



Cabinet Office

Report on proposed amendments to the Civil Service (Other Crown Servants) Pension Scheme Regulations 2016

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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 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 Secret Intelligence Service and the Security Service (together, the “Agencies”), and provided that active members of the scheme must pay contributions to the scheme (“member contributions”).
2. As members’ contribution rates under the scheme is a protected element, as defined 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 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 element within the protected period (which ends on 31st March 2040).
3. This report sets out that information.

Background to proposed amendment

4. The 2016 Regulations established a new pension scheme from 1st April 2016. The scheme operates by analogy to the Public Service (Civil Servants and Others) Pensions Regulations 2014 (“CSOPS”). It adopts, with certain modifications, the rules contained in CSOPS. Member contributions rates is one of the modified elements. Regulation 10 of the 2016 Regulations makes provision for the member contributions rates payable by scheme members up to 31st March 2020. The member contributions rates and associated annualised rate of pensionable earnings bands (“pensionable earnings band”) set out in Regulation 10 are designed to yield an average of 6% of members’ pensionable earnings. Regulation 10 is silent on member contributions rates from 1st April 2020 and so new rates need to be put in place before that date.

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5. 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 2016 Regulations should be amended. The scheme established by the 2016 Regulations is on a different valuation cycle to the scheme established by CSOPS. However, it is expected that the schemes will align for the next round of valuations, and the aim is to reflect wider Civil Service practice.
6. In line with the amendments being made to CSOPS, these amendments to the 2016 Regulations have the effect of retaining the current member contributions rates from 1st April 2020. However, whereas CSOPS retains the current rates until 31st March 2021, these amendments will retain the current rates until 31 March 2021 and thereafter until member contributions rates are further amended. This ensures that the legislative basis for deducting member contributions is continued until revised member contributions rates are put in place, safeguarding the effective operation of the scheme. In addition, in line with CSOPS, the pensionable earnings bands that determine a member’s contributions rate have been increased to reflect inflation. However, this amendment also makes provision for these pensionable earnings bands to be reviewed annually and increased in the event that there is a relevant increase in the consumer prices index (“CPI”).
7. The effect of the amendment on the member contributions rate table in the 2016 Regulations is as follows:

Scheme Year 1st April 2020 to 31st March 2021 and subsequently

<i>Column 1</i>	<i>Column 2</i>
<i>Annualised rate of pensionable earnings</i>	<i>Member contributions rate</i>
Up to but not including £22,601	4.15%
£22,601 to but not including £54,901	5.00%
£54,901 to but not including £150,001	6.90%
£150,001 and above	7.60%

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Consultation

8. Employee representatives were consulted about these regulations in accordance with section 22 of the Act. All responded that they had no objections to the proposals to continue with the same level of member contributions by reference to revised pensionable earnings bands and to provide for those bands to be reviewed and increased in the event that there is a relevant increase in the CPI.

Impact

9. For the year ending 31st March 2021, the proposal is to retain the member contributions rates that are applicable up to 31st March 2020 by reference to slightly increased pensionable earnings bands. The cost of accruing pension scheme benefits will remain the same for scheme members.
10. 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

11. Parliament is invited to note the reason for proposing to extend to 31st March 2021, and thereafter until otherwise amended, the current member contributions rates and to do so by reference to increased pensionable earnings bands.

Civil Service Pensions, Cabinet Office
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