



Cabinet Office

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

21st February 2023

Presented to Parliament pursuant to section 22(2)b of the Public Service Pensions Act 2013

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

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

## 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 makes provision for the member contributions rate payable by a scheme member up to 31st March 2023. 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 2023, and provision needs to be made for this so the scheme has the right to continue collecting contributions.
5. The ability for the scheme to collect contributions from 1st April 2024 is essential for the normal functioning of the Civil Service pension scheme. It is therefore Cabinet Office’s view that making appropriate changes to the member contributions rates is essential.
6. The purpose of the amendment is to implement the following:
  - a. To introduce a contribution table to allow the Civil Service pension scheme to collect member contributions from 1st April 2023.
  - b. The table will extend (and not alter) the current member contributions rates.

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- c. The contribution table for the 2023/24 financial year will include an increase of the lowest salary threshold from £23,100, the level in place for the 2022/23 financial year, to £32,000.
- d. Provision has been made to increase the lowest salary threshold in line with the Consumer Price Index (CPI) - or such other index as the Minister may determine - annually from 2024/25 to 2026/27.
- e. Provision has also been made to increase the first two salary thresholds in line with CPI - or such other index as the Minister may determine - with effect from 2027/28.

The effect of the amendment on the member contributions rate table in the 2014 Regulations is as follows.

Scheme Year 1st April 2023 to 31st March 2024 and subsequently

*(2022/23 figures in brackets and changes in bold).*

Annualised rate of pensionable earnings (£)		Member contribution rate (gross)
From	To	
£0 (£0)	<b>£32,000</b> (£23,100)	4.60%
<b>£32,001</b> (£23,101)	£56,000 (£56,000)	5.45%
£56,001 (£56,001)	£150,000 (£150,000)	7.35%
£150,001 (£150,001)	-	8.05%

### Consultation

7. The Cabinet Office consulted representatives of employees likely to be affected by these proposed regulations (“employee representatives”) between 1st August 2022 and 23rd October 2022. The Cabinet Office considered that consulting 11 unions and organisations representing the majority of employees was an appropriate approach to obtaining the views of those likely to be affected, rather than consulting employees individually.



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8. A response from the National Trades Union Council (NTUC) affiliated union, the Public and Commercial Services (PCS) was received on 23rd October 2022. The PCS accepted the table for 2023/24 but requested that the table should be implemented for a one year period only as they believed it was prejudicial to the Judicial Review in the High Court, which is listed for hearing from 30th January to 3rd February 2023. The Judicial Review will consider the Government's decision to include the cost of remedying the McCloud judgment in the 2016 valuation assessment.
9. A response from the NTUC affiliated union, the FDA was received on 23rd October 2022. The FDA asked that a pay related index be utilised instead of CPI, and that all thresholds be indexed, to minimise any cliff-edge scenarios where members' pay moves them into a higher contribution rate band. The FDA also asked that the table be limited to a four-year duration due to the uncertain environment and to ensure that regular consultation on contribution levels are undertaken.
10. A response from the non-affiliated organisation, the Defence Police Federation (DPF) was received on 12th September 2022. The DPF expressed disappointment that only the lowest salary threshold had increased and the higher thresholds had not been increased as this might lead to some members who are close to these thresholds moving into the higher contribution band due to an annual pay increase which could result in the pay rise being negated or result in the individual being worse off.
11. In light of its obligation to consult with a view to reaching agreement with the consultees, the Cabinet Office carefully considered the responses from employee representatives and provided additional information to the three organisations via letters dated 31st October 2022. An additional period of fourteen days was offered for the organisations to provide further comments and proposals. However, the 14th November 2022 passed with no further correspondence being received.
12. In a letter of correspondence, dated 2nd December 2022, the Cabinet Office advised the employee representatives that it was unable to accept the counter-proposals but committed to reviewing the contributions table in the event of a breach of the 2020 cost control mechanism and as part of each four yearly valuation cycle, from the 2024 valuation. It was also confirmed that further reviews can be considered to address a substantive change to income tax thresholds or pension tax regime should the table no longer meet the agreed principles for the contribution structure.

### Impact

13. For the year ending 31st March 2024, the figures shown in the table above will determine the contribution rate payable by an individual member, based on their pensionable earnings in the Civil Service pension scheme.
14. There will be a reduction in member contribution rates for around 150,000 of the lower paid pension members due to the increase to the lowest salary threshold.

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15. 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**

16. Parliament is invited to note the reason for proposing to implement the new member contribution rates table as of 1st April 2023.

Civil Service & Royal Mail Pensions, Cabinet Office  
21st February 2023

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