



Cabinet Office

Report on proposed amendment to the Civil Service (Other Crown Servants) Pensions Scheme Regulations 2016

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Public Service Pensions Act 2013

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Introduction

1. The Civil Service (Other Crown Servants) Pension Scheme Regulations 2016 (“the 2016 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 employed by the agencies, 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 agencies) 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. Discussions with Treasury and Cabinet Office officials in 2014/15, along with consultation with the relevant employee representatives, culminated in a Proposed Final Agreement which reflected the conclusion of discussions on design of the Other Crown Servants Pension scheme. The Proposed Final Agreement stated that average member contributions would be 6% of salary.
5. The 2016 Regulations established a new pension scheme from 1st April 2016. Regulation 10 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 10 are designed to yield an average of 6% of members’ salaries. Regulation 10 is silent on member contribution rates from 1st April 2019.
6. 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.
7. This amendment to the 2016 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 2020 as an interim measure until the Civil Service valuation process has been completed. The Other Crown Servants Scheme is on a different valuation cycle to the Civil Service scheme, and the recent Civil Service valuation does not impact it. However, it is expected that the Other Crown Servants Scheme will align with Civil Service scheme valuations for the next round of valuations, and the aim is to reflect Civil Service practice. Thus, in line with the Civil Service scheme, this amendment to the 2016 Regulations has the effect of retaining the current member contributions and associated salary benefits for a one-year period from 1 April 2019 until 31 March 2020 as an interim measure until the valuation process has

been completed. It ensures that the legislative basis for deducting member contributions is continued for a further year, thus safeguarding the effective operation of the scheme.

8. The effect of the amendment on the member contribution table in the 2016 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 First, Second and Fourth Connected Schemes	Other members
Up to but not including £15,001	4.15%	4.15%
£15,001 to but not including £21,637	4.15%	4.15%
£21,637 to but not including £51,516	5.00%	5.00%
£51,516 to but not including £150,001	6.90%	6.90%
£150,001 and above	7.60%	7.60%

9. The amendment which provides for the continuation of existing contribution rates is being made so that it has effect (retrospectively) from 1 April 2019. Section 23 of the 2013 Act deals with retrospective changes and requires that, in certain circumstances, either consent must first be obtained from representatives of the affected employees, or such representatives must first be consulted with a view to reaching agreement. It is not considered that this retrospective amendment triggers such requirements. Employee representatives have in any event been consulted in respect of the change pursuant to section 22 of the 2013 Act and have raised no objections.
10. Following discussions with Cabinet Office and Treasury officials it has been agreed that employees transferring compulsorily from the agencies to another agency under a protected transfer will retain their existing pension provision, despite their employer having changed. The amending Regulations widen the scope of membership to the Other Crown Servants Pension Scheme to provide that those employees who have transferred their employment can remain in the scheme for as long as they remain working in the protected function. Stringent conditions apply to ensure that, if the transferring employees move from the protected function, or have a break in service before or after transfer, they will no longer be eligible to remain in the scheme.

Consultation

11. Employee representatives were consulted about these regulations in accordance with section 22 of the Act. All responded that they had no objections to the proposal to continue with the

same level of member contributions and associated salary bands, or protect the pensions of the employees transferring under the protected transfer to the protected function.

Impact

12. 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

13. 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 Pensions, Cabinet Office
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