

Annex A – Reference Scheme design

Cost ceilings will be set as the scheme-specific contribution rates required for a 'reference scheme' design that is consistent with the recommendations of Lord Hutton's Independent Public Service Pensions Commission.

The Reference Scheme design is as follows:

- a) a Career Average Revalued Earnings (CARE) pension scheme;
- b) an accrual rate to be determined centrally in due course. This will be set consistent with the Chief Secretary's statement that, following a full career, the pension individuals receive at normal pension age would be broadly as generous for low and middle income earners as it is now;
- c) a normal pension age linked to State Pension Age (or 65, whichever is higher), or to age 60 for active members of the firefighters' scheme (or the same age as other schemes for deferred members);
- d) earnings revaluation of past CARE service for active members;
- e) pensions in payment and in deferment indexed by CPI;
- f) average member contributions should be assumed to be 3.2pp above their current weighted average level;
- g) no fixed lump sums, optional commutation, with a 12:1 factor for converting pension to lump sum;
- h) ancillary benefits (ill-health, death and survivors benefits) that match provision in schemes that are currently open to new members (e.g. a lower tier ill health pensioner receives an unreduced CARE pension; a partner receives same proportion of member's pension as now);
- i) 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 (so previous accruals are indexed by earnings for that period of deferment); and
- j) members transferring between public service schemes would be treated as having continuous active service (which would include those transferring between schemes who had rejoined public service after a gap of less than 5 years).