HM Treasury

The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2023

The Treasury make the following directions in exercise of the powers conferred on them by sections 11(2), 12(3), 12(4), 12(4A), 12(7A), 12(7B), 12(7C), 12A(2) and 38(7) of the Public Service Pensions Act 2013(**a**).

In accordance with section 11(4) of that Act, these Directions are made after the Treasury have consulted the Government Actuary.

PART 1: GENERAL

Citation and entry into force

1. These Directions may be cited as the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2023 and come into force on the day after the day on which they are signed.

Revocation of previous Treasury directions

2. On coming into force of these Directions the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014(**b**) are revoked.

Interpretation

3.—(1) In these Directions:

"analysis of the demographic experience" in relation to a scheme means an assessment of changes experienced by scheme members that impact on their expected benefits (such as career breaks, leaving pensionable service, retirement, ill health and death) and which can be assessed from data held by the scheme;

"closing date" means—

(a) in relation to an existing scheme as defined in Schedule 5 of the Public Service Pensions Act 2013 (the "2013 Act") the date as specified in section 18(4) of that Act in relation to that scheme; and

---

(**a**) 2013 c. 25, as amended by section 92 and section 95 of the Public Service Pensions and Judicial Offices Act 2022.

(**b**) The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 were amended by The Public Service Pensions (Valuations and Employer Cost Cap) (Amendment) Directions 2014, The Public Service Pensions (Valuations and Employer Cost Cap) (Amendment) (No. 2) Directions 2014, The Public Service Pensions (Valuations and Employer Cost Cap) (Amendment) (No. 3) Directions 2014, The Public Service Pensions (Valuations and Employer Cost Cap) (Amendment) Directions 2015, The Public Service Pensions (Valuations and Employer Cost Cap) (Amendment) (No. 2) Directions 2015, The Public Service Pensions (Valuations and Employer Cost Cap) (Amendment) Directions 2016, The Public Service Pensions (Valuations and Employer Cost Cap) (Amendment) Directions 2018, The Public Service Pensions (Valuations and Employer Cost Cap) (Amendment and Savings) Directions 2019, and The Public Service Pensions (Valuations and Employer Cost Cap) (Amendment) Directions 2021. These directions are available electronically from: https://www.gov.uk/government/publications/public-service-pensions-actuarial-valuations-and-the-employer-cost-cap-mechanism-supplementary-documents; https://www.gov.uk/government/publications/public-service-pensions-actuarial-valuations; and https://www.gov.uk/government/publications/public-service-pensions-changes-to-2016-valuations.

(b) in relation to a relevant scheme as defined in section 90(2) of the Public Service Pensions and Judicial Offices Act 2022(**a**) (the "2022 Act") the date as specified in section 90(1) of that Act in relation to that scheme;

"core cost cap cost of the scheme" means the contribution rate calculated in accordance with direction 48 (i.e. it is the contribution rate which is compared against the employer cost cap and which reflects the cost of the scheme without allowing for the impact of a change in long-term economic assumptions);

"core cost cap fund" means a notional amount of money calculated in accordance with direction 41;

"core cost cap fund contribution rate" means the contribution rate calculated in accordance with direction 36;

"core cost cap income" means an amount of money representing income credited to the core cost cap fund, calculated in accordance with direction 37;

"core cost cap notional investment returns" means a notional amount of money added to the core cost cap fund of a scheme representing the growth of the core cost cap fund over time, calculated in accordance with direction 39;

"core cost cap past service cost" means the element of the core cost cap cost of the scheme that reflects past service costs stemming from the core cost cap fund, calculated in accordance with direction 43;

"cost cap benefits paid" means an amount of money representing benefits debited from the core cost cap fund and economic cost cap fund, calculated in accordance with direction 38;

"cost cap contribution yield" means the expected average contribution rate payable by members, calculated in accordance with direction 45;

"cost cap future service cost" means the element of the core cost cap cost of the scheme and of the economic cost cap cost of the scheme that reflects future service costs calculated in accordance with direction 44;

"cost cap implementation date", in respect of a particular cost cap valuation, means a date determined in accordance with direction 8(2);

"cost cap implementation period", in respect of a particular cost cap valuation, means the period following a cost cap valuation in which the cost cap future service cost as assessed by that cost cap valuation is assumed to be paid for the purposes of valuing a scheme, determined in accordance with direction 9(2);

"cost cap liabilities" means the liabilities of a scheme which are to be compared against: (i) the core cost cap fund to calculate the core cost cap past service cost; and (ii) the economic cost cap fund to calculate the economic cost cap past service cost, calculated in accordance with direction 34;

"cost cap valuation" means a valuation carried out for the purposes of section 12 of the 2013 Act;

"cost cap valuation report" means the report prepared by the scheme actuary in accordance with direction 25 for the purpose of a cost cap valuation;

"cost cap valuation results" in relation to a cost cap valuation means the numerical values stated in accordance with direction 25 in the cost cap valuation report prepared by the scheme actuary;

"cumulative future service technical immunity adjustment" in relation to a cost cap valuation means the future service technical immunity adjustment plus the cumulative future service technical immunity adjustment relating to the previous cost cap valuation, calculated in accordance with direction 47;

"economic cost cap cost of the scheme" means the contribution rate which is compared against the employer cost cap and which reflects the cost of the scheme allowing for the

(**a**) 2022 c. 7.

impact of a change in long-term economic assumptions, calculated in accordance with direction 67;

"economic cost cap fund" means a notional amount of money calculated in accordance with direction 64;

"economic cost cap fund contribution rate" means the contribution rate calculated in accordance with direction 61;

"economic cost cap income" means an amount of money representing income credited to the economic cost cap fund, calculated in accordance with direction 62;

"economic cost cap notional investment returns" means a notional amount of money added to the economic cost cap fund of a scheme representing the growth of the economic cost cap fund over time, calculated in accordance with direction 63;

"economic cost cap past service cost" means the element of the economic cost cap cost of the scheme that reflects past service costs stemming from the economic cost cap fund, calculated in accordance with direction 66;

"effective date" means:

(a) with regard to a particular valuation or cost cap valuation of a scheme the date as at which the liabilities and assets of the scheme are to be assessed for the purposes of that valuation or cost cap valuation, in accordance with direction 7; and

(b) for the avoidance of doubt, where "effective date" is referenced in a calculation to be undertaken pursuant to these Directions, it is a reference to the effective date of the particular valuation or cost cap valuation to which the calculation being undertaken relates, unless otherwise specified.

"employer contribution rate" means the rate of contributions determined to be payable by an employer in respect of benefits accruing, or accrued, to members of a particular scheme, calculated in accordance with direction 32;

"employer cost cap" has the same meaning as in section 12 of the 2013 Act;

"first valuation" means—

(a) in relation to a scheme providing benefits to employees of the Secret Intelligence Service or the Security Service, the valuation where the liabilities and assets of the scheme are assessed as at 31 March 2020;

(b) in relation to a scheme providing benefits to local government workers in Scotland, the valuation where the liabilities and assets of the scheme are assessed as at 31 March 2017; and

(c) where subparagraphs (a) or (b) do not apply, a valuation where the liabilities and assets of the scheme are assessed as at 31 March 2016;

"future service technical immunity adjustment" means the adjustment required when calculating the core cost cap cost of a scheme in order to exclude the impact of a change in the long-term economic assumptions arising since the previous valuation from the future service cost, calculated in accordance with direction 46;

"implementation date", in respect of a particular valuation, means a date determined in accordance with direction 8(1);

"implementation period", in respect of a particular valuation, means the period following a valuation in which the employer contribution rate as assessed for the purposes of that valuation is assumed by the scheme actuary to be paid for the purposes of valuing a scheme, determined in accordance with direction 9(1);

"inter-valuation period" means, in respect of a valuation or a cost cap valuation—

(a) for a scheme which provides benefits to local government workers in Scotland with an effective date of 31 March 2020, the period of three years before that date; or

(b) for a scheme which provides benefits to employees of the Secret Intelligence Service or the Security Service with an effective date on or before 31st March 2020 the period of five years before that date; or

(c) in any other case, the period of four years before the effective date;

"JPS 2015" means the scheme prescribed in the Judicial Pensions Regulations 2015(**a**);

"JPS 2022" means the scheme prescribed in the Judicial Pensions Regulations 2022 (**b**);

"legacy connected scheme" in relation to a scheme made or deemed to be made under section 1 of the 2013 Act ("the 2013 Act scheme") means a statutory pension scheme other than a scheme made under that section that makes provision in relation to persons of the same description as the 2013 Act scheme;

"normal contributions" means contributions that members and employers are required to pay in respect of a member's membership of a scheme;

"notional assets" means a notional amount of money representing the assets of the scheme used to calculate the employer contribution rate;

"notional investment returns" means a notional amount of money added to the notional assets of a scheme representing the growth of the notional assets over time, calculated in accordance with direction 28;

"past service technical immunity adjustment" means the adjustment made when calculating the core cost cap fund in order to exclude the impact on past service of a change in long-term economic assumptions, calculated in accordance with direction 40;

"preliminary valuation"—

(a) in relation to a valuation of any new scheme made under section 1 of the 2013 Act, except a new scheme relating to the judiciary, means a valuation to be carried out in accordance with Part 2A of these Directions;

(b) in relation to a scheme for employees of the Security Service or Secret Intelligence Service is to be construed as equivalent to the supplemental valuation once such valuation has been carried out in accordance with Part 2A of these Directions; and

(c) in all other cases, means a valuation carried out in accordance with Part 3 of the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 as they were in force prior to 14 February 2019.

"prior value of the core cost cap fund" means the opening value of the core cost cap fund at the start of the inter-valuation period (or in, the case of a first cost cap valuation or reconstructed first cost cap valuation, at the closing date of the legacy connected scheme) to be used in a cost cap valuation, as calculated in accordance with direction 35;

"prior value of the economic cost cap fund" means the opening value of the economic cost cap fund at the start of the inter-valuation period (or in, the case of a first cost cap valuation or reconstructed first cost cap valuation, at the closing date of the legacy connected scheme) to be used in a cost cap valuation, as calculated in accordance with direction 60;

"proposed employer cost cap" means—

(a) in relation to the second valuation of a scheme governed by the JPS 2015, the contribution rate calculated in accordance with directions 51 to 53 of Part 2A of these Directions;

(b) in relation to a cost cap valuation of a scheme governed by the JPS 2022, the proposed employer cost cap calculated at the second valuation of the JPS 2015;

(c) in relation to a scheme for the Security Service or the Secret Intelligence Service, the contribution rate set out, or to be set out, in the supplemental valuation report in accordance with directions 51 to 53 of Part 2A of these Directions; and

(d) in all other cases, the employer cost cap calculated at the preliminary valuation.

"reconstructed first cost cap valuation" means, for a scheme in relation to which the first cost cap valuation was undertaken before these directions came into force, the calculations that are

(**a**) S.I. 2015/182.
(**b**) S.I. 2022/319.

required to be made under direction 33A and direction 59A and which are made as if those directions had been in force at the time that the first cost cap valuation was undertaken, except that the assumptions used at that first cost cap valuation should be used instead of those specified in directions 15 to 19;

"reformed closed connected scheme" means a scheme made or deemed to be made under section 1 of the 2013 Act that makes provision in relation to persons of the same description as any other scheme made or deemed to be made under section 1 of the 2013 Act and which is closed to further accrual of benefits in respect of future service by the effective date;

"reformed opening connected scheme" means a scheme made or deemed to be made under section 1 of the 2013 Act that makes provision in relation to persons of the same description as any other scheme made or deemed to be made under section 1 of the 2013 Act and in which benefits in respect of future service can be accrued starting from a date on or after the effective date;

"SCAPE discount rate" means the Superannuation Contributions Adjusted for Past Experience discount rate used to assess the value of benefits accrued and accruing in a public service pension scheme in order to calculate valuation results or cost cap valuation results;

"scheme" (unless the context otherwise requires) means a scheme made or deemed to be made under section 1 of the 2013 Act and in which benefits in respect of future service can be accrued at the effective date;

"scheme actuary" means the actuary for the time being appointed in accordance with direction 4;

"supplemental valuation" means the valuation to be carried out in accordance with direction 50A for a scheme in respect of employees of the Security Service or Secret Intelligence Service;

"supplemental valuation report" means the valuation report for a scheme in respect of employees of the Security Service or Secret Intelligence Service that sets out a proposed employer cost cap, calculated under Part 2A of these Directions;

"the 2013 Act" means the Public Service Pensions Act 2013;

"the 2022 Act" means the Public Service Pensions and Judicial Offices Act 2022;

"total cumulative technical immunity adjustment" means the total adjustment that is made in the calculation of the core cost cap cost of the scheme, calculated in accordance with direction 68;

"transitional protection remedy" means the pension rights accruing to members pursuant to section 2(1), section 42(2), or section 78(1) of the 2022 Act, as applicable

"valuation" means a valuation carried out under section 11 of the 2013 Act;

"valuation report" means the report prepared by the scheme actuary in accordance with Part 2 of these Directions for the purpose of calculating the employer contribution rate; and

"valuation results" means the numerical values stated in the valuation report in accordance with direction 24.

(2) Except where otherwise provided, or where the context requires, any term not defined in these Directions which is defined in the 2013 Act or the 2022 Act has the same meaning as in the 2013 Act or the 2022 Act, as applicable.

Scheme Actuary

4.—(1) An actuary, referred to in these Directions as the "scheme actuary", must be appointed by the responsible authority to carry out a valuation of the scheme.

(2) The responsible authority must not appoint a person as the scheme actuary under paragraph (1) unless that person is, in the opinion of the responsible authority, appropriately qualified to carry out a valuation or cost cap valuation of the scheme in accordance with these Directions.

(3) The scheme actuary must carry out a valuation of the scheme and prepare a valuation report and a cost cap valuation report in accordance with these Directions.

5. As directed by the responsible authority, the scheme actuary must prepare either one report containing both the valuation report and the cost cap valuation report, or separate reports in respect of the valuation report and the cost cap valuation report.

6. Where the valuation report and cost cap valuation report are prepared separately, the responsible authority must specify to the scheme actuary whether the cost cap valuation report must be signed before or after the valuation report has been signed (as appropriate).

Effective date

7.—(1) In relation to a scheme providing benefits to employees of the Secret Intelligence Service or the Security Service, the first valuation and cost cap valuation must have an effective date of 31 March 2020.

(2) The reconstructed first cost cap valuation of the scheme must have an effective date that is the same as the effective date of the first valuation of the scheme, and in particular—

(a) in relation to a scheme providing benefits to local government workers in Scotland, 31 March 2017; and

(b) in all other cases, 31 March 2016.

(3) The second valuation of the scheme must have an effective date—

(a) in relation to a scheme providing benefits to employees of the Secret Intelligence Service or the Security Service, of 31 March 2024; and

(b) in all other cases, of 31 March 2020.

(4) The third and each subsequent valuation and cost cap valuation of a scheme must have an effective date which is four years later than the effective date of the second (or the last preceding) valuation or cost cap valuation, as appropriate.

Implementation date and cost cap implementation date

8.—(1) The implementation date must be—

(a) in relation to a valuation with an effective date of 31 March 2020, four years and one day after that date;

(b) in relation to a valuation with an effective date after 31 March 2020, three years and one day after that date.

(2) The cost cap implementation date must be three years and one day after the effective date of the cost cap valuation.

Implementation period and cost cap implementation period

9.—(1) The implementation period must be the period of four years starting on the implementation date except where the implementation date is determined in accordance with direction 8(1), in which case the implementation period must be the period of three years starting on the implementation date.

(2) The cost cap implementation period must be the period of four years starting on the cost cap implementation date.

Membership and other data

10.—(1) The scheme actuary must specify to the responsible authority, before carrying out the first and each subsequent valuation or cost cap valuation of a scheme, the scheme membership data and any other data in relation to the effective date that they require to carry out the valuation and prepare the valuation report.

(2) The responsible authority must designate a person to be responsible for ensuring that the data specified by the scheme actuary in accordance with paragraph (1) is provided to the scheme actuary and must inform the scheme actuary who that designated person is.

(3) The person designated in accordance with paragraph (2) can be the responsible authority, the scheme manager, or any other person or body in a position to ensure that the specified information is provided.

(4) The scheme actuary must use the scheme membership data and other data provided to them to calculate the valuation results or the cost cap valuation results.

Methodology and assumptions

11. When calculating the valuation results or cost cap valuation results, the scheme actuary must use the methodology and assumptions set out in directions 12 to 19, unless any contrary intention is specified in these Directions.

Projected unit methodology

12.—(1) The scheme actuary must use the projected unit methodology.

(2) When using the projected unit methodology, benefits must be attributed to periods of service in accordance with the requirements of International Accounting Standard 19: Employee Benefits.

Other methodology and assumptions

13. The scheme actuary must calculate contribution yields in accordance with directions 31 and 45 in respect of members' and employers' normal contributions only.

14.—(1) The scheme actuary must calculate–

(a) contribution rates in accordance with directions 30(1)(a) and (c);

(b) the core cost cap past service cost in accordance with direction 43; and

(c) the economic cost cap past service cost in accordance with direction 66.

on the assumption that these contribution rates will be payable for 15 years from the dates indicated in those directions.

15.—(1) Where relevant in carrying out any calculation pursuant to these Directions, the scheme actuary must in relation to any period in respect of which an order has been made under section 59 of the Social Security Pensions Act 1975(**a**) to increase the rate of official pensions within the meaning of the Pensions (Increase) Act 1971 (**b**) use the rate of increase of official pensions provided by that order.

(2) Where the rate of increase required for carrying out a calculation pursuant to these Directions is not determined by the application of paragraph (1), the scheme actuary must assume that the rate is–

(a) 4.1% on 8th April 2024;

(b) 0.6% on 7th April 2025;

(c) 0.0% on 6th April 2026;

(d) 0.8% on 12th April 2027;

(e) 1.7% on 10th April 2028 and

(f) 2.0% on the first Monday in each tax year subsequently.

(**a**) 1975 c.60
(**b**) 1971 c.56

16. The scheme actuary must assume that the price measure revaluations of career average re-valued earnings under section 9 of the 2013 Act are the same as the rates of increases determined under direction 15.

17. —(1) The scheme actuary must in relation to any period in respect of which an order has been made under section 9(2) and 9(3) of the Public Service Pensions Act 2013 use the rate of earnings revaluation provided by that order.

(2) Where the rate of earnings revaluation required for carrying out a calculation pursuant to these Directions is not determined by the application of paragraph (1), the scheme actuary must assume that the rate is–

(a) 4.7% on the 1st April 2024;

(b) 1.6% on the 1st April 2025;

(c) 1.7% on the 1st April 2026;

(d) 1.9% on the 1st April 2027;

(e) 2.5% on the 1st April 2028; and

(f) 3.8% on 1st April in each year from 1st April 2029.

18. The scheme actuary must assume that the rate of public service earnings growth is–

(a) 7.6% during the calendar year ending on 31st March 2021;

(b) 4.7% during the calendar year ending on 31st March 2022;

(c) 2.8 % during the calendar year ending on 31st March 2023;

(d) 2.5% during the calendar year ending on 31st March 2024;

(e) 1.6% during the calendar year ending on 31st March 2025;

(f) 1.6% during the calendar year ending on 31st March 2026;

(g) 1.9% during the calendar year ending on 31st March 2027;

(h) 2.7% during the calendar year ending on 31st March 2028; and

(i) 3.8% during each calendar year from 1st April 2028.

19. The scheme actuary must also assume that:

(a) the SCAPE discount rate during each calendar year ending on the 31st March is the assumed rate of increases awarded by order made under section 59 of the Social Security Pensions Act 1975 to official pensions within the meaning of the Pensions (Increase) Act 1971 in the April immediately following 31st March of the year in question, compounded with 3.0% from 1st April 2015 to 31st March 2016, 2.8% from 1st April 2016 to 31st March 2019, 2.4% from 1st April 2019 to 31st March 2023 and 1.7% from 1st April 2023, except that for any time when there is no increase awarded, or assumed to be awarded, by order made under section 59 of the Social Security Pensions Act 1975 to official pensions within the meaning of the Pensions (Increase) Act 1971 as a result of the price inflation index used to calculate increases to official pensions being zero or a negative figure, the figure of that price inflation index must be used;

(b) the post-retirement mortality rates of scheme members will change in accordance with the changes in mortality rates published by the Office for National Statistics as part of the 2020 principal population projections for the United Kingdom;

(c) when determining the cost cap future service cost in direction 44 and the cost cap contribution yield in direction 45, no members of a scheme providing benefits to local government workers–

(i) in England and Wales ever have, or ever will, make an election under regulation 10 of the Local Government Pension Scheme Regulations 2013(**a**); or

(ii) in Scotland ever have, or ever will, make an election under regulation 10 of the Local Government Pension Scheme (Scotland) Regulations 2018(**b**);

(d) for members reaching state pension age after the date of these Directions, the state pension age–

(i) for members born after 5 October 1954 but before 6 April 1960, will be 66;

(ii) for members born on or after 6 April 1960 but before 6 April 1977, will increase to 67 as set out in Schedule 2(1);

(iii) for members born on or after 6 April 1977 but before 6 April 1978, will be attained at the date set out in Schedule 2(2); and

(iv) for members born on or after 6 April 1978, will be 68.

PART 2: VALUATIONS AND COST CAP VALUATIONS

Application of Part

20.—(1) This Part applies to valuations and cost cap valuations of schemes made for the payment of pensions and other benefits to or in respect of persons specified in section 1 of the 2013 Act and any reference to a "scheme", a "legacy connected scheme", a "reformed closed connected scheme" or a "reformed opening connected scheme" is to be construed accordingly.

Assumptions

21. When calculating the valuation results or cost cap valuation results, all assumptions used by the scheme actuary, other than those detailed in directions 12 to 19, must–

(a) be determined by the responsible authority, having obtained and had regard to advice from the scheme actuary;

(b) be determined following discussions with such persons (or representatives of persons) as the responsible authority considers appropriate;

(c) be the responsible authority's best estimates and not include margins for prudence or optimism;

(d) be determined with regard to–

(i) previous assumptions (made in accordance with these Directions or otherwise);

(ii) the analysis of demographic experience prepared in accordance with direction 22;

(iii) relevant data obtained or made available from any other source (including relevant data that becomes available after the effective date);

(iv) any emerging evidence about historic long term trends;

(v) any emerging evidence that may illustrate long term trends expected in the future;

(**a**) S.I. 2013/2356
(**b**) S.S.I. 2018/141

(e) include assumptions about–

(i) new entrant profiles;

(ii) mortality rates;

(iii) age retirement rates;

(iv) commutation;

(v) rates of early and late retirements;

(vi) rates and severity of ill health retirements;

(vii) members' dependants;

(viii) resignations;

(ix) members opting out from and re-joining the scheme; and

(x) promotional earnings increases.

The Valuation Report: Contents

Analysis of the demographic experience

22.—(1) Where the scheme membership data are in the scheme actuary's opinion sufficient for the scheme actuary to carry out a robust analysis of the demographic experience of the scheme, then the scheme actuary must include in the valuation report a summary of that analysis of the demographic experience up to the effective date covering the following aspects–

(a) new entrant profiles;

(b) mortality rates;

(c) age retirement rates;

(d) rates of early and late retirements;

(e) rates and severity of ill health retirements;

(f) resignations and opt outs;

(g) rates of re-joining service;

(h) promotional earnings increases;

(i) members dependants;

(j) take up of commutation options; and

(k) any other aspects that the scheme actuary considers to be relevant.

(2) For each aspect listed at paragraph (1), where in the scheme actuary's opinion the scheme membership data are not sufficient for the scheme actuary to carry out a robust analysis of that aspect, the scheme actuary must include a statement to that effect in the valuation report.

(3) When carrying out an analysis of the kind referred to in paragraph (1), the scheme actuary must consider the demographic experience of the scheme over the inter-valuation period.

(4) When carrying out such an analysis, the scheme actuary may consider the demographic experience of the scheme over a period of time before the effective date of the valuation as specified by the responsible authority.

Information about the scheme and data

23.—(1) The scheme actuary must include in either the valuation report or the cost cap valuation report–

(a) information regarding the scheme membership used to carry out the valuation, including a summary of–

(i) scheme membership and other data used;

(ii) the checks carried out on the data by the scheme actuary, and the limitations of those checks; and

(iii) any adjustments made to, or projections made from the data by the scheme actuary, the approach used in making them, and the rationale for them;

(b) a statement of the average age of the scheme members in pensionable service at the effective date;

(c) a statement of the average expected future pensionable service of the scheme members in pensionable service at the effective date, calculated in accordance with the requirements as to data, assumptions and methodology specified in these Directions;

(d) a statement of the total projected pensionable payroll, in nominal terms, at each of–

(i) the effective date;

(ii) the implementation date; and

(iii) the last day of the implementation period;

(e) a statement that the valuation results have been calculated in accordance with the requirements as to data, assumptions, and methodology specified in these Directions;

(f) a summary of the regulations, directions, and professional standards applicable in relation to the valuation;

(g) a summary of the main provisions of the scheme (with a separate summary for the main provisions of the scheme made under section 1 of the 2013 Act and those of any legacy connected scheme, reformed closed connected scheme or reformed opening connected scheme);

(h) an analysis of the demographic experience, if carried out in accordance with direction 22;

(i) a statement of the assumption used by the scheme actuary in preparing the report, including–

(i) a summary of the assumptions determined by the responsible authority under direction 21;

(ii) a statement of how regard has been had to the matters listed in direction 21(d) in making assumptions under direction 21(e);

(iii) an illustration of the main sensitivities of the valuation results to the assumptions, including the sensitivities mentioned in paragraph (2);

(j) a summary of the any other liability of the scheme that the responsible authority has told the scheme actuary that it considers to be relevant; and

(k) any other matters that the scheme actuary considers to be relevant.

(2) The sensitivities to be illustrated must include what, in the scheme actuary's opinion are the main sensitivities to–

(a) the number of years specified in direction 14 (period contribution rates payable); and

(b) the assumptions specified in directions 15 (pension increases), 16 (price measure revaluations), 17 (earnings measure revaluations), 18 (public service earnings growth), 19(a) (SCAPE discount rate) and 19(d) (state pension age).

Employer contribution rate

24. The scheme actuary must include in the valuation report a statement of–

(a) the liabilities of the scheme as at the effective date calculated in accordance with direction 27;

(b) the notional assets of the scheme as at the effective date calculated in accordance with direction 28;

(c) the information about the notional assets of the scheme required by direction 29;

(d) the contribution rates calculated in accordance with direction 30;

(e) the contribution yields calculated in accordance with direction 31;

(f) the employer contribution rate calculated in accordance with direction 32.

The Cost Cap Valuation Report: Contents

Contents of the cost cap valuation report

25. The scheme actuary must include in the cost cap valuation report a statement of—

(a) the cost cap liabilities as at the effective date calculated in accordance with direction 34;

(b) the prior value of the core cost cap fund calculated in accordance with direction 35;

(c) the core cost cap fund contribution rate calculated in accordance with direction 36;

(d) the core cost cap income calculated in accordance with direction 37;

(e) the cost cap benefits paid calculated in accordance with direction 38;

(f) the core cost cap notional investment returns calculated in accordance with direction 39;

(g) the past service technical immunity adjustment calculated in accordance with direction 40;

(h) the value of the core cost cap fund as at the effective date calculated in accordance with direction 41;

(i) the change in value of the core cost cap fund calculated in accordance with direction 42;

(j) the core cost cap past service cost calculated in accordance with direction 43;

(k) the cost cap future service cost calculated in accordance with direction 44;

(l) the cost cap contribution yield calculated in accordance with direction 45;

(m) the future service technical immunity adjustment calculated in accordance with direction 46;

(n) the cumulative future service technical immunity adjustment calculated in accordance with direction 47;

(o) the core cost cap cost of the scheme calculated in accordance with direction 48;

(p) the prior value of the economic cost cap fund calculated in accordance with direction 60;

(q) the economic cost cap fund contribution rate calculated in accordance with direction 61;

(r) the economic cost cap income calculated in accordance with direction 62;

(s) the economic cost cap notional investment returns calculated in accordance with direction 63;

(t) the value of the economic cost cap fund as at the effective date calculated in accordance with direction 64;

(u) the change in value of the economic cost cap fund calculated in accordance with direction 65;

(v) the economic cost cap past service cost calculated in accordance with direction 66;

(w) the economic cost cap cost of the scheme calculated in accordance with direction 67;

(x) the total cumulative technical immunity adjustment calculated in accordance with direction 68;

(y) a statement that the core cost cap valuation results and economic cost cap valuation results have been calculated in accordance with the requirements as to data, methodology and assumptions specified by these Directions;

(z) a summary of the regulations, directions and professional standards applicable to the preparation of the cost cap valuation report;

(aa) a comparison of the core cost cap cost of the scheme identified in the cost cap valuation report with the employer cost cap, in accordance with direction 70(1);

(bb) where the core cost cap cost of the scheme has gone beyond the margins on either side of the employer cost cap specified in Regulations made under section 12(5) of the 2013 Act, a comparison of the economic cost cap cost of the scheme identified in the cost cap valuation report with the employer cost cap;

(cc) where the core cost cap cost of the scheme has gone beyond the margins on either side of the employer cost cap specified in Regulations made under section 12(5) of the 2013 Act and the economic cost cap cost of the scheme has also gone beyond that same margin, a statement to that effect to notify the responsible authority; and

(dd) an analysis of the difference between the employer cost cap and the core cost cap cost of the scheme, identifying and quantifying any noticeable differences caused by–

  (i) a change in the average age of members;

  (ii) a change in the average normal pension age of members (whether resulting from a change in state pension age or otherwise);

  (iii) a change in the expected member contribution yield;

  (iv) scheme experience or a change in assumptions relating to–

    1. new entrant profiles;
    2. mortality rates;
    3. rates of age retirement;
    4. rates of early and late retirements;
    5. rates and severity of ill health retirements;
    6. resignations and opt-outs;
    7. rates of rejoining service;
    8. general earnings growth until 31st March 2027;
    9. members’ dependants;
    10. take up of commutation options; and
    11. any other factor or consideration which in the scheme actuary’s opinion is relevant; and

  (v) any other matters that the scheme actuary considers to be relevant.

The Valuation Report: Employer Contribution Rate

Interpretation of Directions 27 to 32

26. In relation to directions 27 to 32, any references to “scheme” should be taken to include any legacy connected scheme, reformed closed connected scheme, or reformed opening connected scheme for the payment of pensions and other benefits to or in respect of the same description of persons.

Liabilities as at effective date

27.—(1) The scheme actuary must, having applied the methodology and assumptions set out in these Directions, prepare a statement of the liabilities of the scheme as at the effective date (from the scheme membership and other data supplied to them).

(2) For the purposes of this direction, the liabilities of the scheme must include:

(a) any right or entitlement to present or future benefits that has accrued under the scheme rules to or in respect of a member of the scheme (including a pension credit member);

(b) any right or entitlement to present or future benefits that has accrued under the scheme rules to or in respect of any other person;

(c) any other liability of the scheme that the responsible authority considers to be relevant.

Notional assets

28.—(1) The value of the notional assets as at the effective date must be set as equal to:

$$(A+(B-C))+D$$

where–

A is–

(i) for the first valuation of a scheme, the notional assets value set out in Schedule 1 with respect to the scheme;

(ii) for the second and subsequent valuation of a scheme, the notional assets value as at the effective date of the previous valuation of the scheme;

B is–

(iii) for the first valuation of a scheme, the income received by the scheme from the date set out in Schedule 1 to the effective date;

(iv) for the second and subsequent valuation of a scheme, the income received by the scheme during the inter-valuation period;

C is–

(v) for the first valuation of a scheme, the benefits paid from the scheme from the date set out in Schedule 1 to the effective date;

(vi) for the second and subsequent valuation of a scheme, the benefits paid from the scheme during the inter-valuation period;

D is–

(vii) for the first valuation of a scheme, notional investment returns on the notional assets of the scheme from the date set out in Schedule 1 to the effective date, including notional investment returns on income received less benefits paid from the date set out in Schedule 1 to the effective date;

(viii) for the second and subsequent valuation of a scheme, notional investment returns on the notional assets of the scheme during the inter-valuation period, including notional investment returns on income received less benefits paid during the inter-valuation period.

(2) The income received by the scheme for the purposes of the calculation at paragraph (1) must–

(a) include, but is not limited to, employer contributions, member contributions and incoming transfer values; and

(b) exclude payments received from the Consolidated Fund for the payment of interim payment amounts, within the meaning of regulation 49 of the Judicial Pensions

(Fee-Paid Judges) Regulations 2017(**a**) and any interest on and compensation paid in relation to those amounts.

(3) The benefits paid by the scheme for the purposes of the calculation at paragraph (1) must–

(a) include (but are not limited to)–

(i) benefits paid to pensioners and dependants;

(ii) outgoing transfer values; and

(iii) interim payment amounts, within the meaning of regulation 49 of the Judicial Pensions (Fee-Paid Judges) Regulations 2017 and any interest paid on those amounts.

(b) exclude compensation paid to members as a result of Part 7 of the Judicial Pensions (Fee-Paid Judges) Regulations 2017 or those revisions.

(4) The notional investment returns of the scheme for the purposes of the calculation at paragraph (1) must be calculated–

(a) for each calendar year ending on 31st March up to and including the calendar year ending on 31st March 2011, using the rate of increases awarded by order made under section 59 of the Social Security Pensions Act 1975 to official pensions within the meaning of the Pensions (Increase) Act 1971 in the April immediately following the year in question, compounded with 3.5%;

(b) for each calendar year ending on 31st March after the calendar year ending on 31st March 2011 to the calendar year ending on 31st March 2016, using the rate of increases awarded by order made under section 59 of the Social Security Pensions Act 1975 to official pensions within the meaning of the Pensions (Increase) Act 1971 in the April immediately following the year in question, compounded with 3.0%;

(c) for each calendar year ending on 31st March from the calendar year starting on 1st April 2016 to the calendar year ending on 31st March 2019, using the rate of increases awarded by order made under section 59 of the Social Security Pensions Act 1975 to official pensions within the meaning of the Pensions (Increase) Act 1971 in the April immediately following the year in question, compounded with 2.8%;

(d) for each calendar year ending on 31st March from the calendar year starting on 1st April 2019 to the calendar year ending on 31st March 2023, using the rate of increases awarded by order made under section 59 of the Social Security Pensions Act 1975 to official pensions within the meaning of the Pensions (Increase) Act 1971 in the April immediately following the year in question, compounded with 2.4%; and

(e) for each calendar year ending on 31st March from the calendar year starting on 1st April 2023, using the rate of increases awarded by order made under section 59 of the Social Security Pensions Act 1975 to official pensions within the meaning of the Pensions (Increase) Act 1971 in the April immediately following the year in question, compounded with 1.7%.

(5) For the purposes of paragraph (4), for any time when there is no increase awarded by order made under section 59 of the Social Security Pensions Act 1975 to official pensions within the meaning of the Pensions (Increase) Act 1971 as a result of the price inflation index used to calculate increases to official pensions being zero or a negative figure, the figure of the price inflation index must be used.

(**a**) S.I. 2017/522.

Information about the notional assets

29.—(1) The scheme actuary must also include in the valuation report a statement of the notional assets of the scheme–

(a) for the first valuation of the scheme, as at the date shown in Schedule 1 relevant to the scheme;

(b) for the second and subsequent valuations of the scheme, as at the effective date of the previous valuation.

(2) The scheme actuary must include in the valuation report an analysis of any change in the valuation of the notional assets–

(a) for the first valuation of a scheme, between the relevant date in Schedule 1 and the effective date;

(b) for the second and subsequent valuations of the scheme, during the inter-valuation period.

(3) The scheme actuary must include in the analysis referred to in paragraph (2)–

(a) income received during that period;

(b) benefits paid during that period; and

(c) notional investment returns during that period.

Contribution rates

30.—(1) The scheme actuary must state in the valuation report, to the nearest 0.1% of pensionable payroll–

(a) the contribution rate, payable from the implementation date, required to meet the difference between the liabilities of the scheme calculated in accordance with direction 27 and the notional assets calculated in accordance with direction 28;

(b) the contribution rate, payable from the effective date to the implementation date, required to cover the expected costs of benefits accrued and accruing by members between the effective date and the implementation date;

(c) the contribution rate, payable from the implementation date, required to meet the difference between–

(i) the contributions that would have been received from members and employers had they jointly paid the contribution rate referred to in sub-paragraph (b); and

(ii) the normal contributions expected to be paid by members and employers;

between the effective date and the implementation date; and

(d) the contribution rate required to cover the expected cost of benefits accrued by members during the implementation period.

(2) The scheme actuary must ignore, for the purposes of determining the contribution rate in paragraph (1)(a) for a scheme providing benefits to members of the armed forces, liabilities and notional assets in relation to members of legacy connected schemes who began to draw their benefits before 1st April 2001, and the calculations under directions 27 and 28 must be adjusted accordingly.

Contribution yields

31. The scheme actuary must state in the valuation report, to the nearest 0.1% of pensionable payroll, the contribution yield expected from–

(a) member contributions to the scheme between the effective date and the implementation date;

(b) employer contributions to the scheme between the effective date and the implementation date; and

(c) member contributions to the scheme during the implementation period.

Employer contribution rate

32. The employer contribution rate must be calculated as–

$$(A+B+C)-D$$

where–

A is the contribution rate stated in accordance with direction 30(1)(a);

B is the contribution rate stated in accordance with direction 30(1)(c);

C is the contribution rate stated in accordance with direction 30(1)(d); and

D is the contribution yield expected from member contributions to the scheme stated in accordance with direction 31(c).

The Cost Cap Valuation Report: Core Cost Cap Cost of the Scheme

Interpretation of Directions 33A to 49

33. In relation to directions 33A to 49, any references to "scheme" should be taken to include any reformed closed connected scheme or reformed opening connected scheme but not any legacy connected scheme for the payment of pensions and other benefits to or in respect of the same description of persons, except where otherwise indicated.

Reconstructed first cost cap valuation

33A. The scheme actuary must perform the calculations pertaining to a reconstructed first cost cap valuation under directions 35 to 40 and 46 to 47 where the second cost cap valuation of a scheme has an effective date of 31st March 2020.

Cost cap liabilities as at the effective date

34. The scheme actuary must calculate the cost cap liabilities as the value of liabilities relating to benefits that have accrued in the scheme as at the effective date.

Prior value of the core cost cap fund

35.—(1) For the first cost cap valuation or reconstructed first cost cap valuation of a scheme, the scheme actuary must assume the prior value of the core cost cap fund is zero.

(2) Where the second cost cap valuation of a scheme has an effective date of 31st March 2020 the scheme actuary must calculate the prior value of the core cost cap fund as–

$$(B-C)+D+E$$

where–

B is the core cost cap income, calculated in accordance with direction 37 for the reconstructed first cost cap valuation;

C is the cost cap benefits paid, calculated in accordance with direction 38 for the reconstructed first cost cap valuation;

D is the core cost cap notional investment returns calculated in accordance with direction 39 for the reconstructed first cost cap valuation; and

E is the past service technical immunity adjustment calculated in accordance with direction 40 for the reconstructed first cost cap valuation.

(3) Subject to subparagraph (2), for each subsequent cost cap valuation of a scheme the scheme actuary must assume that the prior value of the core cost cap fund is the value of the core cost cap fund as at the effective date of the previous cost cap valuation, as calculated at that previous cost cap valuation.

Core cost cap fund contribution rate

36.—(1) For the first cost cap valuation or reconstructed first cost cap valuation of a scheme, the scheme actuary must calculate the core cost cap fund contribution rate, to the nearest 0.1% of pensionable payroll, as–

$$A – B$$

where–

A is the contribution rate required to cover the expected costs of the benefits accruing in the scheme to members of the scheme from the closing date of the legacy connected scheme to the effective date; and

B is the member contribution yield to the scheme between the closing date of the legacy connected scheme and the effective date in respect of those benefits.

(2) A and B in paragraph (1) must be calculated using the methodology, data and assumptions used to calculate the employer contribution rate in a preliminary valuation.

(3) For the second and subsequent cost cap valuations of the scheme, the core cost cap fund contribution rate must be calculated, to the nearest 0.1% of pensionable payroll, as–

$$(A + B) - C$$

where–

A is the contribution rate required to cover the expected costs of the benefits accruing to members of the scheme during the inter-valuation period;

B is the core cost cap past service cost calculated in accordance with direction 43 at, or as if it had been calculated at the previous cost cap valuation of the scheme; and

C is the member contribution yield to the scheme during the inter-valuation period made in respect of the benefits as calculated at A and accruing to members of the scheme.

(4) A and C in paragraph (3) must be calculated using the methodology, data and assumptions used to calculate the employer contribution rate in the previous valuation of the scheme.

(5) For B in paragraph (3), where a core cost cap past service cost was not calculated at a previous cost cap valuation, B must be the amount that would have been calculated at that previous cost cap valuation in accordance with direction 43 using the assumptions that would have applied in accordance with direction 43 at the time the previous cost cap valuation was carried out had direction 43 of these Directions been in force.

Core cost cap income

37.—(1) The scheme actuary must calculate the core cost cap income as–

(a) for the first cost cap valuation or reconstructed first cost cap valuation of a scheme, the income received between the closing date of the connected legacy scheme and the effective date of that first cost cap valuation or reconstructed first cost cap valuation;

(b) for the second and each subsequent cost cap valuation of a scheme, the income received during the inter-valuation period.

(2) The income received for the purposes of paragraph (1)–

(a) includes, but is not limited to, employer contributions, member contributions and incoming transfer values;

(b) excludes any income of a nature specified in subparagraph (a) that relates to benefits accruing to members of a scheme or a legacy connected scheme in connection with the transitional protection remedy (except that the exclusion in this subparagraph (2)(b) does not apply in the case of a scheme providing benefits to local government workers in England and Wales or Scotland); and

(c) in respect of employer contributions, must be adjusted to the amount that would have been received had all employers contributed at the core cost cap fund contribution rate during the period specified in paragraph (1)(a) or (1)(b), as applicable.

Cost cap benefits paid

38.—(1) The scheme actuary must calculate the cost cap benefits paid as–

(a) for the first cost cap valuation or reconstructed first cost cap valuation of a scheme, the benefits paid between the closing date of the legacy connected scheme and the effective date; and

(b) for the second and each subsequent cost cap valuation of a scheme, the benefits paid during the inter-valuation period.

(2) For the purposes of paragraph (1), the benefits paid must include, but are not limited to benefits paid to pensioners and dependants and outgoing transfer values.

Core cost cap notional investment returns

39.—(1) The scheme actuary must calculate the core cost cap notional investment returns–

(a) for the first cost cap valuation or reconstructed first cost cap valuation of a scheme, to represent the growth of the core cost cap fund between the closing date of the legacy connected scheme and the effective date;

(b) for the second and each subsequent cost cap valuation of a scheme, to represent the growth of the core cost cap fund during the inter-valuation period.

(2) For the purposes of paragraph (1), when calculating notional investment returns during a period–

(a) the scheme actuary must assume that core cost cap fund has been calculated taking account of the adjustments required by directions 35(1) and 35(2) where relevant;

(b) the scheme actuary must make allowance for the core cost cap income added to the core cost cap fund, and for the cost cap benefits deducted from the core cost cap fund; and

(c) the scheme actuary must calculate (1)(a) and (b) using the rates determined in accordance with directions 28(4) and 28(5), as appropriate.

Past service technical immunity adjustment

40.—(1) Subject to paragraph (2), the scheme actuary must calculate the past service technical immunity adjustment as—

$$A - B$$

where—

A is the cost cap liabilities as at the effective date calculated in accordance with direction 34, save that—

(i) except as directed by subparagraph (ii), the scheme actuary must calculate A using the same assumptions as were used in the previous valuation of the scheme or legacy connected scheme to calculate the liabilities under direction 27,

(ii) the scheme actuary must calculate A using the SCAPE discount rate in force at the current valuation in accordance with direction 19(a), a long-term earnings measure of revaluation of 3.8% on 1st April in each year from 1st April 2024, and long-term public service earnings growth assumption of 3.8% during each calendar year from 1st April 2023;

B is the cost cap liabilities as at the effective date calculated in accordance with direction 34, save that—

(iii) the scheme actuary must calculate B using the same assumptions as were used in the previous valuation of the scheme or legacy connected scheme to calculate the liabilities under direction 27.

(2) For a reconstructed first cost cap valuation the scheme actuary must calculate the past service technical immunity adjustment as—

$$A - B$$

where—

A is the cost cap liabilities as at the effective date calculated, subject to subparagraphs (i) and (ii), in accordance with direction 34—

(i) except as directed by subparagraph (ii), the scheme actuary must calculate A using the same assumptions as were used in the preliminary valuation to calculate the liabilities under direction 27;

(ii) the scheme actuary must calculate A using a percentage figure for direction 19(a) (SCAPE discount rate) of 2.8% from 1st April 2016 to 31st March 2019 and 2.4% from 1st April 2019, a long-term earnings measure of revaluation of 4.2% on 1st April in each year from 1st April 2020, and long-term public service earnings growth assumption of 4.2% during each calendar year from 1st April 2019.

B is the cost cap liabilities as at the effective date calculated, subject to subparagraph (i), in accordance with direction 34—

(iii) the scheme actuary must calculate B using the same assumptions as were used in the preliminary valuation to calculate the liabilities under direction 27.

Core cost cap fund

41. The value of the core cost cap fund as at the effective date is calculated as–

$$A + (B - C) + D + E$$

where–

A is the prior value of the core cost cap fund, calculated in accordance with direction 35:

B is the core cost cap income, calculated in accordance with direction 37;

C is the cost cap benefits paid, calculated in accordance with direction 38;

D is the core cost cap notional investment returns calculated in accordance with direction 39; and

E is the past service technical immunity adjustment calculated in accordance with direction 40.

Change in value of the core cost cap fund

42.—(1) The cost cap valuation report must include an analysis of the change in value of the core cost cap fund from the prior value of the core cost cap fund as calculated in direction 35–

(a) for the first cost cap valuation of a scheme, between the closing date of any legacy connected scheme and the effective date; and

(b) for the second and any subsequent cost cap valuation of a scheme, during the inter-valuation period.

(2) For the second cost cap valuation of a scheme that has a reconstructed first cost cap valuation, the cost cap valuation report must also include an analysis of the change in value of the core cost cap fund between the closing date of any legacy connected scheme and the effective date of that reconstructed first cost cap valuation.

(3) That analysis in (1) and (2) must include–

(a) the core cost cap income;

(b) the cost cap benefits paid;

(c) the core cost cap notional investment returns; and

(d) the past service technical immunity adjustment.

Core cost cap past service cost

43. The scheme actuary must calculate the core cost cap past service as–

$$A - B$$

where–

A is the cost cap liabilities as at the effective date calculated in accordance with direction 34; and

B is the core cost cap fund as at the effective date calculated in accordance with direction 41;

stated to the nearest 0.1% of pensionable payroll of the membership of the scheme at the relevant points in time, as a (negative or positive) contribution rate payable from the effective date.

Cost cap future service cost

44.—(1) The scheme actuary must calculate the cost cap future service cost, to the nearest 0.1% of pensionable payroll, as the contribution rate required to cover the expected cost of benefits accrued by members during the cost cap implementation period.

(2) For the purpose of calculating the contribution rate in paragraph (1), the assumptions specified in direction 15 must be adjusted so that the assumed rate of increase is 2% from the first Monday in each tax year commencing with the first tax year in the cost cap implementation period.

(3) For the purpose of calculating the contribution rate in paragraph (1), direction 16 must be adjusted so as to be subject to the modification made by subparagraph (2).

(4) For the purpose of calculating the contribution rate in paragraph (1), the assumptions specified in direction 17 must be adjusted so that the assumed earnings measure revaluations of career average re-valued earnings under section 9 of the 2013 Act is 3.8% in each year from the 1st April in the first year in the cost cap implementation period.

(5) For the purpose of calculating the contribution rate in paragraph (1), the assumptions specified in direction 21, apart from those made to determine the expected scheme membership over the cost cap implementation period, must be adjusted as if no members of the relevant scheme had any benefits accrued in any legacy connected scheme or any entitlement to savings provisions made under section 89 of the 2022 Act.

(6) For the purpose of calculating the contribution rate in paragraph (1), the expected cost of benefits accrued by members of the scheme during the cost cap implementation period should be determined as if no members of the scheme had any entitlement to savings provisions made under section 89 of the 2022 Act.

Cost cap contribution yield

45. For the first and each subsequent cost cap valuation of the scheme the scheme actuary must calculate the cost cap contribution yield, to the nearest 0.1% of pensionable pay, as the contribution yield expected from member contributions to the scheme during the cost cap implementation period.

Future service technical immunity adjustment

46.—(1) Subject to paragraph (2) the scheme actuary must calculate the future service technical immunity adjustment as—

$$C - D$$

where—

C is the cost cap future service cost calculated, subject to subparagraphs (i) and (ii), in accordance with direction 44 –

(i) Except as directed by subparagraph (ii), the scheme actuary must calculate C using the same assumptions as were used in the previous valuation of the scheme or legacy connected scheme to calculate the cost cap future service cost;

(ii) The scheme actuary must calculate C using the SCAPE discount rate and long-term earnings measure of revaluation assumptions at the current valuation in accordance with directions 19(a) and 44(4).

D is the cost cap future service cost calculated, subject to subparagraph (i), in accordance with direction 44 –

(iii) The scheme actuary must calculate D using the same assumptions as were used in the previous valuation of the scheme or legacy connected scheme to calculate the cost cap future service cost.

For C and D, where the cost cap future service cost was not calculated at the previous valuation of the scheme or legacy connected scheme because instead a proposed employer cost cap was calculated, the assumptions to be used are those that were used to calculate that proposed employer cost cap.

(2) For a reconstructed first valuation the scheme actuary must calculate the future service technical immunity adjustment as—

$$C - D$$

where—

C is the cost cap future service cost calculated, subject to subparagraphs (i) and (ii), in accordance with direction 44–

(i) Except as directed by subparagraph (ii), the scheme actuary must calculate C using the same assumptions as were used in the preliminary valuation to calculate the proposed employer cost cap;

(ii) The scheme actuary must calculate C using a percentage figure for direction 19(a) (SCAPE discount rate) of 2.8% from 1st April 2016 to 31st March 2019 and 2.4% from 1st April 2019 and using a percentage figure of 4.2% where direction 44(4) specified 3.8% for earnings measure revaluations;

D is the cost cap future service cost calculated, subject to subparagraph (i), in accordance with direction 44 –

(iii) The scheme actuary must calculate D using the same assumptions as were used in the preliminary valuation to calculate the proposed employer cost cap.

Cumulative future service technical immunity adjustment

47.—(1) The scheme actuary must calculate the cumulative future service technical immunity adjustment as–

$$A + B$$

where–

A is, subject to subparagraph (2) and (3), the cumulative future service technical immunity adjustment from the previous cost cap valuation of the scheme

B is the future service technical immunity adjustment calculated in accordance with direction 46.

(2) For a first cost cap valuation or reconstructed first cost cap valuation, A is zero.

(3) For a second cost cap valuation where the cumulative future service technical immunity adjustment was not calculated at the first cost cap valuation of the scheme, A is the cumulative future service technical immunity adjustment from the reconstructed first cost cap valuation of the scheme.

Core cost cap cost of the scheme

48. The core cost cap cost of the scheme must be calculated as–

$$((A + B) - C) - D$$

where–

A is the cost cap future service cost, calculated in accordance with direction 44;

B is the core cost cap past service cost calculated in accordance with direction 43;

C is the cost cap contribution yield calculated in accordance with direction 45;

D is the cumulative future service technical immunity adjustment calculated in accordance with direction 47.

Scheme-Specific Applications

Application of Part 2 to local government workers

49.—(1) In relation to the second and subsequent valuations and cost cap valuations of a scheme providing benefits to local government workers, Part 2 of these Directions applies with the following modifications–

(a) references to employer contributions are to be applied by the scheme actuary subject to the assumption that the rate at which all employers had made employer contributions during the inter-valuation period had been at the employer contribution rate disclosed in the previous valuation report or cost cap valuation report, as applicable;

(b) directions 30(1)(b) and (c) do not apply;

(c) directions 31(a) and (b) do not apply; and

(d) in direction 32, B is zero.

(2) In relation to the valuation or cost cap valuation of a scheme providing benefits to local government workers, Part 2 of these Directions applies with the following modifications-

(a) in relation to any service before 1 April 2022 of members in scope of the transitional protection remedy, any references to benefits or liabilities in directions 34, 36, 38, and 40 for any period of service exclude those that relate to the increase in those benefits or liabilities as a result of the provision made in section 78(1) of the 2022 Act compared to those benefits or liabilities that would have accrued to them in relation to that same period of service but for that section; and

(b) in relation to directions 36(1) and 36(3), when the scheme actuary calculates the core cost cap fund contribution rate, it must reflect the actual experience over the inter-valuation period of elections made under regulation 10 of the Local Government Pension Scheme Regulations 2013 or regulation 10 of the Local Government Pension Scheme (Scotland) Regulations 2018, as applicable.

PART 2A: CALCULATING THE EMPLOYER COST CAP

Interpretation of Part

50.—(1) This Part applies to valuations and cost cap valuations of schemes made for the payment of pensions and other benefits to or in respect of persons specified in section 1 of the 2013 Act where the relevant scheme regulations do not include an employer cost cap equal to a proposed employer cost cap calculated in a preliminary valuation falling within subparagraph (c) of the definition of "preliminary valuation" (see direction 3(1)).

Setting the employer cost cap

50A. The responsible authority in relation to a scheme for employees of the Security Service or Secret Intelligence Service must instruct the scheme actuary to undertake a supplemental valuation with an effective date of 31 March 2015 and produce a supplemental valuation report accordingly.

51.—(1) The rate of the employer cost cap set in scheme regulations made under section 1 of the 2013 Act must be equal to the proposed employer cost cap calculated in a preliminary valuation of the relevant old scheme, carried out in accordance with directions 52 to 53.

(2) For the purpose of the directions in this Part—

(a) the "relevant old scheme" is the scheme or schemes that was or were open to future accrual of benefits as at the effective date of the preliminary valuation but which will be closed to future accrual of benefits before the start of the cost cap implementation period;

(b) the "relevant new scheme" is the scheme that is the reformed opening connected scheme as at the effective date of the preliminary valuation, or for the purposes of a supplemental valuation is the scheme prescribed by the Civil Service (Other Crown Servants) Pension Scheme Regulations 2016(**a**).

Preliminary Valuation

52. For the purposes of these Directions—

(a) the responsible authority must ensure that the preliminary valuation is carried out by a person appointed by it to act as scheme actuary for the scheme;

(b) the responsible authority must direct the scheme actuary that the preliminary valuation is to be a valuation of the relevant old scheme (as defined in direction 51(2)(a); and

(c) the responsible authority must direct the scheme actuary in relation to the preliminary valuation to assume that the benefit structures set out in the relevant new scheme (as defined in direction 51(2)(b)) will be put into place by the start of the cost cap implementation period.

(**a**) S.I. 2016/326.

Proposed employer cost cap

53.—(1) The scheme actuary must set out in the cost cap valuation report , or the supplemental valuation report with an effective date of 31 March 2015 in the case of the Security Service and the Secret Intelligence service, the proposed employer cost cap for a preliminary valuation carried out in accordance with direction 52 to the nearest 0.1% of pensionable payroll, that being—

$$A - B$$

where--

A is the contribution rate required to cover the expected cost of benefits accrued by members of the relevant old scheme (as defined in direction 51(2)(a)) during the cost cap implementation period; and

B is the contribution yield expected from normal contributions made by members of the relevant old scheme (as defined in direction 51(2)(a)) during the cost cap implementation period.

(2) For the purpose of calculating the proposed employer cost cap for a scheme for the Security Service or the Secret Intelligence Service (to be set out in the supplemental valuation report), the scheme actuary must calculate A and B in paragraph (1) as if—

(a) the assumptions set out in directions 15 to 17 and 19(a) and (b) as modified by this direction apply;

(b) unless otherwise stated in this direction, the data, methodology and assumptions were those that applied in the valuation report, or reports, with an effective date of 31 March 2015 (signed before these Directions came into force);

(c) the cost cap implementation period were a period of 6 years from 1 April 2017.

(3) Subject to subparagraphs (9) and (11), the scheme actuary must calculate A and B in paragraph (1) as if the “relevant old scheme” were subject to the assumptions in direction 52(c).

(4) For the purpose of calculating A in paragraph (1), the scheme actuary must adjust the assumptions specified in direction 15 so that the assumed rate of increase is 2% on the first Monday in each tax year.

(5) For the purpose of calculating A in paragraph (1), the scheme actuary must adjust direction 16 so as to be subject to the modification made by subparagraph (4).

(6) For the purpose of calculating A in paragraph (1), the scheme actuary must adjust the assumptions specified in direction 17 so that the assumed earnings measure revaluations of career average re-valued earnings under section 9 of the 2013 Act is 4.75% in April of each year.

(7) For the purpose of calculating A in paragraph (1), when a scheme member, in relation to the whole or part of a scheme–

(i) is entitled to choose to surrender pension for a pension commencement lump sum at a rate of £12 of lump sum for every £1 of pension surrendered; and

(ii) is not entitled to a pension commencement lump sum the amount of which is fixed by scheme regulations,

the scheme actuary must assume that the member will surrender 15% of their pension for a lump sum in the whole or any relevant part of the scheme as appropriate.

(8) For the purpose of calculating A in paragraph (1), when a scheme member is entitled in any part of a scheme to surrender pension for a pension commencement lump sum at a rate other than £12 of lump sum for every £1 of pension surrendered, paragraph (7) of this direction does not apply.

(9) For the purpose of calculating A in paragraph (1), the scheme actuary must adjust the assumptions specified in—

(a) direction 53(7)

(b) direction 53(8); and

(c) direction 21, apart from those made to determine the expected scheme membership over the cost cap implementation period,

as if no members of the “relevant old scheme” have any benefits accrued in any legacy connected scheme, including pursuant to section 89(2) of the 2022 Act.

(10) The scheme actuary must calculate A and B as if—

(a) the figures in direction 19(a) were 3%; and

(b) the changes in mortality rates published by the Office for National Statistics in direction 19(b) were those as part of the 2012 principal population projections for the United Kingdom

(11) For the purpose of calculating A in paragraph (1), the scheme actuary must determine the expected cost of benefits accrued by members of the “relevant old scheme” during the cost cap implementation period as if no members of the “relevant old scheme” have any entitlement to the transitional protection remedy.

PART 3: SETTING THE EMPLOYER COST CAP AND COST CAP VALUATIONS IN RELATION TO A NEW SCHEME FOR THE JUDICIARY

Interpretation of Part

54. This Part applies to valuations and cost cap valuations of a scheme made for the payment of pensions and other benefits to or in respect of persons specified in section 1(2)(b) of the 2013 Act and any reference to a “scheme”, a “legacy connected scheme”, a “reformed closed connected scheme” or a “reformed opening connected scheme” is to be construed accordingly.

54A. At a valuation or cost cap valuation in respect of JPS 2015 with an effective date of 31 March 2020, and at any valuation or cost cap valuation of JPS 2022, the Judicial Pensions Regulations (Northern Ireland) 2015(**a**) (“JPS 2015 NI”) is a connected scheme for the purposes of section 4(6) of the 2013 Act and the scheme actuary must treat it as if it had always been so.

Application of Part 1, Part 2, Part 2A and Part 4

55. Except where otherwise expressly modified or disapplied by this Part, Part 1, Part 2, Part 2A and Part 4 apply to valuations and cost cap valuations of a scheme made for the payment of pensions and other benefits to or in respect of persons specified in section 1(2)(b) of the 2013 Act.

Meaning of “First Valuation” Etc.

56. A valuation and a cost cap valuation in respect of the JPS 2022 with an effective date of 31 March 2024 is a third valuation for the purposes of direction 7 and at that third valuation JPS 2015 and JPS 2015 NI are “reformed closed connected schemes”; the first and second valuations and cost cap valuations (and the reconstructed first cost cap valuation) being valuations and cost cap valuations of JPS 2015 with effective dates of 31 March 2016 and 31 March 2020 respectively. At the second valuation, JPS 2022 is a “reformed opening connected scheme”.

Modification of Part 2, Part 2A, Part 4, Part 5 and Part 6 in respect of the Second Valuation

57. Part 2, Part 2A and Part 4 apply in respect of a valuation or a cost cap valuation of the JPS 2015 with the following changes—

(a) directions 25(k) to 25(o), 25(w) to 25(x) and 25(aa) to 25(dd) are disapplied;

(**a**) S.R. 2015 No. 76.

(b) any references to benefits, income or liabilities in directions 34, 35, 36, 37, 38, 40, 43, 61, 62 and 66 must exclude those associated with any 2015 scheme election made under section 44 of the 2022 Act;

(c) directions 44 to 48 are disapplied;

(d) directions 67 to 77 are disapplied;

(e) in direction 51(1) for "preliminary valuation of the relevant old scheme, carried out in accordance with directions 52 and 53" substitute "valuation of the relevant old scheme with an effective date of 31st March 2020, caried out in accordance with direction 53";

(f) in direction 51(2)(a) and 51(2)(b) for "effective date of the preliminary valuation" substitute "31st March 2020";

(g) direction 52 is disapplied;

(h) in direction 53(1) for "preliminary valuation carried out in accordance with direction 52" substitute "valuation of the relevant old scheme with an effective date of 31st March 2020";

(i) for direction 53(2) substitute—

"(2) for the purpose of calculating the proposed employer cost cap for the JPS 2022, A and B in paragraph (1) must be calculated as if—

(a) the assumptions set out in directions 15 to 17 and 19(a) and (b) as modified by this direction apply;

(b) unless otherwise stated in this direction, the methodology and assumptions were those that applied in the calculation of the proposed employer cost cap, as reported in the valuation report of the JPS 2015 (signed on 5 March 2019);

(c) the data are those which applied in the valuation of the relevant old scheme with an effective date of 31 March 2020; and

(d) the cost cap implementation period were a period of 4 years from 1 April 2023."

(j) in direction 53(3) for "the relevant old scheme were subject to the assumptions in direction 52(c)" substitute "the benefit structures set out in the relevant new scheme will be put into place by the start of the cost cap implementation period".

Modification of Part 2 and Part 2A in respect of the Third Valuation

58.—(1) Part 2 and Part 2A are modified or disapplied in respect of a valuation or a cost cap valuation of the reformed opening connected scheme as follows—

(a) in direction 47(1), A is zero.

PART 4: ECONOMIC CHECK

Interpretation of Part

59. (1) This Part applies to valuations and cost cap valuations of schemes made for the payment of pensions and other benefits to or in respect of persons specified in section 1 of the 2013 Act and any reference to a "scheme", a "legacy connected scheme", a "reformed closed connected scheme" or a "reformed opening connected scheme" is to be construed accordingly.

(2) In relation to directions 59A to 68, any references to "scheme" should be taken to include any reformed closed connected scheme or reformed opening connected scheme but not any

legacy connected scheme for the payment of pensions and other benefits to or in respect of the same description of persons, except where otherwise indicated.

Reconstructed first cost cap valuation

59A. The scheme actuary must perform the calculations pertaining to a reconstructed first cost cap valuation under directions 60 to 63 where the second cost cap valuation of a scheme has an effective date of 31st March 2020.

Prior value of the economic cost cap fund

60.—(1) Subject to subparagraphs (2) and (3), the prior value of the economic cost cap fund must be equal to the value of the economic cost cap fund as at the effective date of the previous cost cap valuation as calculated at that previous cost cap valuation.

(2) For the first cost cap valuation or reconstructed first cost cap valuation of a scheme the prior value of the economic cost cap fund must be zero.

(3) Where the second cost cap valuation of a scheme has an effective date of 31st March 2020 the prior value of the economic cost cap fund must be calculated as—

$$(B - C) + D$$

where–

B is the economic cost cap income, calculated in accordance with direction 62 for the reconstructed first cost cap valuation;

C is the cost cap benefits paid, calculated in accordance with direction 38 for the reconstructed first cost cap valuation;

D is the economic cost cap notional investment returns calculated in accordance with direction 63 for the reconstructed first cost cap valuation.

Economic cost cap fund contribution rate

61.—(1) For the first cost cap valuation or reconstructed first cost cap valuation of a scheme, the scheme actuary must calculate the economic cost cap fund contribution rate, to the nearest 0.1% of pensionable payroll, as–

$$A – B$$

where–

A is the contribution rate required to cover the expected costs of the benefits accruing in the scheme to members of the scheme from the closing date of the legacy connected scheme to the effective date; and

B is the member contributions to the scheme between the closing date of the legacy connected scheme and the effective date in respect of those benefits.

(2) A and B in paragraph (1) must be calculated using the methodology, data and assumptions used to calculate the employer contribution rate in a preliminary valuation.

(3) Subject to paragraph (5)), for the second and subsequent cost cap valuations of the scheme, the economic cost cap fund contribution rate must be calculated, to the nearest 0.1% of pensionable payroll, as–

$$(A + B) - C$$

where–

A is the contribution rate required to cover the expected costs of the benefits accruing to members of the scheme during the inter-valuation period.

B is the economic cost cap past service cost calculated in accordance with direction 66 at the previous cost cap valuation of the scheme; and

C is the member contributions to the scheme during the inter-valuation period made in respect of the benefits as calculated at A and accruing to members of the scheme.

(4) A and C in paragraph (3) must be calculated using the methodology, data and assumptions used to calculate the employer contribution rate in the previous valuation of the scheme.

(5) In relation to B in paragraph (3), where an economic cost cap past service cost was not calculated at a previous cost cap valuation, B must be the amount that would have been calculated at that previous cost cap valuation in accordance with direction 66 using the assumptions that would have applied in accordance with direction 66 at the time the previous cost cap valuation was carried out had direction 66 of these Directions been in force at that time.

Economic cost cap income

62.—(1) The economic cost cap income must be calculated as—

(a) for the first cost cap valuation or reconstructed first cost cap valuation of a scheme, the income received between the closing date of the legacy connected scheme and the effective date;

(b) for the second and each subsequent cost cap valuation of a scheme, the income received during the inter-valuation period.

(2) The income received for the purposes of paragraph (1)–

(a) must include, but is not limited to, employer contributions, member contributions and incoming transfer values;

(b) excludes any income of a nature specified in subparagraph (a) that relates to benefits accruing to members of a scheme or a legacy connected scheme in connection with the transitional protection remedy

(except that the exclusion in (2)(b) does not apply in the case of a scheme providing benefits to local government workers in England and Wales or Scotland); and

(c) in respect of employer contributions, must be adjusted to the amount that would have been received had all employers contributed at the economic cost cap fund contribution rate during the relevant period.

Economic cost cap notional investment returns

63.—(1) The scheme actuary must calculate the economic cost cap notional investment returns—

(a) for the first cost cap valuation or reconstructed first cost cap valuation of a scheme, to represent the growth of the economic cost cap fund between the closing date of the legacy connected scheme and the effective date;

(b) for the second and each subsequent cost cap valuation of a scheme, to represent the growth of the economic cost cap fund during the inter-valuation period.

(2) For the purposes of paragraph (1), when calculating notional investment returns during a period–

(a) the scheme actuary must make allowance for the economic cost cap income added to the economic cost cap fund, and for the cost cap benefits deducted from the economic cost cap fund; and

(b) the scheme actuary must calculate (1)(a) and (b) using the rates specified in directions 28(4) and 28(5), as appropriate.

Economic cost cap fund

64. The scheme actuary must calculate the value of the economic cost cap fund as at the effective date as—

$$A + (B - C) + D$$

Where—

A is the prior value of the economic cost cap fund, calculated in accordance with direction 60;

B is the economic cost cap income, calculated in accordance with direction 62;

C is the cost cap benefits paid, calculated in accordance with direction 38; and

D is the economic cost cap notional investment returns, calculated in accordance with direction 63.

Change in value of the economic cost cap fund

65.—(1) The scheme actuary must set out in the cost cap valuation report an analysis of the change in value of the economic cost cap fund–

(a) for the first cost cap valuation of a scheme, between the closing date of any legacy connected scheme and the effective date; and

(b) for the second and any subsequent cost cap valuation of a scheme, during the inter-valuation period.

(2) For the second cost cap valuation of a scheme that has a reconstructed first cost cap valuation, the scheme actuary must set out in the cost cap valuation report an analysis of the change in value of the economic core cost cap fund between the closing date of any legacy connected scheme and the effective date of that reconstructed first cost cap valuation.

(3) The scheme actuary must include in the analysis in paragraphs (1) and (2)–

(a) The economic cost cap income;

(b) the cost cap benefits paid; and

(c) the economic cost cap notional investment returns.

Economic cost cap past service cost

66. The scheme actuary must calculate the economic cost cap past service cost as—

$$A - B$$

Where—

A is the cost cap liabilities as at the effective date calculated in accordance with direction 34; and

B is the economic cost cap fund as at the effective date calculated in accordance with direction 64

stated to the nearest 0.1% of pensionable payroll of the membership of the scheme at the relevant points in time, as a (negative or positive) contribution rate payable from the effective date.

Economic cost cap cost of the scheme

67. The scheme actuary must calculate the economic cost cap cost of the scheme as—

$$(A + B) - C$$

Where—

A is the cost cap future service cost, calculated in accordance with direction 44;

B is the economic cost cap past service cost, calculated in accordance with direction 66; and

C is the cost cap contribution yield calculated in accordance with direction 45.

Total cumulative technical immunity adjustment

68. The scheme actuary must calculate the total cumulative technical immunity adjustment as—

$$A - B$$

where–

A is the core cost cap cost of the scheme calculated in accordance with direction 48.

B is the economic cost cap cost of the scheme calculated in accordance with direction 67.

Scheme-Specific Applications

Application of Part 4 to local government workers

69.—(1) In relation to the valuations or cost cap valuations of a scheme providing benefits to local government workers, Part 4 of these Directions applies with the following modifications–

(a) in relation to any service before 1 April 2022 of members in scope of the transitional protection remedy, any references to benefits or liabilities in direction 61 for any period of service must exclude those that relate to the increase in those benefits or liabilities as a result of the provision made in section 78(1) of the 2022 Act compared to those benefits or liabilities that would have accrued to them in relation to that same period of service but for that section; and

(b) in relation to directions 61(1) and 61(3), when the scheme actuary calculates the economic cost cap fund contribution rate, it must reflect the actual experience over the inter-valuation period of elections made under regulation 10 of the Local Government Pension Scheme Regulations 2013 or regulation 10 of the Local Government Pension Scheme (Scotland) Regulations 2018, as applicable.

PART 5: COMPARISON WITH EMPLOYER COST CAP

Comparison with the employer cost cap

70.—(1) At the first and each subsequent cost cap valuation of a scheme, the scheme actuary must take the following steps—

(a) the scheme actuary must compare the core cost cap cost of the scheme identified in the cost cap valuation report with the employer cost cap;

(b) the scheme actuary must compare the economic cost cap cost of the scheme identified in the cost cap valuation report with the employer cost cap;

(c) subject to subparagraph (d) where both the core cost cap cost of the scheme and the economic cost cap cost of the scheme have breached either—

(i) the upper margin; or

(ii) the lower margin

of the employer cost cap specified in Regulations made under section 12(5) of the 2013 Act, the scheme actuary must notify the responsible authority.

(d) where the core cost cap cost of the scheme and the economic cost cap of the scheme breach different margins (that is, where one breaches the upper margin and other the lower margin) of the employer cost cap, as specified in Regulations made under section 12(5) of the 2013 Act, the cost of the scheme for the purposes of section 12(5) of the 2013 Act is deemed to be between the upper margin and the lower margin, and the scheme actuary need not notify the responsible authority.

PART 6: CERTIFICATION AND RECTIFICATION

71. Where –

(a) a notification has been issued under direction 70(1)(c); and

(b) the responsible authority has provided the scheme actuary with a provisional decision having regard to section 12(6) of the 2013 Act as to the steps to be taken to achieve the target cost for the scheme,

the scheme actuary must issue a certificate.

72. The scheme actuary must state in the certificate to be issued under direction 71–

(a) the steps to be taken to achieve the target cost for the scheme including the time at which such steps will take effect;

(b) the core cost cap cost of the scheme that would result from implementation of the steps to be taken to achieve the target cost for the scheme;

(c) the economic cost cap cost of the scheme that would result from implementation of the steps to be taken to achieve the target cost for the scheme; and

(d) the employer contribution rate that would result from implementation of the steps to be taken to achieve the target cost for the scheme.

73. The scheme actuary must calculate the core cost cap cost of the scheme (calculated for the purpose of direction 72(b)) in accordance with direction 48, except that the calculation should assume that the steps to be taken to achieve the target cost for the scheme, as set out in accordance with direction 72(a), are in force.

74. The scheme actuary must calculate the economic cost cap cost of the scheme (calculated for the purpose of direction 72(c)) in accordance with direction 67, except that the calculation should assume that the steps to be taken to achieve the target cost for the scheme as set out in accordance with direction 72(a), are in force.

75. The scheme actuary must calculate the employer contribution rate (calculated for the purpose of direction 72(d)) in accordance with direction 32, except that the calculation should assume that the steps to be taken to achieve the target cost for the scheme as set out in accordance with direction 72(a), are in force.

76. Where the notification issued under direction 70(1)(c) indicates that the core cost cap cost of the scheme is closer to the breached margin than, or is the same as, the economic cost cap cost of the scheme, the scheme actuary must determine, for the purposes of a certificate issued under direction 71, that the target cost for a scheme is achieved if the core cost cap cost of the scheme that would result from implementation of the steps, as calculated in accordance with direction 72(b), is equal to the employer cost cap.

77. Where the notification issued under direction 70(1)(c) indicates that the economic cost cap cost of the scheme is closer to the breached margin than the core cost cap cost of the scheme, the scheme actuary must determine, for the purposes of a certificate issued under direction 71, that the target cost for a scheme is achieved if the economic cost cap cost of the scheme that would result from implementation of the steps, as calculated in accordance with direction 72(c), is equal to the employer cost cap.

Signed

Nicholas Donlevy

30/08/2023

Director, Public Spending
for His Majesty's Treasury

SCHEDULES

SCHEDULE 1: NOTIONAL ASSETS FOR FIRST VALUATION

Scheme in respect of	Notional Asset Value	Date
Civil servants	£95,400,000,000	31st March 2007
Other civil servants	£1,877,000,000	31st March 2015
The judiciary	£1,170,000,000	31st March 2005
Teachers (England and Wales)	£115,782,000,000	31st March 2004
Teachers (Scotland)	£13,630,000,000	31st March 2005
Health service workers (England and Wales)	£123,713,000,000	31st March 2004
Health service workers (Scotland)	£14,492,000,000	31st March 2004
Fire and rescue workers (England)	£13,100,000,000	31st March 2007
Fire and rescue workers (Wales)	£724,000,000	31st March 2007
Fire and rescue workers (Scotland)	£1,891,000,000	31st March 2009
Members of police forces (England and Wales)	£59,400,000,000	31st March 2008
Members of police forces (Scotland)	£7,130,000,000	31st March 2009
Armed Forces	£66,035,000,000	31st March 2005

SCHEDULE 2: STATE PENSION AGE ASSUMPTIONS

1. For members born on or between the dates set out in the first column, the state pension age is assumed to be the age set out in the second column—

Born on	*State pension age*
6th April 1960 to 5th May 1960	66 years and 1 month
6th May 1960 to 5th June 1960	66 years and 2 months
6th June 1960 to 5th July 1960	66 years and 3 months
6th July 1960 to 5th August 1960	66 years and 4 months
6th August 1960 to 5th September 1960	66 years and 5 months
6th September 1960 to 5th October 1960	66 years and 6 months
6th October 1960 to 5th November 1960	66 years and 7 months
6th November 1960 to 5th December 1960	66 years and 8 months
6th December 1960 to 5th January 1961	66 years and 9 months
6th January 1961 to 5th February 1961	66 years and 10 months
6th February 1961 to 5th March 1961	66 years and 11 months
6th March 1961 to 5th April 1977	67

2. For members born on or between the dates set out in the first column, the state pension age is assumed to be attained on the date set out in the second column—

Born on	*Date state pension age attained*
6th April 1977 to 5th May 1977	6th May 2044
6th May 1977 to 5th June 1977	6th July 2044
6th June 1977 to 5th July 1977	6th September 2044
6th July 1977 to 5th August 1977	6th November 2044
6th August 1977 to 5th September 1977	6th January 2045
6th September 1977 to 5th October 1977	6th March 2045
6th October 1977 to 5th November 1977	6th May 2045
6th November 1977 to 5th December 1977	6th July 2045
6th December 1977 to 5th January 1978	6th September 2045
6th January 1978 to 5th February 1978	6th November 2045
6th February 1978 to 5th March 1978	6th January 2046
6th March 1978 to 5th April 1978	6th March 2046