase late in a member's career only affects future pension entitlement; it has no effect on pension benefits accrued in the past.

12.4 For these reasons Lord Hutton recommended CARE schemes for the UK public service. The TWG suggests that a new CARE scheme could provide the most appropriate option for sustainable, affordable and fair pensions for public employees in Jersey.

12.5 The chart below is taken from Lord Hutton's final report and was produced from modelling undertaken by the Pensions Policy Institute to demonstrate the distributional effects of pension scheme design by comparing final salary with a career average design. This clearly shows the redistributive effect of a move to career average.

Chart 1:
The distributional impact of moving from final salary to CARE



Source: Hutton Report, 2010

12.6 For current scheme members the impact of a change to career average would be mitigated by the maintenance of the final salary link for those benefits built up before they moved to the new provisions. This means that the benefits they receive at retirement under their current arrangements would be based on their salary at the point they retire or leave the organisation, not when they moved to a new CARE scheme. The maintenance of the final salary link for all transferees in a final salary scheme ensures that the benefits they have earned under their previous pension arrangements reflect earnings increases over time; this provides greater benefits than if these final salary benefits had been based on their salary at the point they transfer to the new scheme. See protection of accrued rights under 13.1

12.7 A move to a career average scheme from a final salary one would mean that benefits earned under a new CARE scheme would be calculated in a different way. The pension would be based on an average of earnings for each year of work until the member leaves or retires, rather than the last year's salary. This is explained by the following diagram:-

Career Average Revalued Earnings
How it works

(The figures contained in this diagram are purely illustrative and are designed to show the methodology of a CARE scheme.)

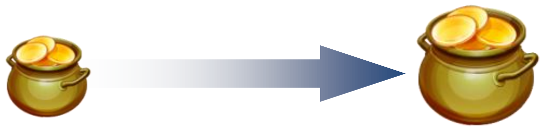
Every scheme members earns a percentage of their salary as pension for every year they work.

Annual salary x accrual rate =  (Year 1 pension pot)

Example:
A member earns £35,000 and her or his accrual rate is 1/70th so her or his pension in year 1 is worked out as £35,000 x 1/70th = £500 (£35,000 ÷ 70 = £500)

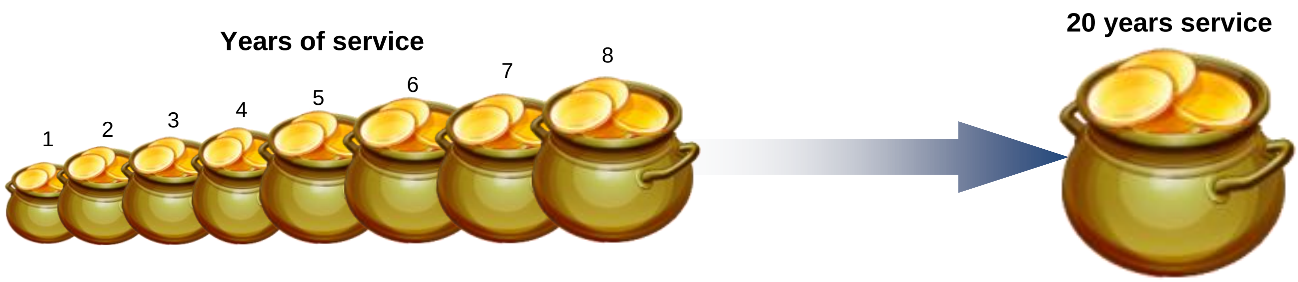
The year 1 pension pot is then revalued every following year to maintain its value.

Revalued by 3% (for example)

Year 1 pension pot = £500  Now = £515

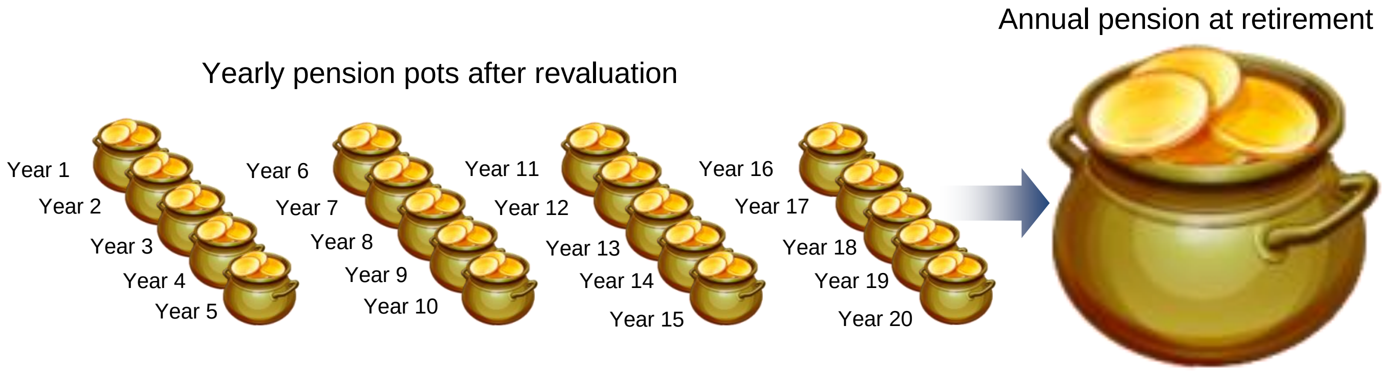
Example:
The £500 that the member has earned in year 1 is revalued at the end of the next year. So at the end of year 2, this part of her or his pension is worth £500 x 3% = £515.

The year one pension pot continues to be revalued year on year until you retire.



Example:
If the member’s pot for year 1 is revalued by 3% every year he or she is in employment it will be worth £877 after 20 years service

When you retire, all the revalued pension pots that you receive for every year that you are a member of the scheme are added together to make your total pension.



Example: If the member has a 3% salary rise each year, by adding all the other years' pension pots together, she or he could expect a pension of £17,535 a year after 20 years' service.

13 Protection for current members

13.1 An essential part of any reform is that pension benefits that have been earned up to the date of change should be honoured in full. This would mean for PECRS members that the pension earned in the past would be linked to final salary at eventual retirement or leaving date and that those benefits would continue to be payable from the pension ages as prescribed under the current legislation.

13.2 In the UK the Government conceded that those within ten years of retirement would be further protected in relation to future service. Clearly there would be a cost to such additional protection were this to be a feature of reform in Jersey, a cost that would also fall on those not 'protected'.

14 Contribution rates

14.1 The principal reason that PECRS is no longer sustainable is that the cost of pensions has increased by around 30% since the current contribution rates were set in 1988. This is due to people living longer and estimated future investment returns now being lower than was anticipated in the late 1980s.

14.2 The current employer contribution rate (excluding the pre-1987 debt repayments) is 13.6% and, regardless of whether members are paying 6.25% or 5% of salary, the contribution rate being paid into the fund is not paying for the true cost of the benefits. It would seem reasonable that any increase in contributions to meet this higher cost should be shared between the employer and the members and one suggestion is that in future the ratio of employer to member contributions should be 2:1. This will be a matter for negotiation.

14.3 The uniformed services have far more expensive benefits than others members, in particular higher accrual rates and/or an earlier normal retirement age. Yet these members pay the same employee contribution rate as other members who are subject to a lower level of benefits. From the perspective of fairness, we would suggest it is appropriate to have distinct contribution rates for any category of member which has a different level of benefits, while maintaining the agreed ratio between the employer and member contributions.

14.4 In the UK, to protect the lower paid from significant increases in member contributions, public service schemes have higher member contributions for the higher paid. This may be well justified for final salary benefits or for the very highly paid. The TWG notes that in the UK a tiered contribution rate for the new CARE benefits was a decision based on the belief that the higher paid could afford to pay more. Conversely, tiered contribution rates could also act as a disincentive to seek or take promotion and may distort pay structures.

15 Indexation

15.1 A key consideration in the design of a new CARE scheme is by how much accrued benefits should be increased annually (the level of ‘indexation’) during working life or after retirement.

15.2 The aim of indexation after retirement is to maintain the purchasing power of the pension.

15.3 The current design of PECRS provides for indexation of pensions after retirement in line with the increase in the All Items Retail Prices Index (RPI) for Jersey. In practice, however, the majority of PECRS members are not fully protected from the risks of price inflation after retirement.

15.4 If the Scheme Actuary declares a deficiency at a valuation, and there is a failure to agree how it should be dealt with, the default provision under the present Regulations is that the rate of increase to pensions in payment is reduced (as happened in 2011 and 2012). In addition, if a deficiency were to remain after the above action was taken, the Chief Minister could submit proposals to the States for an increase in contributions (employers and/or employees) and/or a reduction of other benefits payable to Scheme members.

15.5 The TWG's view is that the new scheme design should target pension increases after retirement in line with the annual increase in the Jersey RPI index. The TWG believes it would also be logical for RPI to be used to uprate deferred pension benefits after a member has left service. However, it is recognised that if the costs of pensions increase further, the level of RPI increases may not always be affordable. A suggested framework for dealing with future changes in pension costs is set out in Sections 16 to 18 (risk sharing).

15.6 Within a CARE scheme indices are also required to revalue the pension pot when a member is still in employment.

15.7 Given the constraint of affordability, there is a trade off between the level of indexation and the accrual rate. A low indexation and high accrual rate CARE scheme could be designed that is expected to provide a similar level of benefits over a full career as a scheme with high indexation and a low accrual rate.

15.8 For a given cost, accrual rates will be more generous if a less generous indexation method is adopted, and vice versa. For example, earnings indexation will normally be more generous than prices indexation (since earnings typically outpace inflation over the medium to long term) and so, for the same cost, the accrual rate would need to be lower in a CARE scheme with earnings indexation.

15.9 The combination of accrual rate and indexation method has a direct impact on how valuable each year of accrued service is to the scheme member. If indexation is in line with prices, then service accrued near retirement is the most valuable, and service accrued earlier in a career has progressively less value (in terms of proportion of salary at retirement) the further back it was accrued. If indexation is in line with earnings, then service accrued early in the member's career retains more of its value (in terms of proportion of salary at retirement) relative to the final year of accrual at retirement.

15.10 For the purpose of revaluing accrued CARE benefits for members in service, the TWG considers the most logical approach would be to target increases in line with the Jersey Average Earnings Index. Lord Hutton's report recommended this approach for the reform of UK public service schemes, although in practice the scheme designs subsequently negotiated in the UK have used a less generous indexation method (based on the UK Consumer Price Index (CPI)) which has enabled higher accrual rates to be affordable, compared with if an earnings indexation basis had been adopted.

15.11 In circumstances where full RPI increases cannot be afforded and need to be reduced in line with the framework set out in section 18.1 (risk sharing – post-2015 benefits), it is suggested that there would need to be corresponding reductions to the indexation of members' CARE benefits in service, to a level below the Jersey Average Earnings Index. The justification for this is to ensure that all members end up sharing risk on a fair basis.

16 Risk sharing – general

16.1 The TWG has considered the framework for sharing risk between members and employers in a reformed scheme. It is important that the manner of sharing risk meets the principles set out in 6.2 of affordability, fairness and sustainability.

16.2 In a defined benefit scheme, risk arises because the cost of meeting benefits is hard to predict. The cost depends on a number of uncertain factors such as member longevity, inflation and the return on the investments held. In addition, it can be hard to distinguish between changes in cost which arise as a result of normal volatility in investment markets (which might be disregarded) and changes which are indicative of a permanent trend (which should not).

16.3 Under the current PECRS Regulations:

- ❖ if an actuarial valuation reveals a deficiency, there is an attempt to reach agreement between the relevant parties on how the deficiency should be addressed. In the absence of agreement within a set timescale, the first measure under the default position is that future pension increases are reduced. If a deficiency were to remain, proposals could be made to the States for an increase in contributions (employers and/or employees) and/or a reduction of other benefits payable to Scheme members;

- ❖ where an actuarial valuation reveals a surplus, the first call on the surplus is to reinstate pension increases reduced as a result of valuation deficiencies within the previous six years. If a surplus remains, attempts are made to reach agreement between the relevant parties on how this should be addressed. In the absence of agreement within a set timescale, the default position is that two-thirds of the surplus is used to reduce employer contributions with the remaining one-third being available to reduce employee contributions or improve member benefits; and

- ❖ there is provision for the Actuary to advise or recommend to the CoM to carry forward a surplus or deficiency which "appears to be of a temporary nature".

16.4 The balance in the current risk-sharing framework is heavily skewed in favour of the employer, in that the States can require a valuation deficiency to fall 100% on the members, as occurred recently, whereas members are entitled to only one-third of any upside in the event of a surplus.

16.5 The TWG's view is that, in any future scheme, the States should be willing to shoulder some share of the downside risk in exchange for having a share in the upside as well. However it is recognised that there is likely to be an employer cost cap which the States would be unwilling to exceed. That is to say, if costs increase above a certain level, the "burden" of this excess cost would fall on members. The level of this employer cost cap would be one of the areas for negotiation by the SEB and JNG.

16.6 The TWG’s view is that the States is likely to be willing to share downside risk only if the actuarial assumptions being used at future Scheme valuations are **prudent**, i.e. if the valuation basis is set so that it is more likely to overstate than understate the eventual cost.

16.7 As a consequence of the point made in 16.6 it has been assumed that a prudent basis will be used to value the accrual of benefits building up in the new Scheme after the date of implementation, assumed to be 1 January 2015. However, it is felt that this will be impracticable for valuation of the benefits built up to date in the current scheme. Using a prudent basis to value pre-2015 benefits is likely to involve either very large increases in contributions or very significant cutbacks in future pension increases (or both), potentially hitting current generations of members/taxpayers disproportionately and unfairly. For this reason, the TWG considers it appropriate that pre-2015 benefits and post-2015 benefits should be subject to different risk sharing frameworks.

17 Risk sharing – pre-2015 benefits

17.1 A possible suggested framework for managing risks on pre-2015 benefits is as follows:

i. assuming any new arrangements are implemented from 1 January 2015, there will need to be an actuarial valuation carried out at 31 December 2014. The assets at 31 December 2014 would be ring-fenced to meet the benefits accrued up to that date;

ii. there will be further actuarial valuations of the pre-2015 benefits every three years (currently five years is the maximum interval allowed under the legislation);

iii. in order to deal with different generations of pensioner fairly, a best-estimate actuarial basis will be used (the rationale for using a best estimate basis is set out at 16.7);

iv. a surplus or deficiency on the pre-2015 benefits will be met by adjusting the anticipated future pension increases (up or down) on the pre-2015 benefits. For this purpose pension increases will include pension increases in deferment and pension increases in payment;

v. there would be a minimum pension increase of zero;

vi. as a "long-stop" guarantee, the employer would be responsible for paying extra contributions should a valuation find that the basic benefits, with zero pension increases, are unaffordable;

vii. conversely, there would be a maximum pension increase of Jersey RPI. Surpluses above that level would be retained in the Scheme and would be available to reduce investment risk and/or to form a cushion against later adverse experience;

viii. the current very complex provisions for reinstating past reductions in pension increases as a first call on surplus would be removed; and

ix. a funding corridor would apply whereby if the funding level at a valuation date lies between 95% to 105% it would be possible for the parties to agree to take no action. This might be appropriate at a valuation if, for example, the deviation from 100% has arisen primarily from investment volatility rather than from demographic trends.

17.2 In broad terms, the above framework would deal with the pre-2015 surplus/deficiency by adjusting future pension increases in a symmetrical manner, with members sharing fully in both surplus and deficiency.

17.3 The suggested framework is diagrammatically represented using a flowchart at **Appendix E**

18 Risk sharing – post-2015 benefits

18.1 A suggested framework for managing risks on post-2015 benefits is as follows:

i. there would be an actuarial valuation every three years (currently five years is the maximum interval allowed under the legislation), carried out on a prudent basis (the rationale for using a prudent basis is set out at sections 16.5 to 16.7). Separate assessments would be made of the coverage of past service benefits by the assets attributable to post-2015 benefits, and the cost of future service benefits;

ii. the first step would be to look at the coverage of past service benefits. Past service surplus/deficiency would be met by adjusting the anticipated future pension increases on all post-2015 benefits (up or down). For this purpose, pension increases would include revaluation of accrued benefits for members in service, pension increases in deferment and pension increases in payment. However if the funding level falls within a corridor of 95% to 105% it would be possible for the parties to agree that pension increases would not be adjusted (this might be appropriate at a valuation if, for example, the deviation from 100% had risen primarily from investment volatility rather than from demographic trends);

iii. there would be a minimum future pension increase of 50% of the relevant inflation measure; the employers would pay extra contributions if there was a past service deficit even on this measure. The maximum future pension increase would be 100% of the relevant inflation measure (surplus above this level would be retained in the scheme and would be available to reduce investment risk and/or to form a cushion against later adverse experience);

iv. the future service benefits would be valued based on the revised level of future pension increases as determined at the first step;

v. if the current contribution rates (for employers and members combined) were less than the cost of future service benefits, this would be handled by increasing the employer and member contribution rate unless alternative action is agreed between the parties – such increases to be shared proportionately (e.g. in the 2:1 proportion mentioned at 14.2);

vi. if however the contribution rates would result in an employer cost cap (see 16.5) being breached, the increase in contribution rates would be capped and the accrual rate for members' future service benefits would be reduced to a level that is affordable within the contribution rates, unless alternative action was agreed between the parties; and

vii. if the current contribution rates (for employers and members combined) exceed the cost of future service benefits, this would be handled by reducing the employer and member contribution rates unless alternative action was agreed between the parties – such reductions to be shared in the same proportion as above.

18.2 The principle behind the suggested framework is to provide for a proportionate sharing of risks between the employer and members, subject to an overall employer cost cap. If a prudent funding basis is used, it should be more likely than not in the longer term that surpluses will emerge rather than deficiencies, allowing future pension increases to be awarded at a level of full inflation although this is not guaranteed.

18.3 The suggested framework is diagrammatically represented using flowcharts at **Appendix F**

18.4 The frameworks suggested within sections 17 and 18 are likely over time to result in different levels of pension increase on benefits accrued post-2015 and pre-2015 for the same member. The TWG has noted that adopting differential levels of pension increase for different parts of a member's pension is not uncommon in UK pension schemes.

19 Actuarial valuation methodology

19.1 A funding strategy should be prepared in advance of the actuarial valuation that clearly describes the funding methodology and the basis of the assumptions for the valuation. The proposed cost sharing arrangements up to a cost cap make it necessary that all stakeholders are consulted on the funding strategy in advance of an actuarial valuation. Agreement to the funding strategy by the Minister for Treasury and Resources and the CoM should be required although, where it is agreed that best-estimate assumptions are to be used, the Scheme Actuary should have the final decision on the assumptions adopted.

19.2 The TWG considered that the pre-2015 benefits would be valued using best-estimate assumptions, whereas the post-2015 benefits should be valued using prudent assumptions (for rationale see sections 16.6 to 16.7).

19.3 In relation to the valuation of pre-2015 benefits (see section 17), the extent of the downside risk that falls on the employer is limited to scenarios where no future pension increases on those benefits can be afforded at all (probably a rare situation). For the pre-2015 valuation, the TWG considers that the independent scheme actuary should determine an appropriate set of best-estimate assumptions based on his own professional opinion, after consultation with the Minister for Treasury & Resources and the CoM. The Scheme Actuary's judgement, whilst taking account of all evidence, will inevitably be subjective, but it is expected that the range of available best-estimate assumptions that he will be able to defend professionally will be fairly narrow. It is therefore felt that a requirement to consult the Minister and CoM on the assumptions for valuing pre-2015 benefits is more appropriate than an absolute requirement to reach agreement.

19.4 However, for post-2015 benefits (see section 18), where the employers would be taking on more significant downside risk and prudent assumptions would be used, the TWG felt that the Actuary should be required not only to consult with, but also obtain the agreement of, the Minister for Treasury and Resources and the CoM. The need for Ministerial agreement in relation to the assumptions for valuing post-2015 benefits is seen as important, given the nature of the proposed risk sharing arrangements for those benefits.

19.5 The investment strategy should be set in a manner consistent with the actuarial valuation and should be reflective of the pre- and post-2015 liabilities.

20 Straw Man – design

20.1 A ‘straw man’ approach was developed as a basis for consideration of the future benefit design. The Scheme Actuary was asked to prepare various costings on the ‘straw man’ and the table below provides a summary of what is included in that exercise, using a possible CARE structure and various benefit changes. The Scheme Actuary was also asked to cost the ‘straw man’ using three sets of accrual rates (60ths/70ths/80ths).

20.2 The list below summarises the ‘Straw Man’ options considered by the TWG and subsequently calculated by the Scheme Actuary:

- Career Average Revalued Earnings Scheme (CARE);
- accrual rates of 60/70/80ths;
- normal retirement ages linked to Jersey State Pension Age (JSPA) or JSPA less five years in the case of uniformed services;
- scheme membership to remain compulsory for permanent employees;
- removal of age limits on eligibility to join the Scheme;
- no vesting periods (the amount of time you are required to be a member of the scheme before you are eligible for certain benefits);
- two tier ill-health retirement arrangement;
- option to commute full pension if terminally ill;
- increase in death-in-service lump sum to 3 x annual salary;
- maximum commutation 30% of annual pension at £12 lump sum for every £1 of annual pension given up;
- nominated cohabitating partner relationships recognised for benefits;
- benefits for marriage/civil partnership/nominated cohabitating partner relationships, commencing after normal retirement age;
- more flexible options on leaving service for a refund, transfer or deferred pension; in particular, members with service of less than five years, rather than the present two years, could choose a refund of contributions as one of the options;
- flexibility in relation to ‘stepping down’ to a lower role or level of salary prior to retirement is automatically achieved in a CARE scheme;

- additional flexibility on retirement options on a ‘cost neutral’ basis to the Scheme;

- pension increases during employment linked to the Jersey Average Earnings Index; and

- pension increases for deferred pensions and pensions in payment linked to Jersey Retail Price Index.

21 Straw Man – costs

21.1 The table below provides a summary of the total future service costs based on the ‘straw man’ above, (i.e. the total contribution rate) based on the method and assumptions described in **Appendix G**. The total costs below include an allowance for management expenses in line with the assumption made for the 2010 valuation of PECRS i.e. 0.6% of salaries.

21.2 The costs for uniformed and non-uniformed members assume the active membership profile will be in line with the data supplied for the PECRS valuation as at 31st December 2010.

21.3 The future service cost has been calculated using the Projected Unit Method with a one year control period. The Projected Unit Method calculates the present value of the benefits expected to accrue to members over the year following the valuation date, expressed as a percentage of pay over that year.

21.4 The assumptions used for costing the "straw man" are designed to be broadly consistent with those which were prescribed by HM Treasury in 2011 for costing the reformed public service schemes that have been negotiated in the UK, adjusted to reflect the use of the Jersey (rather than UK) price and earnings inflation measures. The choice of demographic assumptions reflects the specific circumstances of the scheme membership, including consideration of past PECRS experience.

21.5 Providing that the investment strategy of the new scheme includes a substantial proportion of assets (50% or more) in equities or other growth assets, the Scheme Actuary's current view is that the assumptions represent a prudent assessment of the actual cost of providing benefits, i.e. taken as a whole they are more likely to overstate than understate the eventual cost. The assumptions may therefore be suitable as a starting-point for setting contributions in the new scheme on a prudent basis, assuming a risk sharing framework corresponding to that set out in sections 16 to 18. The assumptions for valuing the new scheme would be subject to review at subsequent valuations.

21.6 The assumptions may not be suitable for setting contributions in the new scheme if either a lower-risk investment strategy (with no or limited investment in growth assets) is adopted or if the risk-sharing framework differs from that set out in this report.

21.7 A number of the assumptions differ from those used for the PECRS valuation at 31 December 2010. The assumptions used at the 2010 valuation represented a best estimate of the cost of providing the benefits, i.e. equally likely to overstate or understate the actual cost.

21.8 Valuing the "straw man" benefits on the 2010 valuation assumptions would have resulted in significantly lower costs than those shown in the following tables, but would not reflect the risk sharing framework described in sections 16 to 18.

Total future service cost (expressed as % of salaries) for both non-uniformed and uniformed members for a range of accrual rates			
Revaluation Basis	**60ths Accrual rate**	**70ths Accrual rate**	**80ths Accrual rate**
Jersey Average Earnings Index in Service, Jersey RPI in deferment and in payment	27.5%	23.7%	20.9%

Total future service cost for uniformed members (expressed as a % of salaries for Uniformed members)			
Revaluation Basis	**60ths Accrual rate**	**70ths Accrual rate**	**80ths Accrual rate**
Jersey Average Earnings Index in Service, Jersey RPI in deferment and in payment	32.8%	28.2%	24.8%

Total future service cost for non-uniformed members (expressed as a % of salaries for non-Uniformed members)			
Revaluation basis	**60ths Accrual rate**	**70ths Accrual rate**	**80ths Accrual rate**
Jersey Average Earnings Index in Service, Jersey RPI in deferment and in payment	26.9%	23.2%	20.5%

Please note the above percentages do not include any additional costs for protection of members within five or ten years of retirement.

Appendix H provides illustrations of how a move to the straw man scheme would impact on the benefits of current PECRS members.

22 Uniformed services

22.1 For the uniformed services (police officers, firefighters, prison officers and the ambulance service), pension ages of 55 or less have been used to recognise the effects of ageing and job limitations. However, whilst such factors may still be relevant they are not as significant as they once were. Increases in longevity have been seen across all groups including uniformed services. The retirement age has already been increased for UK public sector uniformed services to age 60 and this is about to be implemented for Jersey Prison Officers.

22.2 In addition, more modern schemes generally apply standard features to their members, for example having one Normal Retirement Age (NRA) or accrual rate.

22.3 PECRS has a current NRA of 65 (with the option to retire from age 60) for all Scheme members. The only significant exception to this is the uniformed services, i.e. the Police Service, Fire and Rescue Service, Airport Fire and Rescue Service, Prison Service and the Ambulance Service, where the NRA is 55 (currently being amended to a NRA of 60 for the Prison Service).

22.4 The assumption that uniformed services should have an NRA of 55 no longer matches expectations, given the increases in life expectancy that have been seen since the first half of the 20th century, when these pension ages were set. Nonetheless, it is recognised that members of these services may not be able to continue to work and undertake front-line duties in these areas until the NRA that applies to other members; therefore, an automatic five year reduction in NRA may be an appropriate retirement age for these members.

23 Scheme governance

23.1 The current governance arrangements for PECRS have been in place since the early 1990s. In recent years there has been an increased focus internationally on the governance arrangements of pension schemes and it is important to consider the future governance arrangements for public service pension schemes in Jersey.

23.2 The PECRS scheme membership is maturing and is projected to continue to mature into the future. This means that pensioners and deferred members are making up an increasing proportion of the Scheme membership and they should be appropriately represented in future governance arrangements.

23.3 There are 24 Admitted Body employers with a membership totalling 16% of the Scheme with no representation on the Board.

23.4 The Hutton Review recommended that every public service pension scheme should have a properly constituted, trained and competent Pension Board, with member nominees responsible for meeting good standards of governance, including effective and efficient administration.[2] Board members would fulfil similar duties to trustees, acting in accordance with scheme rules, impartially and prudently, balancing the interests of scheme beneficiaries and of taxpayers.

23.5 The definition of future risk-sharing arrangements between employee, employer and pensioner has implications for the appropriate make-up of the Pension Board. A further report will be produced by the TWG, in due course, reviewing current arrangements for governance of the Scheme and recommending any proposed changes in order to reflect the options outlined in this report.

23.6 The governance arrangements established should be transparent and adhere to international best practice guidelines on pension scheme governance to the extent that these may not wholly be met at present but also taking account as appropriate of the particular position in Jersey. In developing the terms of reference and future operation of the Pension Board best practice guidance should be considered.

23.7 The governance arrangements must have a clear legal framework and structure and be widely understood by members.

24 Conclusions

24.1 The aim of the TWG is to suggest options that meet the challenges raised in the two independent reports produced by Aon Hewitt and Lane Clark and Peacock, whilst having regard to the Hutton report. PECRS needs to be sustainable, affordable and fair to all parties, participating employers, members and taxpayers.

[2] Page 126. Recommendation 17a. Governance. Independent public service pension commission: final report. 10 March 2011

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Appendices

Appendix A – List of Admitted Bodies

There are 24 Admitted Bodies within PECRS

1. Beaulieu Convent School
2. Brig-y-Don
3. Comité des Connétables
4. Family Nursing & Home Care
5. Jersey Advisory & Conciliation Services
6. Jersey Competition Regulatory Authority
7. Jersey Data Protection Commission
8. Jersey Development Company Ltd (ex WEB)
9. Jersey Employment Trust/Workforce Solutions
10. Jersey Financial Services Commission
11. Jersey Gambling Commission
12. Jersey Heritage Trust
13. Jersey Overseas Aid Commission
14. Jersey Post
15. Jersey Telecom
16. Les Amis Incorporated (including Maison Variety)
17. Parish of St Brelade (including Maison St Brelade)
18. Parish of St Clement
19. Parish of Grouville
20. Parish of St Helier
21. Parish of St Lawrence
22. Parish of St Martin
23. Parish of St Ouen
24. Parish of St Saviour

Appendix B – Summary of UK changes to date as at 01/10/2012

Scheme Design	Principal Civil Service Pension Scheme (PCSPS)	National Health Service (NHS)	Teachers' Pension Scheme (TPS)	Firefighters' Pension Scheme	Local Government Pension Scheme (LGPS)	Police Pension Scheme
Scheme	CARE	CARE	CARE	CARE	CARE	CARE
Accrual Rate	1/43.1 (2.32%)	1/54ths (1.85%)	1/57ths (1.75%)	1/58.7ths (1.70%)	1/49th (2.04%)	1/55.3ths (1.80%)
Average Member Contributions	**5.6%** The following indicative tiering structure is subject to the reviews and consultations described in the comment, but based on current assumptions would meet the requirements set out: Please see Average Member Contribution Comments at the end of the table	**9.8%** The Government has determined that the average member contributions will be increased from 6.6% in 2011/12 in stages to 9.8% in 2014/15. Member contribution rates in 2012/13 will increase by amounts between 0% and 2.4%. There will be no increase in 2012/13 for staff with WTE (Whole Time Equivalent) pensionable pay less than £26,558. Further increases in member contributions will be made in 2013/14 and 2014/15 to reach the required 9.8% average contribution level, The Government will formally consult on the increases for those years in due course. Please see NHS contribution table on final page.	**9.6%** with some protection for the lowest paid The details of the contribution structure post 2012 will be subject to discussion with unions. Please see Average Member Contribution Comments at the end of the table	Average member contributions of **13.2%** from April 2015, with some protection for new entrants. From 20 Dec 2011, the Government will review the impact of the proposed 2012-13 contribution changes, including the effect of membership opt-outs, before taking final decisions on how future increases will be delivered in 2013-14 and 2014-15, and in the new scheme. Interested parties will have a full opportunity to provide evidence and their views to the Government as part of the review. Contribution rates and structure in the New Fire fighters' Pension Scheme (NFPS), and the distribution of years 2 and 3 of planned increases in the current schemes will follow the outcome of the review into membership opt	**6.5%** (same as the current scheme) with the rate determined on actual pay (the current scheme determines part-time contribution rates on full time equivalent pay). While there would be no change to average member contributions, the lowest paid would pay the same or less and the highest paid would pay higher contributions on a more progressive scale after tax relief (see table below).	**13.7%** As announced by the Chief Secretary to the Treasury on 20 December 2011, the Government will review the impact of the 2012-13 contribution changes, including the effect of membership opt-outs, before taking final decisions on how future increases will be delivered in 2013-14 and 2014-15, and in the new scheme.

Scheme Design	Principal Civil Service Pension Scheme (PCSPS)	National Health Service (NHS)	Teachers' Pension Scheme (TPS)	Firefighters' Pension Scheme	Local Government Pension Scheme (LGPS)	Police Pension Scheme
Average Member Contributions (Cont.)				outs following 2012/13 increases in contributions		
Average Employer Contribution	**18.90%**	Currently **14%** (unsure if this is likely to change, as there is no indication of a new rate)	Currently **14.1%** (unsure if this is likely to change, as there is no indication of a new rate)	Currently **14.2%** including additional charges for ill-health retirement benefits (Unsure if this is likely to change as there is no indication of a new rate)	The LGPS 2014 is based on a notional employer future service contribution of **13%**. However, local factors and past service costs will also be included in the total employer rate.	**14.3%**
NPA linked to SPA	A Normal Pension Age (NPA) equal to State Pension Age (SPA), which applies both to active members and deferred members (for new scheme service only)	A Normal Pension Age equal to the State Pension Age, which applies both to active members and deferred members (new scheme service only). If a member's SPA rises, then NPA will do so too for all post 2015 service. Those within ten years of current NPA are excluded and accrued rights in pre-2015 schemes will also be related to current NPA;	A normal pension age linked to State Pension Age (or 65, whichever is higher)	A normal pension age of 60 (and a deferred pension age of State Pension Age) Normal Pension Age will be subject to regular review. These reviews will consider the increasing State Pension Age and any changes to it, alongside evidence from interested parties, including unions and employers. It will consider if the Normal Pension Age of 60 remains relevant, taking account of the economical, efficient and effective management of the fire service, the changing profile of the workforce and the occupational demands of, and fitness standards for, fire	There would be no normal scheme pension age, instead each member's Normal Pension Age (NPA) would be their State Pension Age (the current scheme has an NPA of 65).	The Normal Pension Age of 60 will be subject to regular review, which will also consider the linked early retirement facility. These reviews will consider the increasing State Pension Age and any changes to it, alongside evidence from interested parties, including staff associations and employers. It will consider if the NPA of 60 remains relevant, taking account of the economical, efficient and effective management of the police service, the changing profile of the workforce and the occupational demands of, and fitness standards for, police officer roles;

Scheme Design	Principal Civil Service Pension Scheme (PCSPS)	National Health Service (NHS)	Teachers' Pension Scheme (TPS)	Firefighters' Pension Scheme	Local Government Pension Scheme (LGPS)	Police Pension Scheme
NPA linked to SPA (Cont.)				fighting roles		A deferred pension age equal to the individual's State Pension Age;
Revaluation of active members benefits	Revaluation of active members' benefits in line with CPI (any change in the method of indexation will be subject to consultation)	Revaluation of active members' benefits annually in line with inflation at a rate of CPI plus 1.5% per annum.	Revaluation of active members' benefits in line with CPI + 1.6% pa	A revaluation rate of active members' benefits in line with average weekly earnings	Consumer Price Index (CPI)	A revaluation rate of active members' benefits in line with the Consumer Prices Index (CPI) + 1.25%
Increases to pensions in payment	Revaluation in line with CPI (any change in the method of indexation will be subject to consultation)	Pension in payment will increase in line with inflation. (Currently CPI)	Pensions in payment increase in line with prices index (Currently CPI)	Pensions in payment to increase in line with Prices Index (currently CPI)	Consumer Price Index (CPI)	Pensions in payment increase in line with Consumer Price Index (CPI)
Increase to benefits in deferment	Increases in line with Prices (currently CPI)	Benefits in deferment will increase in line with inflation. (Currently CPI)	Benefits in deferment increase in line with CPI	Deferred benefits to increase in line with Prices Index (currently CPI)	Consumer Price Index (CPI)	Benefits in deferment increase in line with Consumer Price Index (CPI)
Optional lump sum	Commutation at a rate of 12:1	Commutation at a rate of 12:1	Commutation at a rate of 12:1 of up to 25% of pension	Commutation at a rate of 12:1	Commutation at a rate of 12:1	Commutation at a rate of 12:1
Spouse/Partner Pension	Three-eighths of pension (37.5%)	1/160th based on pre-commuted pension	In accordance with current provisions. (The long-term pension is calculated at the rate of 1/160th)	In accordance with current provisions. (50% of higher tier level of benefits.) If the spouse or partner is more than 12 years younger than the deceased, the spouse or partner's pension will be reduced by 2.5% for every year or part year above the 12 years, to a maximum of 50%.	1/160th accrual based on Tier 1 ill health pension enhancement	If you die in service, and have at least two years' qualifying service, your spouse or civil partner is entitled to a pension when you die. The pension payable is 50% of the ill health pension that you would have received if you had been permanently disabled for regular employment at the time of your death. If you die while you are receiving a New Police Pension Scheme

Scheme Design	Principal Civil Service Pension Scheme (PCSPS)	National Health Service (NHS)	Teachers' Pension Scheme (TPS)	Firefighters' Pension Scheme	Local Government Pension Scheme (LGPS)	Police Pension Scheme
Spouse/Partner Pension (Cont.)						(NPPS) pension, or if you die after you have left the police service with an entitlement to receive a deferred NPPS pension at 65, or if you have opted out of NPPS and are entitled to a deferred pension but die in service, your spouse or civil partner is entitled to a pension if he or she is married to you or has formed a civil partnership with you when you die. The pension payable is 50% of your pension entitlement at the date of your death. If your spouse or civil partner is more than 12 years younger than you, his/her pension will be reduced to reflect the age difference. This reduction will be 2.5% for every year or part of a year over 12 years, up to a maximum reduction of 50%. If you married or formed a civil partnership within the six months prior to your death, then the police authority has discretion to withhold your spouse's or partner's pension.

Scheme Design	Principal Civil Service Pension Scheme (PCSPS)	National Health Service (NHS)	Teachers' Pension Scheme (TPS)	Firefighters' Pension Scheme	Local Government Pension Scheme (LGPS)	Police Pension Scheme
Death in Service Lump Sum	2 x salary or 5 times the pension accrued in the scheme.	2 x actual pensionable salary	3 x FTE Salary.	• 3 x part-time rate of pensionable pay based on hours at date of death, or • 3 x whole-time pensionable pay x pensionable service/qualifying service. Similarly, if the fire-fighter had a split pension (see comment), the death grant would be the greater of – • 3 x pensionable pay at date of death, or • 3 x pensionable pay based on a proportion of the pensionable pay at the date at which the pension was split and at the date of death.	3 x Pensionable Pay	If you die while serving, provided you were a member of NPPS (and had not opted out) at the time of your death, a lump sum death grant of three times your annual pensionable pay at the time will be paid to: • your spouse or civil partner, if you have one • if you have no spouse or civil partner, and at the discretion of the police authority, to an unmarried partner • if you have no spouse, civil partner or nominated unmarried partner, and again at the discretion of the police authority, to a person nominated by you • otherwise, to your personal representative - usually the executor of your will – and thus will form part of your estate. If you work part-time, the lump sum will be three times your annual pensionable pay as a part-timer.

Scheme Design	Principal Civil Service Pension Scheme (PCSPS)	National Health Service (NHS)	Teachers' Pension Scheme (TPS)	Firefighters' Pension Scheme	Local Government Pension Scheme (LGPS)	Police Pension Scheme
Ill Health Benefits	Ill-health benefits in line with those in nuvos;Ill-health benefits can be paid at two different levels depending upon the severity of the illness.If a member has to leave the Civil Service before pension age, and a medical adviser agrees that they cannot do their job because their health has broken down permanently, the member may be paid their pension when they leave.If a medical adviser considers that the members' ill-health is so severe that they are unlikely to work again, the employer may enhance their pension as if they had continued to work to 65	Ill-health retirement to be based on current arrangements but with enhancement for higher tier awards to be at the rate of 50% of prospective service to NPA.The NHS Pension Scheme provides two levels of ill-health retirement benefits, dependent on the severity of your condition and the likelihood of you being able to work again.To qualify for a Tier 1 pension you must be permanently incapable of efficiently carrying out the duties of your employment because of illness or injury.To qualify for a Tier 2 pension you must be permanently incapable of engaging in regular employment of like duration to your NHS job (i.e. either whole time or part time) because of illness or injury	Ill health benefits the same as those in the current open scheme;Ill-health benefits can be paid at two different levels depending upon the severity of the illness. Accrued benefits would be awarded if you were assessed as being permanently unable to teach but can do other work, and would be based on your accrued reckonable service.Enhanced benefits (or Total Incapacity) would be awarded in addition, if you were assessed as being permanently unable to teach and unable to undertake any other gainful employment. The total amount of enhancement you may receive is half the service you could have completed before NPA.	Ill-health retirement benefits to be based on the arrangements in the 2006 scheme a fire-fighter who has sufficient service to qualify for a pension (see page 8) and who is permanently disabled for the performance of the duties of his/her role may be considered at any age for an ill-health pension. There are two tiers of award – • a lower tier pension based on the basic formula, i.e. 1/60 x pensionable service x final pensionable pay • a higher tier pension based on the basic formula plus an enhancement of service, i.e.2% x service accrued to last day of service x prospective service to age 60The higher tier pension is awarded only where the fire-fighter has at least 5 years' qualifying service and is unable to undertake any other regular employment. It must not be greater than 40/60 x final pensionable pay.	Tier 1 - immediate payment with service enhanced to Normal Pension Age Tier 2 - immediate payment of pension with 25% service enhancement to Normal Pension Age Tier 3 - temporary payment of pension for up to 3 years	There are two levels of ill-health retirement: • if you are permanently disabled for the ordinary duties of a member of the police force, you may be entitled to a **standard ill-health pension** • if you are permanently disabled for the ordinary duties of a member of the police force and in addition you are permanently disabled for any regular employment, you may be entitled to an **enhanced top-up ill-health pension** in addition to a standard ill-health pension. For this purpose, "regular employment" means employment for an annual average of at least 30 hours per week. The maximum possible ill-health pension is 35/70ths and there is an associated lump sum of four times the pension. If, when you joined or rejoined NPPS, you were designated by the police authority (following a medical examination) as being ineligible for ill-health

Scheme Design	Principal Civil Service Pension Scheme (PCSPS)	National Health Service (NHS)	Teachers' Pension Scheme (TPS)	Firefighters' Pension Scheme	Local Government Pension Scheme (LGPS)	Police Pension Scheme
Ill Health Benefits (Cont.)						benefits, you cannot receive an ill-health pension although you might still be required to retire on ill-health grounds. If so, you would be entitled to an ordinary pension if you were age 55 or over or, if you were under 55, to a deferred pension payable at age 65.
Phased Retirement	Members with service in both the existing and the new scheme will be able to apply for partial retirement under each scheme, under the limits that exist in current schemes In some circumstances a member may opt to draw all or part of your pension while remaining in service. They may only choose to do this if their annual rate of earning is reduced by at least 20%.	Draw down of pension on partial retirement will be included in the 2015 scheme	Will reflect current scheme. There will be an option of a 3rd drawdown of benefits after a member's 60th Birthday You can take up to a total of 75% of the pension benefits that you have in the TPS at the date your phased retirement begins. If you take them before your normal pension age, your benefits will be actuarially reduced to take account of the fact that they have been put into payment early and they will be in payment for longer.			

Scheme Design	Principal Civil Service Pension Scheme (PCSPS)	National Health Service (NHS)	Teachers' Pension Scheme (TPS)	Firefighters' Pension Scheme	Local Government Pension Scheme (LGPS)	Police Pension Scheme
Retiring from their original scheme	Members will be able to take any pension they have accrued under their existing schemes, in the same way as now, without having to also take any new scheme pension at the same time, under the limits that exist in current schemes	If the member is not protected and they have a pension age of 55 or 66 (dependent on which scheme they are in) they will be required, as now, to retire and leave the pensions scheme when they take their benefits. This means that the member will have to either take their 2015 benefits with a reduction, as they are taken early, or they will have to leave them in the scheme until they reach their SPA. For members who have a pension age of 65 they will be able to take benefits and continue working and building up more pension as this is in line with the current rules of their scheme.		The Normal pension age for all members of the current NFPS is age 60 as this seems to be staying the same for the time being there is no information regarding this matter.	To ensure that no member within 10 years of age 65 as at 1st April 2012 is worse off, there will be an 'underpin'. This means that those members who would see a change in their pension age in that period will get a pension at least equal to that which they would have received in the current scheme. **I've got service in the 1997 scheme, the 2008 scheme and I'll now have service in the 2014 scheme. How will my pension be calculated?** Each period of your service will be calculated separately and added together. Your LGPS 1997 membership will be calculated on the basis of 1/80th of your final pensionable pay at leaving multiplied by your length of service in that scheme (plus a lump sum). Similarly, your LGPS 2008 service will be calculated on the basis of 1/60th of your final pensionable pay at	Full recognition of a member's expectation to double accrual for service accrued under the Police Pension Scheme 1987 ('the 1987 scheme'), so that a member's full continuous pensionable service upon retirement will be used to calculate an averaged accrual rate to be applied to service accrued under the 1987 scheme; Members of the 1987 scheme to be able to access their 1987 scheme benefits when they retire at that scheme's ordinary pension age (i.e. from 30 years' pensionable service; age 50 with 25 or more years' pensionable service; or the member's voluntary retirement age), subject to abatement rules for that scheme. Pensionable service for the purpose of calculating the ordinary pension age will include any continuous pensionable service accrued under both the 1987 scheme and the 2015 scheme;

Scheme Design	Principal Civil Service Pension Scheme (PCSPS)	National Health Service (NHS)	Teachers' Pension Scheme (TPS)	Firefighters' Pension Scheme	Local Government Pension Scheme (LGPS)	Police Pension Scheme
Retiring from their original scheme (cont)					leaving multiplied by your length of service in that scheme. Your LGPS 2014 pension will be calculated on the basis of a revalued annual pension build up of 1/49th of your pensionable pay in each year. Then those three amounts will be added together to form your total LGPS pension.	
Retiring before SPA	There will be an opportunity to pay additional contributions to fund earlier retirement of up to 3 years without an actuarial reduction. Contributions will ordinarily be payable by members, but individual employers will be able to choose to provide a contribution in very limited and exceptional circumstances, that must be approved by the Cabinet Office.	For members of the new scheme who have an NPA of higher than 65 will have an option in the new scheme to pay additional contributions to reduce or, in some cases, remove any early retirement reduction that would apply if they retire before their NPA. Only reductions apply for years after age 65 and for a maximum of 3 years reduction. This would apply to a member with a NPA of 68 or higher. The cost of purchase has yet to be calculated but indicative costings are that it would be in the region of 1.2% to 1.5% of salary from 2015 for each year	For members of the new scheme who have an NPA of higher than 65 will have an option in the new scheme to pay additional contributions to reduce or, in some cases, remove any early retirement reduction that would apply if they retire before their NPA. Only reductions apply for years after age 65 and for a maximum of 3 years reduction. This would apply to a member with a NPA of 68 or higher Actuarially fair early/late retirement factors on a cost neutral basis except for those with a NPA above age 65 who will have early	Flexible retirement from the scheme's minimum pension age of 55, built around the scheme's normal pension age of 60, with members able to take their pension from minimum pension age as follows: – for all active members who are aged 57 or more at retirement, 2015 scheme benefits taken before Normal Pension Age will be actuarially reduced with reference to the 2015 scheme's Normal Pension Age, rather than the deferred pension age – all other members will have their 2015 scheme benefits actuarially	Your Normal Pension Age in the LGPS 2014 is the same as your individual State Pension Age, this is the age at which pension will be paid without actuarial reduction or enhancement. There are provisions to pay pension benefits early if a member leaves employment on the grounds of redundancy, efficiency or ill health but separate rules and regulations apply in these cases. It is also possible to retire early and get an LGPS pension at any age on or after your 55th birthday but the pension will be reduced by a set amount	Flexible retirement from the scheme's minimum pension age of 55, built around the scheme's Normal Pension Age of 60 – for all active members aged 55 or more at retirement, 2015 scheme benefits taken before Normal Pension Age will be actuarially reduced with reference to the 2015 scheme's Normal Pension Age, rather than the deferred pension age (ie state pension age). Those members' benefits will continue to be paid after age 60 at that actuarially reduced level

Scheme Design	Principal Civil Service Pension Scheme (PCSPS)	National Health Service (NHS)	Teachers' Pension Scheme (TPS)	Firefighters' Pension Scheme	Local Government Pension Scheme (LGPS)	Police Pension Scheme
Retiring before SPA (Cont.)		taken early depending on the age of the member when they move into the new arrangements.	retirement factors of 3% per year for a maximum of 3 years in respect of the period from age 65 to their NPA;	reduced on a cost neutral basis from the scheme's deferred pension age	depending on how many years before your Normal Pension Age you wish to retire.	
Retiring after SPA	Actuarially fair late retirement factors on a cost-neutral basis;	late retirement factors on an actuarially neutral basis	Actuarially fair late retirement factors on a cost neutral basis	Late retirement factors for members retiring from active service to be actuarially neutral from Normal Pension Age	Members who wish to work beyond their Normal Pension Age may do so. Pensions are enhanced for payment after pension age by 0.014% a day (5.1% per annum).	Late retirement factors for members retiring from active service to be actuarially neutral from Normal Pension Age;
Added Years	Existing Added Years contracts will continue in the new scheme. The additional service will apply to the current scheme;	Added years contracts in the 1995 section of the NHS pension will continue on compulsory transfer to the 2015 scheme. Members will be able to draw accrued benefits at the contract end date rather than on their retirement.			Pension bought as a result of a contract entered into under the LGPS 2008 to purchase additional pension will be payable at age 65. Added pension under contracts entered into under the LGPS 2014 (i.e. on or after 1st April 2014) will be payable at your Normal Pension Age under the LGPS 2014.	
Cap and Floor	The employer Cost cap will be set at 2% above and the floor 2% below the employer contribution rates calculated following a full actuarial valuation ahead of the introduction of the new scheme in 2015.If there are any	The employer Cost cap will be set at 2% above and the floor 2% below the employer contribution rates calculated following a full actuarial valuation ahead of the introduction of the new scheme in 2015. Caps will not be based on cost ceilings.	The employer Cost cap will be set at 2% above and the floor 2% below the employer contribution rates calculated following a full actuarial valuation ahead of the introduction of the new scheme in 2015.If there are any reductions in the member costs such	For the purposes of the reform design process for 2015, the Government previously set out the gross cost ceiling of 27.0% and the net cost ceiling of 13.8%. A report by the Government Actuary's Department has verified		An employer contribution cap and floor, as described in the Reform Design Framework (The employer cost cap will be set at 2% above and the floor set at 2% below the employer contribution rates calculated following a

Scheme Design	Principal Civil Service Pension Scheme (PCSPS)	National Health Service (NHS)	Teachers' Pension Scheme (TPS)	Firefighters' Pension Scheme	Local Government Pension Scheme (LGPS)	Police Pension Scheme
Cap and Floor (Cont.)	reductions in the member costs such that the cost falls below a 'floor', the savings would go back in to the scheme to the benefit of the members.Only those scheme costs that are attributed to member costs will have an effect on the Cap and Floor.If costs rise above the 2% cap a governance group put forward proposals, if a decision cannot be reached on how rising or falling costs should be taken in to account then an auto default will apply and the accrual rate will be adjusted accordingly		that the cost falls below a 'floor', the savings would go back in to the scheme to the benefit of the members.Only those scheme costs that are attributed to member costs will have an effect on the Cap and Floor.If costs rise above the 2% cap a governance group put forward proposals, if a decision cannot be reached on how rising or falling costs should be taken in to account then an auto default will apply and the accrual rate will be adjusted accordingly.	that the expected cost of the proposed scheme design is within the cost ceiling		full actuarial valuation ahead of the introduction of the new scheme design in 2015. Caps will not be based on cost ceilings.) The Government Actuary's Department has confirmed that this design does not exceed the cost ceiling set by the Government in my proposal of 27 March.
Protection of accrued rights	Linked to final salary when members leave the scheme. Members who, on 1 April 2012, have 10 years or less of their current Normal Pension Age will see no change to when they can retire, nor any reduction in the amount of pension they receive at their Normal Pension Age.	Linked to final salary when members leave the scheme. Staff within 10 years of retirement on 1 April 2012 will remain in their existing pension scheme. Staff who have earned pension within the existing 1995 or 2008 schemes will continue to be able to take those	Linked to final salary when members leave the scheme. Those within 10 years of NPA on 1 April 2012 will be protected from the new scheme changes (other than changes to contribution rates). People who are more than 10 years but less than 13.5 years away	There will be full statutory protection for accrued rights for all members as follows: **a)** all benefits accrued under final salary arrangements will be linked to the members' final salary, in accordance with the rules of the members' current schemes, when they leave the reformed scheme	For current scheme members, benefits for service prior to 1st April are protected, including remaining 'Rule of 85' protection. Protected past service continues to be based on final salary and current NPA. The new LGPS will start on 1st April 2014. Only pensionable service	There will be full statutory protection for accrued rights for all members as follows All benefits accrued under final salary arrangements will be linked to the member's final salary, in accordance with the rules of the member's current schemes, when they leave the reformed scheme;

Scheme Design	Principal Civil Service Pension Scheme (PCSPS)	National Health Service (NHS)	Teachers' Pension Scheme (TPS)	Firefighters' Pension Scheme	Local Government Pension Scheme (LGPS)	Police Pension Scheme
Protection of accrued rights (Cont.)	Members of staff who are less than a further 3 and a half years outside this protected group, will be eligible for an additional degree of protection, in the form of further accrual in their existing scheme. This protection will be tapered in a linear fashion depending on their age on 1 April 2012.	rights at the time they were expected and they will also continue to be based on their final salary at that time. Those within 13 years and 5 months of retirement as at 1 April 2012 will be given additional transitional protection and will transfer to the new scheme after April 2015	from NPA, will remain in the existing scheme for a limited period after 2015 before commencing in the new scheme.	**b)** full recognition of a members' expectation to double accrual for service accrued under the Fire fighters' Pension Scheme 1992 ('the 1992 scheme'), so that a members' full continuous pensionable service upon retirement will be used to calculate an averaged accrual rate to be applied to service accrued under the 1992 scheme **c)** members to be able to access their 1992 scheme benefits when they retire at that scheme's ordinary pension age (i.e. from age 50 with 25 or more years pensionable service), subject to abatement rules for that scheme. Pensionable service for the purpose of calculating the ordinary pension age will include any continuous pensionable service accrued under both the 1992 scheme and the 2015 scheme **d)** members will continue to have access to an actuarially assessed commutation factor for benefits accrued under the 1992	after that point will be in the new scheme, under the new LGPS 2014 rules. Pensioner and deferred members will not see any change to their benefits. Members with service in the current final salary scheme will retain the link to final salary for all service before 1st April 2014 and the Normal Pension Age as under the current rules. Your final salary pension from the LGPS 1997 and LGPS 2008 will be calculated separately when you retire and be added to your pension from the LGPS 2014. In addition, to ensure that no member within 10 years of age 65 as at 1st April 2012 is worse off, there will be an 'underpin'. This means that those members who would see a change in their pension age in that period will get a pension at least equal to that which they would have received in the current scheme.	Members of the Police Pension Scheme 2006 ('the 2006 scheme') to be able to access their benefits under that scheme when they retire at that scheme's normal pension age (i.e. age 55); Members will continue to have access to an actuarially assessed commutation factor for benefits accrued under the 1987 scheme. There will be statutory transitional protection for certain categories of members, as follows: a. all active 2006 scheme members who, as of 1 April 2012, have 10 years or less to their current Normal Pension Age (i.e. age 55) will see no change in when they can retire, nor any decrease in the amount of pension they receive at their current Normal Pension Age. This protection will be achieved by the member remaining in their current scheme until they retire; b. all active 1987

Scheme Design	Principal Civil Service Pension Scheme (PCSPS)	National Health Service (NHS)	Teachers' Pension Scheme (TPS)	Firefighters' Pension Scheme	Local Government Pension Scheme (LGPS)	Police Pension Scheme
Protection of accrued rights (Cont.)				scheme		scheme members who, as of 1 April 2012, have 10 years or less to age 55 or have 10 years or less to age 48 and are 10 years or less from a maximum unreduced pension, will see no change in when they can retire, nor any decrease in the amount of pension they receive at their current Normal Pension Age. This protection will be achieved by those members remaining in their current scheme until they retire; c. there will be a further period of tapered protection for up to 4 years for scheme members. Members who are within 4 years of qualifying for transitional protection, as of 1 April 2012, will have limited protection so that on average for every month closer to qualifying for transitional protection they gain about 53 days of protection. The period of protected service for any member under these tapering arrangements will have

Scheme Design	Principal Civil Service Pension Scheme (PCSPS)	National Health Service (NHS)	Teachers' Pension Scheme (TPS)	Firefighters' Pension Scheme	Local Government Pension Scheme (LGPS)	Police Pension Scheme
Protection of accrued rights (Cont.)						finished by 31 March 2022. At the end of the protected period, they will be transferred into the new pension scheme arrangements. Further details on how the tapered protection will apply are set out in the Reform Design Framework.
Equality Impact Analysis (EIA)	Completion of EIAs to be done by end of May 2012. Government will then complete a central analysis over the following four weeks. The process must be completed in good time to allow the analysis to influence decision making and the conclusion of the policy development process, prior to legislation.	Completion of EIAs to be done by end of May 2012. Government will then complete a central analysis over the following four weeks. The process must be completed in good time to allow the analysis to influence decision making and the conclusion of the policy development process, prior to legislation	Completion of EIAs to be done by end of May 2012. Government will then complete a central analysis over the following four weeks. The process must be completed in good time to allow the analysis to influence decision making and the conclusion of the policy development process, prior to legislation			
Leave scheme and return within 5 years	Member with protection who leave active service and return with five years will be able to return to their current arrangements with final salary linking if they are in the fully protected group. Members not covered by protection will be able to re-link their	Member with protection who leave active service and return with five years will be able to return to their current arrangements with final salary linking if they are in the fully protected group. Members not covered by protection will be able to re-link their accrued rights to final	Members who leave the scheme and return within 5 years will have their accrued service in the current (NPA 60/65) scheme linked to their final salary at retirement.	Members rejoining after a period of deferment of less than 5 years can link new service with previous service, as if they had always been an active member		Members rejoining after a period of deferment of less than 5 years can link new service with previous service, as if they had always been an active member;

Scheme Design	Principal Civil Service Pension Scheme (PCSPS)	National Health Service (NHS)	Teachers' Pension Scheme (TPS)	Firefighters' Pension Scheme	Local Government Pension Scheme (LGPS)	Police Pension Scheme
	accrued rights to final salary on retirement if they return within five years.	salary on retirement if they return within five years.				
Leave scheme and return after 5 years	Members will be offered the choice of converting their past service to the current scheme terms on a Cash Equivalent Transfer Value (CETV) basis or leaving it as an accrued benefit with no link to final salary	Members will be offered the choice of converting their past service to the current scheme terms on a Cash Equivalent Transfer Value (CETV) basis or leaving it as an accrued benefit with no link to final salary				
Public Sector Transfer Club	Will continue (requires further discussion regarding scheme change)	Will continue (requires further discussion regarding scheme change)	Will continue (requires further discussion regarding scheme change)	Will continue (requires further discussion regarding scheme change) Members transferring between public service schemes would be treated as having continuous active service		Members transferring between public service schemes would be treated as having continuous active service (which includes those transferring between schemes who had rejoined the public service after a gap of less than five years

Fire fighters proposed final agreement – Published 24 May 2012
Teachers Pension proposed scheme reforms last updated 04 July 2012
Principal Civil Service Pension Scheme – 2012
LGPS Principles and timetable written 15 December 2011
Police Pension Scheme – proposed on 04 September 2012
NHS – reforming the NHS Pension Scheme – Published 09 March 2012

Appendix C – TWG Terms of Reference

Overall objective: for the Public Employees Contributory Retirement Scheme of the States of Jersey (PECRS) (the Scheme) to be financially viable for the long term having regard to the outcomes of the Independent Public Service Pensions Commission in the UK chaired by Lord Hutton (the Hutton Report).

To develop and prepare a report for wider discussion on a range of possible options for change to PECRS to ensure its viability and sustainability for the future.

The Technical Working Group will develop options that seek to ensure:-

a) The maintenance of the interests of current Scheme members including the protection of their accrued rights

b) Jersey public sector pension schemes are affordable and sustainable for the long term. This will include an assessment of the potential impact of possible changes to benefits and contribution rates.

c) Future pension arrangements have regard to the recommendations of, and the final outcomes from, the Hutton Report so as to facilitate movement of staff to and from the UK through continued membership of the Transfer Club.

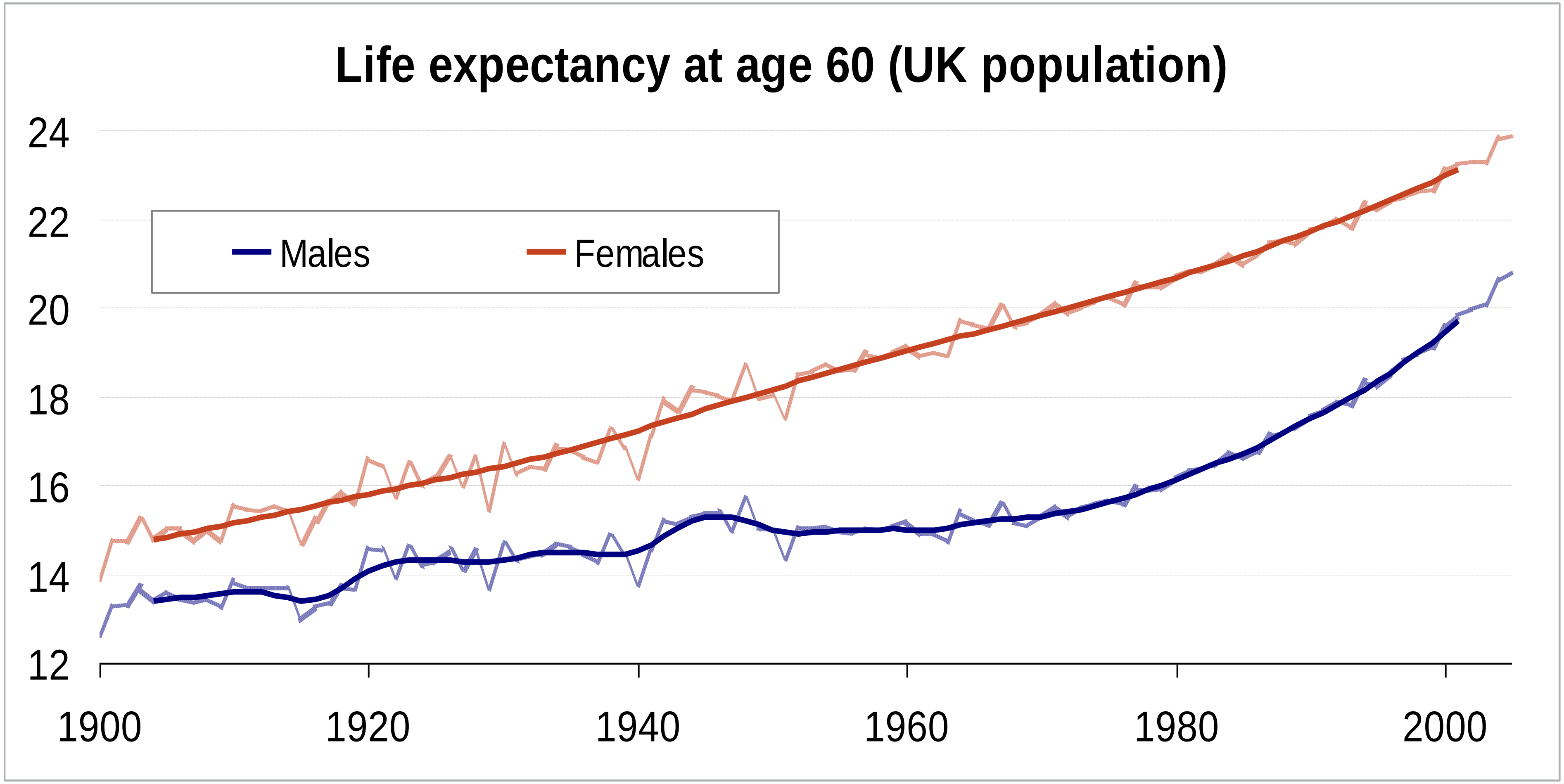
d) Clarity over future arrangements with regard to contributions into the scheme and the sharing of costs, risks and benefits between employer and employee.

e) Pension scheme governance arrangements that meet best practice

In addition the Technical Working Group will identify indicative timescales and key actions/dates in order to allow sufficient time for negotiations, to progress changes to the relevant primary and secondary legislation, and to implement appropriate administration arrangements.

Agreed by the TWG at its meeting on 3 October 2011

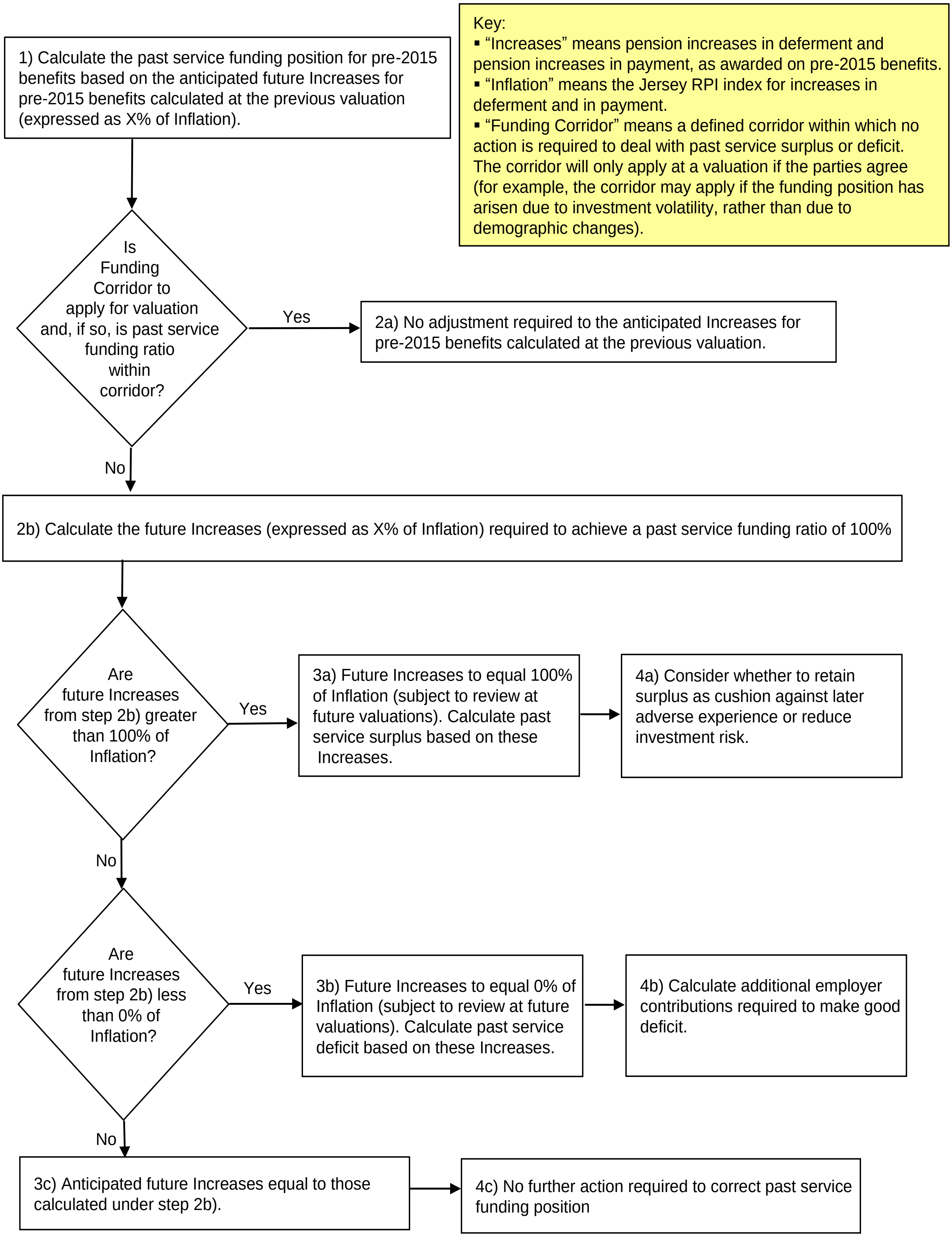
Life expectancy has improved significantly over the past century



Source: Human Mortality Database

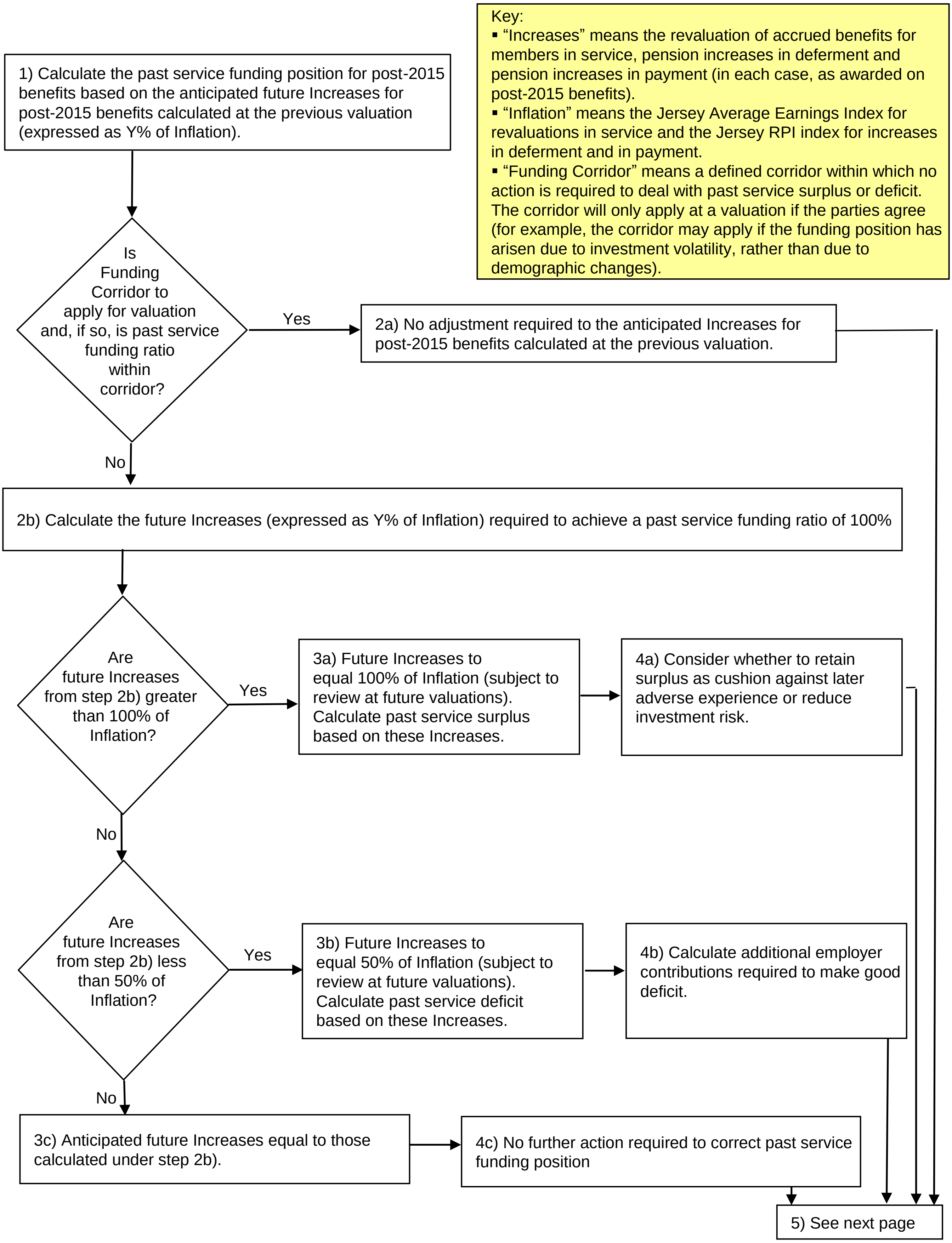
Appendix E – Risk sharing pre-2015 benefits

Risk Sharing – Pre-2015 benefits

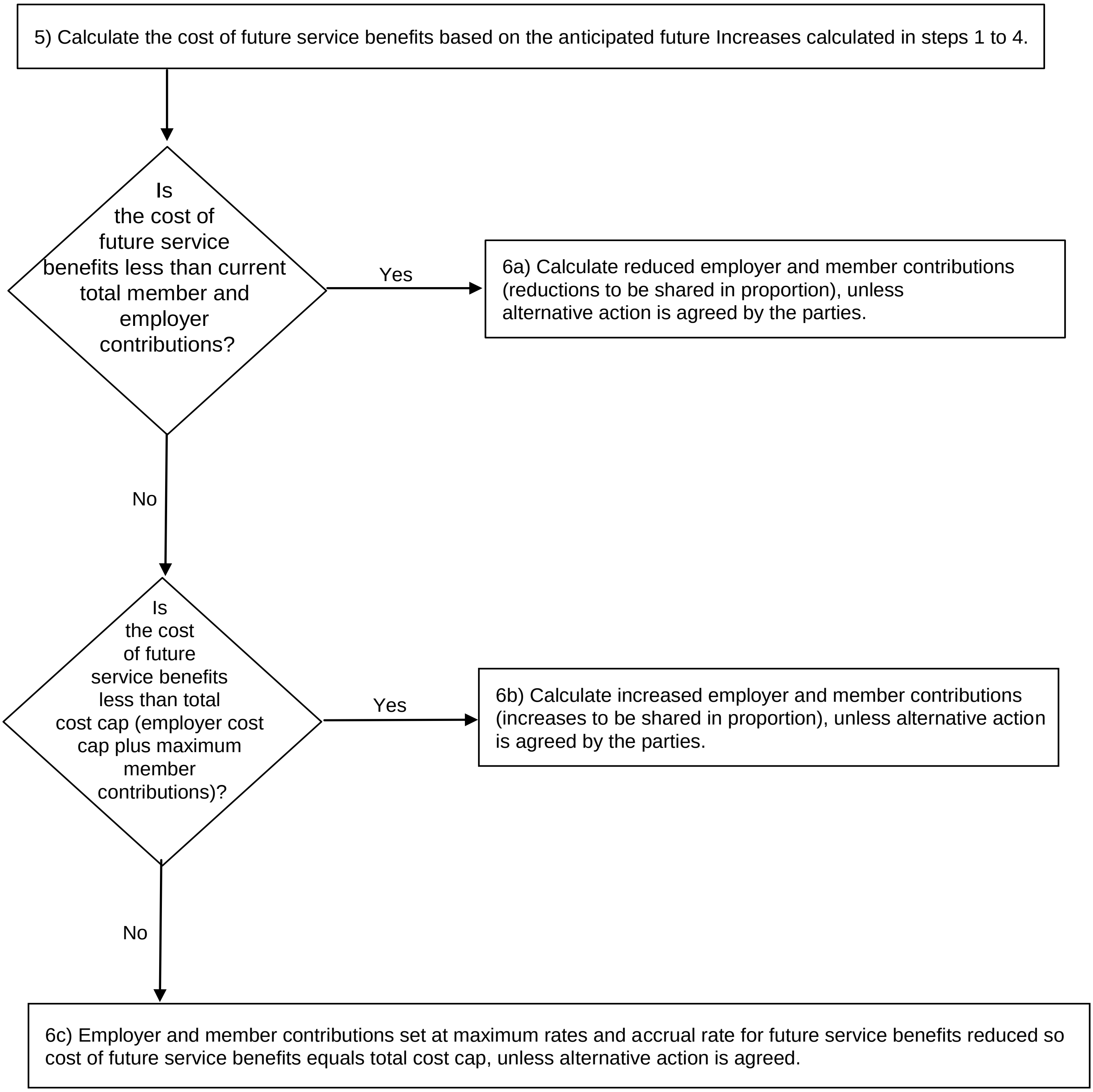


Appendix F – Risk sharing post-2015 benefits

Risk Sharing – Post-2015 benefits (past service)



Risk Sharing – Post-2015 benefits (future service)



Appendix G – 'Straw Man' costs

Summary of assumptions used in costing CARE scheme designs

Financial assumptions

Discount rate	5.0% p.a.
CARE revaluations in service	4.25% p.a. based on target of Jersey Average Earnings Index
Rate of pension and deferred pension increases	2.75% p.a. based on target of Jersey RPI
Management expenses (other than investment related expenses)	0.6% of members' salaries

Demographic assumptions

Mortality before retirement	Men: Standard table AM92 Ultimate, 75% scaling Women: Standard table AF92 Ultimate, 75% scaling
Mortality in retirement	SAPS "All lives" tables (S1PXA) with 100% scaling factor, allowing for year of birth. Future improvements in line with CMI_2010 Core Projections with a long-term rate of future improvements in mortality of 1.25% p.a.
Retirements	Active and deferred members have been assumed to retire in normal-health at Normal Retiring Age (Jersey State Pension Age for non-uniformed members, Jersey State Pension Age minus 5 years for uniformed members). Allowance has been made for members to retire in ill-health in line with the assumptions used for the 2010 valuation (with 50% of such retirees receiving no service enhancement and 50% having service enhanced to Normal Retiring Age).
Withdrawals	Allowance has been made for withdrawals from service in line with the assumptions used for the 2010 valuation. Withdrawals are assumed to result in a deferred pension. A deduction of 0.1% of pay has then been made as a broad allowance for the possibility of a proportion of leavers choosing member contribution refunds
Family Details	90% of male members and 80% of female members married (or having a civil partner or nominated partner) at retirement or earlier death, with percentage reducing in line with mortality assumptions for current pensioners Men 3 years older than their wives/partners 10% loading is applied to death before retirement liabilities to cover children's pensions
Commutation	17.5% of pension is assumed to be exchanged for a lump sum at retirement on a 12:1 basis

Illustrative Benefit Projections

Public Employees Contributory Retirement Scheme (PECRS)

24 October 2012

Prepared for

Technical Working Group

Prepared by

Jonathan Teasdale FIA
Stuart Flack FIA

Table of Contents

1. Introduction

Purpose of report

This report has been prepared for the Technical Working Group (TWG). We have been authorised by the Technical Subcommittee of the Committee of Management to carry out calculation work for the TWG. Our work is limited to carrying out calculations based on the assumptions and benefits specified by the States Treasury and Resources Department.

This report sets out a comparison of projected benefits at retirement for a range of sample cases assuming:

a) Members continue to accrue benefits based on the current PECRS benefit structures; and

b) Members accrue benefits on a Career Average Revalued Earnings (CARE) basis with effect from 1 January 2015.

Assumptions

As with previous calculations for the Technical Working Group, the assumptions used are those which were specified by the employer's advice team in the Aon Hewitt Bristol office to be consistent with the financial assumptions used by the Government Actuary's Department (GAD) to calculate "cost ceilings" for the Local Government Pension Scheme (LGPS) in the UK (in the context of the 2011/12 negotiations for reforming that Scheme's benefit structure).

The main assumptions underlying the benefit projections are:

- Rate of Jersey RPI = 2.75% p.a.
- Rate of general salary increases = 4.25% p.a.
- CARE revaluations in service = 4.25% p.a.

In all cases members in the case studies are assumed to retire from active status; no allowance is made for members leaving service before retirement.

As instructed by the States Treasury and Resources Department, for the majority of the case studies considered, salaries are assumed to increase in line with the general salary increase assumption above with no allowance being made for additional increases due to promotion or career progression. However, for case study 4, an additional allowance for promotional increases was made in line with the promotional increases specified by the States Treasury and Resources Department.

CARE benefit structure

The benefit projections in this paper assume members accrue CARE benefits with effect from 1 January 2015 with a 70ths accrual rate, CARE revaluations in service in line with the Jersey Average Earnings Index, and pension increases in deferment and in payment both being set equal to Jersey RPI increases.

In calculating the CARE pension payable on early retirement, we have assumed an early retirement reduction factor of 3.5% p.a. simple. For example, for a member retiring 2 years before the proposed Normal Retiring Age, the CARE pension would be reduced by 7%. It should be noted that the actual reduction factors for the CARE benefits may differ significantly from these reductions.

2. Illustrative benefit calculations

Introduction

We have calculated the projected pensions at retirement for a range of sample cases. The "overview" for each sample case shown below is as specified by the States Treasury and Resources Department.

The summaries below show the projected pension at retirement based on the current PECRS benefit structure, together with the projected pension assuming each member accrues CARE benefits with effect from 1 January 2015 (with full protection and salary linkage of benefits accrued before that date). In calculating the projected pensions based on members accruing CARE benefits with effect from 1 January 2015, we have assumed:

- retirement at the earliest age at which current benefits are payable unreduced; and
- retirement at the earliest age at which the possible CARE benefits would be payable unreduced.

We have also calculated the approximate age at which members would need to retire following a switch to CARE benefits in order to receive a total projected pension (in current money terms) equal to the projected pension at retirement based on the current PECRS benefit structure.

All figures are expressed in current money terms (i.e. the projected pensions at retirement are reduced to reflect the assumed increase in Jersey RPI over the period to retirement).

Case Study 1

Overview

- Manual worker
- Non-uniformed member under New Members Regulations of PECRS who joined before 1 January 2006
- 56 years old (58 when the scheme changes)
- 18 years service when the scheme changes
- Annual earnings of £30,200 when the scheme changes

Summary of results

If the scheme did not change, the member would be expected to receive approximately **£7,800** a year on retirement at age 60.

After the possible scheme changes:

- the member would be expected to receive approximately **£7,700** a year on retirement at age 60;
- the member would be expected to receive approximately **£11,200** a year if they decide to work to the new Normal Pension Age (age 65 years 6 months);
- alternatively, if the member wanted to keep the pension amount of £7,800 a year expected before the scheme changes the member would need to work to approximately **60 years and 2 months**.

The benefits on retirement at age 60 are slightly lower following the possible scheme changes (although the impact is modest because only 2 years' worth of benefits will be accrued under the new benefit structure). The CARE benefits are reduced on retirement before the new Normal Pension Age of 65 years 6 months although this reduction is largely offset by an increase in benefits due to the higher accrual rate.

Case Study 2

Overview

- Nurse
- Non-uniformed member under New Members Regulations of PECRS who joined before 1 January 2006
- 40 years old (42 when the scheme changes)
- 21 years service when the scheme changes
- Annual earnings of £38,300 when the scheme changes

Summary of results

If the scheme did not change, the member would be expected to receive approximately **£24,300** a year on retirement at age 60.

After the possible scheme changes:

- the member would be expected to receive approximately **£22,700** a year on retirement at age 60;
- the member would be expected to receive approximately **£34,100** a year if they decide to work to the new Normal Pension Age (age 67);
- alternatively, if the member wanted to keep the pension amount of £24,300 a year expected before the scheme changes the member would need to work to approximately **61 years and 1 month**.

The benefits on retirement at age 60 are lower following the possible scheme changes. The CARE benefits are reduced on retirement before the new Normal Pension Age of 67 although this reduction is partially offset by an increase in benefits due to the higher accrual rate.

Case Study 3

Overview

- Police
- Uniformed member under New Members Regulations of PECRS who joined before 1 January 2006
- 45 years old (47 when the scheme changes)
- 18 years service when the scheme changes
- Annual earnings of £59,100 when the scheme changes

Summary of results

If the scheme did not change, the member would be expected to receive approximately **£21,600** a year on retirement at age 50.

After the possible scheme changes:

- the member would be expected to receive approximately **£20,000** a year on retirement at age 50;
- the member would be expected to receive approximately **£37,800** a year if they decide to work to the new Normal Pension Age (age 62);
- alternatively, if the member wanted to keep the pension amount of £21,600 a year expected before the scheme changes the member would need to work to approximately **51 years and 7 months**.

The benefits on retirement at age 50 are lower following the possible scheme changes. The accrual rate is lower and the CARE benefits are reduced to reflect retirement before the new Normal Pension Age of 62.

Case Study 4

<u>Overview</u>

- Civil Servant
- Non-uniformed member under New Members Regulations of PECRS who joined before 1 January 2006
- 35 years old (37 when the scheme changes)
- 8 years service when the scheme changes
- Annual earnings of £65,700 when the scheme changes but will earn £120,000 in current salary terms by the time she retires as a chief officer

<u>Summary of results</u>

If the scheme did not change, the member would be expected to receive approximately **£73,400** a year on retirement at age 60.

After the possible scheme changes:

- the member would be expected to receive approximately **£57,900** a year on retirement at age 60;
- the member would be expected to receive approximately **£99,100** a year if they decide to work to the new Normal Pension Age (age 67);
- alternatively, if the member wanted to keep the pension amount of £73,400 a year expected before the scheme changes the member would need to work to approximately **63 years**.

The benefits on retirement at age 60 are lower following the possible scheme changes. The benefits are lower because increases in salary due to promotion have less impact on benefits in CARE schemes, compared with final salary based schemes, and also because the CARE benefits are reduced on retirement before the new Normal Pension Age of 67. These reductions are partially offset by an increase in benefits due to the higher accrual rate.

Case Study 5

Overview

- Civil Servant
- Non-uniformed member under New Members Regulations of PECRS who joined after 31 December 2005
- 32 years old (34 when the scheme changes)
- 7 years service when the scheme changes
- Annual earnings of £37,100 when the scheme changes

Summary of results

If the scheme did not change, the member would be expected to receive approximately **£27,600** a year on retirement at age 65.

After the possible scheme changes:

- the member would be expected to receive approximately **£29,000** a year on retirement at age 65;
- the member would be expected to receive approximately **£33,400** a year if they decide to work to the new Normal Pension Age (age 67).

The benefits on retirement at age 65 are higher following the possible scheme changes. The benefits increase due to the higher accrual rate although this increase is partially offset by the reduction in CARE benefits on retirement before the new Normal Pension Age of 67.

Case Study 6

Overview

- Police
- Uniformed member under New Members Regulations of PECRS who joined after 31 December 2005
- 35 years old (37 when the scheme changes)
- 7 years service when the scheme changes
- Annual earnings of £59,100 when the scheme changes

Summary of results

If the scheme did not change, the member would be expected to receive approximately **£32,000** a year on retirement at age 55.

After the possible scheme changes:

- the member would be expected to receive approximately **£23,800** a year on retirement at age 55;
- the member would be expected to receive approximately **£40,200** a year if they decide to work to the new Normal Pension Age (age 62);
- alternatively, if the member wanted to keep the pension amount of £32,000 a year expected before the scheme changes the member would need to work to approximately **58 years and 10 months**.

The benefits on retirement at age 55 are lower following the possible scheme changes. The accrual rate is lower and the CARE benefits are reduced to reflect retirement before the new Normal Pension Age of 62.

Case Study 7

Overview

- Civil Servant
- Non-uniformed member under Existing Members Regulations of PECRS
- 56 years old (58 when the scheme changes)
- 26 years service when the scheme changes
- Annual earnings of £48,700 when the scheme changes

Summary of results

If the scheme did not change, the member would be expected to receive approximately **£23,400** a year on retirement at age 60.

After the possible scheme changes:

- the member would be expected to receive approximately **£22,900** a year on retirement at age 60;
- the member would be expected to receive approximately **£29,400** a year if they decide to work to the new Normal Pension Age (age 65 years 6 months);
- alternatively, if the member wanted to keep the pension amount of £23,400 a year expected before the scheme changes the member would need to work to approximately **60 years and 6 months**.

The benefits on retirement at age 60 are lower following the possible scheme changes (although the impact is modest because only 2 years' worth of benefits will be accrued under the new benefit structure). The accrual rate is lower and the CARE benefits are reduced to reflect retirement before the new Normal Pension Age of 65 years 6 months.

Case Study 8

Overview

- Civil Servant
- Non-uniformed member under Existing Members Regulations of PECRS
- 55 years old (57 when the scheme changes)
- 30 years service when the scheme changes
- Annual earnings of £85,200 when the scheme changes

Summary of results

If the scheme did not change, the member would be expected to receive approximately **£48,900** a year on retirement at age 60.

After the possible scheme changes:

- the member would be expected to receive approximately **£47,500** a year on retirement at age 60;
- the member would be expected to receive approximately **£60,200** a year if they decide to work to the new Normal Pension Age (age 65 years 8 months);
- alternatively, if the member wanted to keep the pension amount of £48,900 a year expected before the scheme changes the member would need to work to approximately **60 years and 9 months**.

The benefits on retirement at age 60 are lower following the possible scheme changes. The accrual rate is lower and the CARE benefits are reduced to reflect retirement before the new Normal Pension Age of 65 years 8 months.

Case Study 9

Overview

- Civil Servant
- Non-uniformed member under 1967 Regulations of PECRS
- 49 years old (51 when the scheme changes)
- 19 years service when the scheme changes
- Annual earnings of £53,700 when the scheme changes

Summary of results

If the scheme did not change, the member would be expected to receive approximately **£27,400** a year on retirement at age 60.

After the possible scheme changes:

- the member would be expected to receive approximately **£24,500** a year on retirement at age 60;
- the member would be expected to receive approximately **£35,800** a year if they decide to work to the new Normal Pension Age (age 66 years 10 months);
- alternatively, if the member wanted to keep the pension amount of £27,400 a year expected before the scheme changes the member would need to work to approximately **62 years**.

The benefits on retirement at age 60 are lower following the possible scheme changes. The accrual rate is lower and the CARE benefits are reduced to reflect retirement before the new Normal Pension Age of 66 years 10 months.

Glossary

Accrual Rates

The proportion of earnings that a defined benefit (DB) pension scheme pays as pension for each year of membership. For example, a scheme with an accrual rate of 1/60 provides 1/60th of earnings for each year of membership, which gives a higher pension than an accrual rate of 1/80th of earnings.

Accrued Rights

Rights to pension and other benefits under scheme rules, deriving directly or indirectly from membership of the scheme. Such rights include pension awards already received and pensionable service built up so far based on a particular pension age. However, there is no standard definition of accrued rights across public service pension schemes: the rights will depend on specific circumstances, such as the terms of the individual pension schemes.

Actuarial Assumptions

The various estimates (including assumptions related to changes in longevity, salaries, inflation, returns on assets, etc.) that the actuary makes in formulating the actuarial valuation.

Actuarial Deficit

When the actuarial value of a pension fund's assets is less than the actuarial liability, the deficit is the difference between these two figures.

Actuarial Liability

The amount calculated by the Actuary that represents the present value of all the pension benefits that are required to be paid out of the Pension Fund.

Actuarial Reduction

If a member wishes to retire before their Normal Retiring Age, this would be the amount their benefits would decrease by.

Actuarial Surplus

When the actuarial value of a pension fund's assets is more than the actuarial liability, the surplus is the difference between these two figures.

Actuary

The person or entity whose responsibility, as a minimum, is to evaluate present and future pension liabilities in order to determine the financial condition of the pension fund, following recognised actuarial methods.

Admitted Bodies

An Admitted Body is an employer, other than the States Employment Board, who, by agreement with the States Employment Board and the Chief Minister, allows their employees to become members of the pension scheme.

Average Earnings

A figure based on the total sum of all the earnings for all employees, in one year, divided by the sum of those employees.

Best Estimate Assumptions

Best estimate assumptions are established for a valuation with the objective of there being an equal likelihood of actual scheme experience being better or worse than assumed. They have an equal chance of understating or overstating the actual cost of the scheme over the long term.

Career Average Revalued Earnings ('CARE') Scheme

A defined benefit scheme that gives individuals a pension based on a percentage of the salary earned in each year of their working life whilst a member of the scheme.

Committee of Management

This is the Governing Body which manages the running of the scheme.

Commutation

The ability to take part of your annual pension and turn it in to a tax free cash lump sum.

Cost Cap

This is an agreed maximum level of contributions that would be paid to cover the total cost of the scheme. Unless otherwise agreed, the scheme benefits would be adjusted if the scheme cost would otherwise exceed this cap.

Cost Sharing Arrangement

This is an arrangement where the cost of any benefit increases is shared between the members and the employer.

Consumer Price Index (CPI)

An internationally comparable measure of inflation based on structures in international legislation and guidelines and launched in the UK in 1996. Like the Retail Prices Index (RPI) it tracks the changing cost of a fixed basket of goods and services over time. However unlike the RPI it disregards some items, such as owner occupier housing costs. It also has a different population base for the indices from the RPI and a different way in which the index is calculated. The TWG is not aware of any CPI measure which covers Jersey.

Deferred Pension

If a member leaves the scheme prior to retirement but retains an entitlement to a pension from the scheme, their benefits become deferred. Any deferred pension will be payable to the member when they decide to draw it subject to minimum and maximum ages as appropriate.

Defined Benefit Pension Schemes

This is a scheme in which your benefits are calculated based on a set formula linked to the member's salary and pensionable service.

Defined Contribution Scheme

A scheme where the individual receives a pension based on the contributions made and the investment return those contributions have produced.

Employee Contribution Rates

The percentage of a member's pensionable salary paid into the scheme towards a pension.

Existing Members

This is a set of regulations which were created in the previous pension reform in 1987. Members in this scheme had a 1/45th or 1/60th accrual rate and paid 6.25% of their salary in contributions.

Final Salary Pension Schemes

A pension scheme where the calculation of benefits is based on a member's service, the accrual rate and their pensionable salary close to retirement or leaving employment.

Funded Scheme

A scheme where contributions are paid into a fund and invested and benefits are paid out of the fund.

Funding Corridor

This sets the upper and lower limits allowed in the funding of the scheme. Any deviation beyond these limits will trigger specific actions.

Funding Strategy

A funding strategy should identify how the fund will meet the liabilities coming out of the Fund and take a long term view of funding future liabilities. It should also clearly describe the basis of any assumptions used by the Actuary in the valuation of the fund.

Independent Public Service Pensions Commission

An independent commission chaired by Lord Hutton which undertook a fundamental structural review of UK public service pension provision in 2011

Indexation

The technique used to adjust the increases in a pension fund in line with an index.

Investment Strategy

An Investment Strategy should set out the principles governing decisions regarding the investment of the assets of the scheme. This includes risk management, governance and asset allocation.

Investment Volatility

Schemes that invest in high risk assets can expect high variability in the rate of investment return which can lead to instability and uncertainty for the fund.

Jersey Average Earnings Index

The Jersey Index of Average Earnings measures changes in earnings (gross wages and salaries, excluding bonuses) paid to employees.

Jersey State Pension Age (Social Security)

The age at which an individual can receive their Jersey Social Security Old Age Pension.

Longevity

The expected length or duration of the average human lifespan.

Mean

The “mean” is the “average” where all the numbers are added and then divided by the number or numbers, for example:

13, 13, 13, 13, 14, 14, 16, 18, 21 = 135 divided by 9 – so the mean is 15

Median

The “median” is the “middle” value in a list of numbers. There are nine numbers in the list below and the middle one will be the median, for example:

13, 13, 13, 13, **14**, 14, 16, 18, 21 – so the median is 14

New Members

These regulations were created in the previous pension reform in 1987. Members in this scheme had a 1/60th or 1/80th accrual rate and paid 5% of their salary in contributions. This is the scheme which all new current members join.

Non-Uniformed Members

A member of the scheme who is not employed in any of the categories as defined under Uniformed Members.

Normal Pension Age

The age at which a member is expected to retire, having left their employment, and receives full accrued benefits.

Post-2015

This relates to the proposed new scheme arrangements as from January 2015.

Pre-2015

This relates to the current scheme arrangements until December 2014.

Projected Unit Method

The Projected Unit Method calculates the present value of the benefits expected to accrue to members over the year following the valuation date, expressed as a percentage of pay over that year.

Prudent set of assumptions

This is about taking a more cautious view in regard to assumptions when looking at valuing the fund. A prudent set of assumptions is more likely to overstate than understate the actual cost of the scheme over the long term.

Public Employees Pension Scheme Joint Negotiating Group (JNG)

The JNG is a group of representatives from recognised Trade Unions who represent the interests of, and negotiate pension provision for, the majority of States of Jersey employees.

Public Sector Transfer Club

A group of some 120 salary related occupational pension schemes. It allows easier movement of staff mainly within the public sector. It does this by making sure that employees receive broadly equivalent credits when they transfer their pensionable service to their new scheme regardless of any increase in salary when they move to their new employment.

Rate of contribution for new entrants

This is the rate needed to ensure that the contributions paid in would meet the cost of the benefits for new entrants to the scheme.

Regulations

The Regulations govern how the pension scheme is managed and administered.

Retail Prices Index (RPI)

A measure of inflation and like the UK Consumer Prices Index (CPI) it tracks the changing cost of a fixed basket of goods and services over time. However, unlike the CPI it takes into account items such as owner occupier housing costs. It also has a different population base for the indices from the CPI and the index is calculated in a different way.

Smoothing Mechanisms

A smoothing mechanism is an approach taken to minimise volatility of contributions and/or benefits in a pension scheme, for example by spreading out or smoothing the effect of investment returns.

Tiered Contribution Rates

A system where you have different contribution rates for different levels of salary. The higher the salary an employee earns, the higher the contribution rate.

Triennial Actuarial Valuation

The Scheme Actuary reviews the operation of the pension fund every 3 years and produces a report on their findings.

Uniformed Members

A member employed in the States of Jersey Police Force, the States of Jersey Fire and Rescue Service, the States of Jersey Prison Service, the States of Jersey Airport Fire Service, a member employed as an Emergency Ambulance Officer or an Air Traffic Controller.

Valuation

A valuation is a task carried out by an Actuary on a regular basis, in particular to test future funding or current solvency of the value of the pension fund's assets against its liabilities. The Actuary then prepares a report based on their findings.

Vesting Periods

The period of time you have to be in the scheme before you are eligible for certain benefits.

Abbreviations

CARE	Career Averaged Revalued Earnings
CoM	Committee of Management
CPI	Consumer Prices index
DB	Defined Benefit
DC	Defined Contribution
FIA	Fellow of the Institute and Faculty of Actuaries
JNG	Joint Negotiating Group
JPL	Jersey Post Limited
JSPA	Jersey State Pension Age
JT	Jersey Telecom
JTSF	Jersey Teachers Superannuation Fund
LCP	Lane Clark and Peacock
NHS	National Health Service
NRA	Normal Retirement Age
PSTC	Public Sector Transfer Club
RPI	Retail Prices Index
SEB	States Employment Board
TWG	Technical Working Group

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