

Private and Confidential

15 February 2023

Dear

Parliamentary Contributory Pension Fund (PCPF) – IPSA McCloud Response  
Important changes to the MPs' Pension Scheme – Closure of the Final Salary Section on 31 March 2023

I'm contacting you to remind you that the MPs' Pension Scheme is changing. On 31 March 2023 the final salary section of the MPs' Pension Scheme will close to all members, and from 1 April 2023 you will start building up pension benefits in the career average revalued earnings (CARE) section of the Scheme. You don't need to take any action. The benefits you have built up in the final salary section up to 31 March 2023 are safe and will remain linked to your final pensionable MPs' salary.

#### What's the CARE section?

The CARE, or career average, section allows you to build up benefits each year based on 1/51<sup>st</sup> of your pensionable earnings, including any additional earnings for a select committee chair or chair's panel position. For this pension, you will pay 11.09% of earnings. This section has a normal pension age equal to your State Pension age. The death benefits from this section include a lump sum equivalent to two times salary for serving members, a refund of CARE contributions, and dependant's pensions.

You also have the opportunity to enhance your CARE section pension. These include buying added pension and paying for an effective pension age (which means reducing your normal pension age by paying additional contributions). Full details on the career average section, including the above mentioned options for enhancement, can be found in the MPs CARE member guide on the PCPF website: [www.myPCPFpension.co.uk/pcpf-library/](http://www.myPCPFpension.co.uk/pcpf-library/)

#### Why is this happening?

In May 2015, the Independent Parliamentary Standards Authority (IPSA) introduced reforms to the MPs' pension scheme, which meant members, who were more than 10 years from retirement, moved to the new CARE section either at that time, or following a transitional period. As you were within ten years of your normal pension age, you were provided protections to remain in the final salary section and therefore you were identified as a 'fully protected member'. A legal judgement in the wider public sector, referred to as the McCloud case, determined this approach to be discriminatory, and the Government committed to remedy the situation.

Following this, the IPSA reviewed the provision of the MPs' Pension scheme and determined that the transitional protections had caused unfairness, as MPs were treated differently depending on their age. A key part of ensuring fairness across all scheme members is to move all members into the same section of the scheme going forward. Both PCPF and the IPSA officials have been working together on making the changes to the Scheme and have named this project the McCloud Response.

### What's going to change?

The closure of the Final Salary section is the first part of the McCloud response which ensures that all members will be treated equally regardless of their age going forward. From 1 April 2023, all members of the MPs' Pension Scheme will participate in the CARE section. You will therefore no longer build up benefits in the final salary section beyond 31 March 2023. Whilst building up benefits in the CARE section in future, any remaining final salary benefits will remain linked to your future final salary.

### What's next?

The second part of the response will address the difference in treatment of members that occurred between 8 May 2015 and 31 March 2023. You will be given the option to take pension built up during this relevant period' on either a final salary or career average (CARE) benefits basis. The section that may be best for you will depend on a number of factors, including whether you breach the maximum scheme limits within the final salary section, for example, if you have pensions you built up prior to becoming an MP which have not been transferred to the PCPF (which are called 'retained benefits'). Other personal and tax considerations may also impact your choice.

Buck, the pension scheme administrators, are working on providing you with comparative figures to help you make your choice and the aim is to provide you with these in the Spring 2023. My fellow Trustees and I, and the IPSA Board realise that for some members this may not be a straightforward choice to make and as mentioned above, will depend on your own personal circumstances. That is why you will be given a significant length of time in which to make your choice and you will also be provided with access to financial guidance as part of the choice exercise. Signposting to additional independent financial advice will also be provided for those who still feel that they need additional support to make their choice.

Finally, please also consider registering for the pension portal on the website if you have not already done so, as this is one of the simplest ways to keep up to date with your pension.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'B. Donohoe', written over a horizontal line.

Sir Brian H. Donohoe  
Chairman to the PCPF Trustees