



Cabinet Office

Report on proposed amendment to the Public Service (Civil Servants and Others) Pensions Regulations 2014

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22(2)(b) of the Public Service Pensions Act 2013

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Introduction

1. The Public Service (Civil Servants and Others) Pensions Regulations 2014 (“the 2014 Regulations”) made under the Public Service Pensions Act 2013 (“the 2013 Act”) established a scheme making provision for the payment of pensions and other benefits to civil servants, including members’ contribution rates under the scheme.
2. As members’ contribution rates under the scheme are defined as “protected elements” in section 22 of the 2013 Act, where the Minister proposes to make regulations containing provision changing the rates, the responsible authority (in this case the Minister for the Civil Service) is required to consult persons (or representatives of the persons) who appear to be likely to be affected by the regulations with a view to reaching agreement with them, and lay a report before Parliament. The report must set out why the Minister proposes to make the regulations, having regard to the desirability of not making a change to the protected elements within the protected period (which ends on 31 March 2040).
3. This report sets out that information.

Background to proposed amendment

4. Consultation in 2011 with the Civil Service unions on reforms to the Civil Service pension arrangements culminated in a Proposed Final Agreement which reflected the conclusion of discussions on design of the Civil Service scheme. The Proposed Final Agreement stated that average member contributions would be 5.6% of salary.
5. The 2014 Regulations established a new Civil Service scheme from 1st April 2015. Regulation 134 of those Regulations makes provision for the contributions payable by scheme members up to 31st March 2019. The contribution rates and associated salary bands set out in Regulation 134 are designed to yield an average of 5.6% of members’ salaries. Regulation 134 is silent on member contribution rates from 1st April 2019.
6. The ongoing valuation of the Civil Service Pension Scheme had identified that, under the then existing Treasury directions, the cost of the scheme measured under the cost control mechanism had fallen below the target cost and triggered a requirement to return the scheme to the target cost through improvements to the scheme such as changes to member benefits or contributions (the “cost cap remedy”).
7. The Scheme Advisory Board (SAB), made up of member representatives from trade unions, officials from the Cabinet Office and non-executive members, agreed to recommend to the Minister for Implementation a package of scheme improvements including changes to the member contribution arrangements, but were aware that the process of Ministerial agreement, consultation on regulation changes and implementation would not be completed by 1st April 2019.
8. The Chief Secretary to the Treasury announced on 30th January that the Government was pausing the cost control mechanism element of the valuations of public service pensions. The Chief Secretary’s Statement advised that a ruling by the Court of Appeal on part of the 2015 pension reforms meant that it was not now possible to assess the value of the current public

service pension arrangements with any certainty, and the cost control element of the valuations was being suspended. The Chief Secretary's Statement confirmed that if the Government is successful in appealing the decision, the cost control mechanism element of the scheme valuations would be resumed, and improvements to schemes would be implemented.

9. This amendment to the 2014 Regulations has the effect of retaining the current member contributions and associated salary bands for a one-year period from 1st April 2019 until 31st March 2019 as an interim measure until the valuation process has been completed. It ensures that member contributions can continue to be lawfully deducted from 1st April 2019, thus safeguarding the effective operation of the Civil Service Pension Scheme. The effect of the amendment on the member contribution table in the 2014 Regulations is as follows:

Scheme Year 1st April 2018 to 31st March 2019 and Scheme Year 1st April 2019 to 31st March 2020

Annualised rate of pensionable earnings	Member contributions rate	
	Transition members from Section II of the PCS	Other transition and non-transition members
Up to but not including £15,001	4.6%	4.6%
£15,001 to but not including £21,637	4.6%	4.6%
£21,637 to but not including £51,516	5.45%	5.45%
£51,516 to but not including £150,001	7.35%	7.35%
£150,001 and above	8.05%	8.05%

Consultation

10. Employee representatives were consulted about these regulations in accordance with section 22 of the Act. One trade union (the National Crime Officer Association) and one staff association (the Defence Police Federation) responded that they had no objections to the proposal to continue with the same level of member contributions and associated salary bands.
11. A joint response was received from four trade unions (FDA, PCS, POA and Prospect) which indicated that they were unwilling to agree the proposal unless further assurances were given in respect of the cost cap remedy and, absent those assurances, proposed a counter proposal of a reduction in contribution rates.

12. The Cabinet Office carefully considered the response from the FDA, PCS, POA and Prospect, and concluded that they were unable to give the assurances requested. Further, the unions' representations and counter proposal did not persuade the Minister to make any changes to the proposal that was initially consulted on.

Impact

13. For the year ending 31st March 2020, the proposal is to retain the contribution rates and associated salary bands which are applicable up to 31st March 2019. The cost of accruing pension scheme benefits will remain the same for scheme members. An impact assessment has not been prepared as no impact on the private or voluntary sector is foreseen. There is no impact on business, charities or voluntary bodies and no significant impact on the public sector.

Conclusion

14. Parliament is invited to note the reason for proposing to extend to 31st March 2020, the current member contribution rates and associated salary bands.

**Civil Service & Royal Mail Pensions, Cabinet Office
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