Lord Hutton’s Independent Public Service Pension Commission (IPSPC) published its final report on 10 March 2011. The Government had asked the IPSPC to report to it with recommendations on pension arrangements that are sustainable and affordable in the long term, fair to both the public service workforce and the taxpayer and consistent with the fiscal challenges ahead, while protecting the pension that people have already earned (“accrued rights”). This followed on from the Coalition programme for Government, which stated that it would establish an independent commission to review the long-term affordability of public service pensions, while protecting accrued rights.

The Government is considering Lord Hutton’s recommendations and will issue its response in due course. It stands by the commitment given at the Spending Review that there is no “race to the bottom” of pension provision and that public service pensions should continue to provide some form of defined benefit. It is also committed to continuing to engage with those working in the public sector, trades unions and others in taking forward any future reforms. The IPSPC’s main recommendations are:

- Pensions should stop accruing on a “final salary” basis. However, pensions built up before the date of change should continue to be linked to final salary.
- New pension build up should be on a “career average” basis. This means that the pension would be based on a proportion of pay earned each year. Lord Hutton has also recommended that career average pensions should be uprated in line with average earnings while an individual is in service, and in line with prices after an individual leaves service.
- Future pensions should have a pension age equivalent to State Pension Age. Pension built up before the date of change should keep its original pension age.
- Tiered contribution rates should be introduced, so that higher earners contribute at a higher rate than lower earners.
- New schemes should be implemented before the end of this Parliament (2015).

Should Lord Hutton’s recommendations be accepted by the Government, civil servants would receive a 2-part pension. For those in classic, premium and classic plus, service before the date of change would continue to be linked to final salary and have a pension age of 60. Service after the date of change would reflect earnings during that period and have a later pension age. Those in nuvos would also see change, but not to the same extent.

Lord Hutton’s report can be found at http://www.hm-treasury.gov.uk/indreview_johnhutton_pensions.htm

We will post further updates here in due course.