



Cabinet Office

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

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Presented to Parliament pursuant to section 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, and provided that active members of the scheme must pay contributions to the scheme (“member contributions”).
2. As members’ contribution rates is defined as a protected element in section 22(5) of the 2013 Act, where the Minister for the Civil Service (the “Minister”) proposes to make regulations containing provision changing members’ contribution rates, the responsible authority (in this case the Minister) 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 element within the protected period (which ends on 31st March 2040).
3. This report sets out that information.

Background to proposed amendment

4. The 2014 Regulations established a new Civil Service pension scheme from 1st April 2015. Regulation 134 of the 2014 Regulations, as amended, makes provision for the member contributions rate payable by a scheme member up to 31st March 2020. The member contributions rate and associated annualised rate of pensionable earnings band (“pensionable earnings band”) set out in Regulation 134 are designed to yield an average of 5.6% of members’ pensionable earnings. Regulation 134 is silent on member contributions rates from 1st April 2020, and provision needs to be made for this.
5. The purpose of the amendment is to extend (and not alter) the current member contributions rates and to slightly increase 2019/20 pensionable earnings bands from 1st April 2020 to enable the scheme to continue to collect member contributions. The instrument also has the effect that back-dated pay should be ignored when determining the pensionable earnings band of a member, with effect from 1st September 2020.

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6. The Chief Secretary to the Treasury (the “Chief Secretary”) announced on 30th January 2019 that the Government was pausing one element of the valuations of public service pensions; the mechanism for assessing the value of public service pensions (the “cost control mechanism”). The Chief Secretary’s statement advised that the judgment of the Court of Appeal in *Lord Chancellor and Secretary of State for Justice and another v McCloud and others* and *Secretary of State for the Home Department and others v Sargeant and others* [2018] EWCA Civ 2844 on part of the 2015 pension reforms meant that it was not possible to assess the value of current public service pension arrangements with any certainty, and that the cost control mechanism was being paused until there is certainty about the value of public service pensions to employees from April 2015 onwards. If the pause to the cost control mechanism is lifted, consideration will be given to whether the member contributions rates and associated pensionable earnings bands in the Civil Service pension scheme should be amended.
7. This amendment to the 2014 Regulations has the effect of retaining the current member contributions rates, as set against revalorised pensionable earnings bands, for a one-year period from 1st April 2020 until 31st March 2021. It ensures that member contributions can continue to be lawfully deducted from 1st April 2020, thus safeguarding the effective operation of the Civil Service pension scheme. The effect of the amendment on the member contributions rate table in the 2014 Regulations is as follows:

Scheme Year 1st April 2020 to 31st March 2021

Annualised rate of pensionable earnings (£)		Member contribution rate
From	To	
£0	£22,600	4.60%
£22,601	£54,900	5.45%
£54,901	£150,000	7.35%
£150,001	-	8.05%

Consultation

8. Employee representatives were consulted about these regulations in accordance with section 22(2)(a) of the Act. A response from the Defence Police Federation (DPF) had no objection to member contributions rates being carried over into scheme year 2020/21 and welcomed the proposed amendments to increase pensionable earnings bands and

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remove back-dated pay from the pensionable earnings band calculation. The DPF was disappointed to note the continued suspension of the cost cap mechanism. The National Crime Officers Association (NCOA) responded acknowledging the proposed changes as a sensible solution for the scheme year 2020/21.

9. A joint response was received on 23rd January 2020 from seven National Trade Union Council (NTUC) affiliated trade unions (The Association of First Division Civil Servants (FDA), General, Municipal, Boilermakers (GMB), Northern Ireland Public Service Alliance (NIPSA), Public and Commercial Services Union (PCS), Prison Officers Association (POA), Prospect, and Unite) objecting to the proposal. On 6th February 2020, Cabinet Office officials met the NTUC Convenor, PCS, Prospect, and FDA to further understand their objections and counter proposals. A further joint response was sent to Jeremy Quin, former Minister for Implementation, on 13th February 2020 confirming the unions' position, which is (amongst others) as follows:

- that they welcome the changes to back-dated pay;
- that they are strongly opposed to a further 'rollover' of the current member contributions rates;
- that they wish member contributions rates be reduced by 2%;
- that they wish the current pause of the cost control mechanism be lifted; and
- that they wish the Scheme Advisory Board's (SAB) recommendation that a nil member contributions rate be applied until the 2% reduction to member contributions rates can be implemented be considered.

10. Prospect, a NTUC affiliated union, wrote separately to confirm its objections to the continued pause of the cost cap mechanism and extension of 2019/20 member contributions rates.

11. Following consultation with employers and payroll departments, it became clear that changes to back-dated pay could not be practically implemented by 1st April 2020 owing to the complexities of the changes to payroll systems. A date of 1st September 2020 was proposed by Cabinet Office and this was accepted as practical by employers and payroll departments.

12. The Cabinet Office carefully considered the responses from employee representatives and responded that it was unable to accede to the changes requested. Further, the unions' representations and counter proposal did not persuade the Minister to make any changes to the proposal that was subject to consultation. The Cabinet Office carefully considered the responses from employers and amended the Regulations to reflect a 1st September 2020 implementation date for the change in treatment of back-dated pay.

Impact

13. For the year ending 31st March 2021, the proposal is to extend the current member contributions rates but apply an inflation increase to the pensionable earnings bands that determine the contribution rate payable by an individual member, based on their

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pensionable earnings in the Civil Service pension scheme. From 1st September 2020, it also has the effect of changing how a member's pensionable earnings are calculated for the purpose of determining within which pensionable earnings band that member falls when back-dated pay is received. The cost of accruing pension scheme benefits will remain the same for scheme members.

- 14.** 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

- 15.** Parliament is invited to note the reason for proposing to extend to 31st March 2021 the current member contributions rates and associated pensionable earnings bands.

Civil Service & Royal Mail Pensions, Cabinet Office
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