

The Public Service Pensions (Valuations and Employer Cost Cap) (Amendment) Directions 2026

The Treasury make the following directions in exercise of the powers conferred on them by sections 11(2), 12(3), 12(4), 12(4A), 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 has consulted the Government Actuary.

Citation, entry into force and extent

1. These Directions may be cited as the Public Service Pensions (Valuations and Employer Cost Cap) (Amendment) Directions 2026 and come into force on the day after the day on which they are signed.

2. These Directions extend to England and Wales, Scotland and Northern Ireland.

Amendment of the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2023

3. The Public Service Pensions (Valuation and Employer Cost Cap) Directions 2023 are amended as follows.

Amendment of Part 1: General

4. In direction 3(1)—

(1) At the appropriate places in alphabetical order insert—

““annual allowance charge” has the meaning given by section 227(1) of the Finance Act 2004;

“in-scope tax year” means the tax years from 2019/2020 to 2021/2022 inclusive;

“out-of-scope tax year” means any tax year before 2019/2020;”

(2) for the definition of “employer cost cap”, substitute—

““employer cost cap”—

(a) in relation to a scheme providing benefits to employees of the Secret Intelligence Service or the Security Service, means the proposed cost cap calculated at the preliminary valuation as defined under sub-paragraph (b) of the definition of “preliminary valuation” in this direction;

(b) where sub-paragraph (a) does not apply, has the same meaning as in section 12 of the 2013 Act;”

(3) in the definition of “first valuation”—

(i) omit sub-paragraph (b);

(ii) in sub-paragraph (c), for “subparagraphs (a) or (b) do” substitute “sub-paragraph (a) does”;

(4) in the definition of “inter-valuation period” omit sub-paragraph (a);

(5) in the definition of “preliminary valuation”, in sub-paragraph (b), for the words from “is” to the end, substitute—

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

“, means the valuation with an effective date of 31st March 2015 that set out the proposed employer cost cap; and”;

(6) in the definition of “prior value of the core cost cap fund”, omit “or reconstructed first cost cap valuation”;

(7) in the definition of “prior value of the economic cost cap fund”, omit “or reconstructed first cost cap valuation”;

(8) in the definition of “proposed employer cost cap”—

(a) omit sub-paragraph (a);

(b) at the end of sub-paragraph (b), insert “and”;

(c) omit sub-paragraph (c) and the “and” after it;

(9) omit the definition of “reconstructed first cost cap valuation”;

(10) omit the definition of “supplemental valuation”;

(11) omit the definition of “supplemental valuation report”.

5. In direction 7—

(1) omit paragraph (1);

(2) omit paragraph (2).

6. In direction 8(1), omit sub-paragraph (a).

7. In direction 9(1), omit the words from “except” to the end.

8. In direction 15(1), after “made” insert “before 1st April 2026,”.

9. In direction 15(2)—

(1) in sub-paragraph (a), for “4.1%” substitute “2.3%”, and for “8th April 2024” substitute “12th April 2027”;

(2) in sub-paragraph (b), for “0.6%” substitute “2.0%”, and for “7th April 2025” substitute “10th April 2028”;

(3) in sub-paragraph (c), for “0.0%” substitute “2.1%”, and for “6th April 2026” substitute “9th April 2029”;

(4) in sub-paragraph (d), for “0.8%” substitute “2.0%”, and for “12th April 2027” substitute “8th April 2030”;

(5) in sub-paragraph (e), for “1.7%” substitute “2.0%”, and for “10th April 2028” substitute “7th April 2031”.

10. In direction 17(1), after “made” insert “before 1st April 2026,”.

11. In direction 17(2)—

(1) in sub-paragraph (a), for “4.7%” substitute “3.5%”, and for “2024” substitute “2027”;

(2) in sub-paragraph (b), for “1.6%” substitute “2.1%”, and for “2025” substitute “2028”;

(3) in sub-paragraph (c), for “1.7%” substitute “2.1%”, and for “2026” substitute “2029”;

(4) in sub-paragraph (d), for “1.9%” substitute “2.2%”, and for “2027” substitute “2030”;

(5) in sub-paragraph (e), for “2.5%” substitute “2.3%”, and for “2028” substitute “2031; and”;

(6) in sub-paragraph (f), for “2029” substitute “2032”.

12. In direction 18—

(1) in paragraph (a), for “7.6%” substitute “4.0%”, and for “2021”, substitute “2025”;

(2) in paragraph (b), for “4.7%” substitute “6.1%”, and for “2022” substitute “2026”;

(3) in paragraph (c), for “2.8%” substitute “3.2%”, and for “2023” substitute “2027”;

(4) in paragraph (d), for “2.5%” substitute “2.1%”, and for “2024” substitute “2028”;

- (5) in paragraph (e), for “1.6%” substitute “2.1%”, and for “2025” substitute “2029”;
- (6) in paragraph (f), for “1.6%” substitute “2.2%”, and for “2026;” substitute “2030”;
- (7) in paragraph (g), for “1.9%” substitute “2.3%”, and for “2027” substitute “2031; and”
- (8) for paragraph (h) substitute “3.8% during each calendar year from 1st April 2031.”;
- (9) omit paragraph (i).

13. In direction 19—

- (1) in paragraph (a)—
 - (i) after “31st March 2023”, omit “, and”
 - (ii) after “1 April 2023” insert “to 31st March 2026, and 2.0% from 1st April 2026”.
- (2) in paragraph (b), for “2020” substitute “2022”;
- (3) omit paragraph (c);
- (4) after paragraph (d), insert— “;
 - (e) for the purposes of direction 14 and direction 23(1)(d), pensionable payroll must be projected in line with the rates of public service earnings growth set out in direction 18, from the effective date until the end of the 15-year period or, for direction 23(1)(d), to such earlier dates as specified in that direction.”.

Amendment of Part 2: Valuations and Cost Cap Valuations

14. In direction 22—

- (1) in paragraph (1), after “experience of the scheme,”, insert “and where, in the scheme actuary’s opinion, such analysis is appropriate and relevant to the valuation,”;
- (2) in sub-paragraph (1)(i), for “members dependants”, substitute “members’ dependants”;
- (3) in paragraph (2), after “of that aspect,”, insert “or such analysis would not be appropriate or relevant to the valuation.”.

15. In direction 23(1)(j), after “a summary of”, omit “the”.

16. In direction 28—

- (1) in paragraph (2) in sub-paragraph (a) —
 - (a) for “contributions and”, substitute “contributions,”;
 - (b) after “values”, insert “and where there is a reduction to a scheme pays debit in relation to an out-of-scope tax year, any annual allowance charge refund that HMRC would have paid had it been in relation to an in-scope tax year”
- (2) in paragraph (4)—
 - (a) at the end of sub-paragraph (d), omit “and”;
 - (b) in sub-paragraph (e), after “1st April 2023” insert “to the calendar year ending on 31st March 2026”;
 - (c) after sub-paragraph (e) insert—
 - “; and
 - (f) for each calendar year ending on 31st March from the calendar year starting on 1st April 2026, 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 2.0%.”.

17. In direction 33, for “33A”, in both places it occurs (including the heading), substitute “34”.

18. Omit direction 33A.

- 19.** In direction 35—
- (1) in paragraph (1), omit “or reconstructed first cost cap valuation”;
 - (2) omit paragraph (2);
 - (3) in paragraph (3) omit “Subject to subparagraph (2),”.
- 20.** In direction 36—
- (1) in paragraph (1), omit “or reconstructed first cost cap valuation”;
 - (2) omit paragraph (5).
- 21.** In direction 37—
- (1) in sub-paragraph (1)(a), omit “or reconstructed first cost cap valuation” in both places it occurs;
 - (2) in sub-paragraph (2)(b), omit the words in brackets.
- 22.** In direction 38(1)(a), omit “or reconstructed first cost cap valuation”.
- 23.** In direction 39—
- (1) in sub-paragraph (1)(a), omit “or reconstructed first cost cap valuation”;
 - (2) in sub-paragraph (2)(a), for “directions 35(1) and 35(2)”, substitute “direction 35(1)”.
- 24.** In direction 40—
- (1) in paragraph (1), omit “Subject to paragraph (2),”;
 - (2) for sub-paragraph (1)(ii), substitute—
 - “(ii) the scheme actuary must calculate A using—
 - (a) the SCAPE discount rate in force at the current valuation in accordance with direction 19(a),
 - (b) in relation to the dates specified by the final sub-paragraph of direction 15(2) as it applied on the date that the previous cost cap valuation was signed, the rate of increase of official pensions in the final sub-paragraph of direction 15(2) in force at the current valuation,
 - (c) in relation to the dates specified by the final sub-paragraph of direction 17(2) as it applied on the date that the previous cost cap valuation was signed, the rate of earnings revaluation in the final sub-paragraph of direction 17(2) in force at the current valuation, and
 - (d) in relation to each calendar year specified by the final paragraph of direction 18 as it applied on the date that the previous cost cap valuation was signed, the rate of public service earnings growth set out in the final paragraph of direction 18 in force at the current valuation.”.
 - (3) omit paragraph (2).
- 25.** In direction 42—
- (1) omit paragraph (2);
 - (2) in paragraph (3), omit “and (2)”.
- 26.** In direction 43, after “service”, insert “cost”.
- 27.** In direction 44—
- (1) in paragraph (2), for “2%”, substitute “the rate set out in the final sub-paragraph of direction 15(2)”;
 - (2) in paragraph (4), for “3.8%”, substitute “the rate set out in the final sub-paragraph of direction 17(2)”.
- 28.** In direction 46—

- (1) in paragraph (1), omit “Subject to paragraph (2)”;
- (2) omit paragraph (2).

29. In direction 47—

- (1) in paragraph (1), omit “and (3)”;
- (2) in paragraph (2), omit “or reconstructed first cost cap valuation”;
- (3) omit paragraph (3).

30. Omit direction 49 (including the headings).

Amendment of Part 2A: Calculating the Employer Cost Cap

31. In direction 50—

(1) in paragraph (1), before “This Part applies”, insert “Subject to paragraph (2),” and for the words from “where” to the end, substitute “where a proposed employer cost cap has not been calculated in a preliminary valuation falling within sub-paragraphs (b) or (c) of the definition of “preliminary valuation” (see direction 3(1)).”.

(2) after paragraph (1), insert—

“(2) This Part does not apply to valuations and cost cap valuations of JPS 2022.”.

32. Omit direction 50A.

33. In direction 51(2)(b), omit “, or for the purposes of a supplemental valuation is the scheme prescribed by the Civil Service (Other Crown Servants) Pension Scheme Regulations 2016(a)”.

34. In direction 53—

(1) in paragraph (1), omit “, or the supplemental valuation report with an effective date of 31 March 2015 in the case of the Security Service and the Security Intelligence service,”;

(2) omit paragraph (2).

Amendment of Part 3: Setting the Employer Cost Cap and Cost Cap Valuations in Relation to a New Scheme for the Judiciary

35. In the heading of Part 3, omit “SETTING THE EMPLOYER COST CAP AND”.

36. For direction 56, including the heading, substitute—

“Meaning of “Second 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 second valuation and second cost cap valuation being the valuation and cost cap valuation respectively of JPS 2015 with an effective date of 31 March 2020. At the second valuation, JPS 2022 was a “reformed opening connected scheme”.

37. Omit direction 57 (including the heading).

38. In the heading of direction 58, for “Part 2A”, substitute “Part 4”.

39. For direction 58, substitute—

“**58.**— Part 2 and Part 4 are modified or disapplied in respect of a third valuation or a third cost cap valuation of the scheme as follows—

- (1) in direction 46(1) after “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,”, insert “or where the

previous valuation was the second valuation and cost cap valuation of JPS 2015 at which a proposed employer cost cap was calculated.”;

- (2) in direction 47(1) A is zero;
- (3) after “the effective date of the previous cost cap valuation” in each place it occurs insert “of the reformed closed connected scheme”;
- (4) for “previous cost cap valuation of the scheme” in each place it occurs substitute “previous cost cap valuation of the reformed closed connected scheme”;
- (5) for “previous valuation of the scheme” in each place it occurs substitute “previous valuation of the reformed closed connected scheme”; and
- (6) after “or a legacy connected scheme” in each place it occurs insert “or a reformed closed connected scheme”.

Amendment of Part 4: Economic Check

40. In direction 59, in paragraph (2), for “59A”, substitute “60”.

41. Omit direction 59A (including the heading).

42. In direction 60—

- (1) in paragraph (1), for “subparagraphs (2) and (3)”, substitute “paragraph (2)”;
- (2) in paragraph (2), omit “or reconstructed first cost cap valuation”;
- (3) omit paragraph (3).

43. In direction 61—

- (1) in paragraph (1), omit “or reconstructed first cap valuation”;
- (2) in paragraph (3)—
 - (a) omit “Subject to paragraph (5),”;
 - (b) for “C is the member contributions”, substitute “C is the member contribution yield”;
- (3) omit paragraph (5).

44. In direction 62—

- (1) in sub-paragraph (1)(a), omit “or reconstructed first cost cap valuation”;
- (2) in paragraph (2), omit “(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)”.

45. In direction 63(1)(a), omit “or reconstructed first cost cap valuation”.

46. In direction 65—

- (1) omit paragraph (2);
- (2) in paragraph (3), for “paragraphs (1) and (2)”, substitute “paragraph (1)”.

47. For direction 69, substitute—

“Application of Part 1, Part 2 and Part 4 to local government workers

69. In relation to a scheme providing benefits to local government workers Part 1, Part 2 and Part 4 of these directions apply with the following modifications—

(1) In direction 3 (Interpretation), in relation to a scheme providing benefits to local government workers in Scotland the definitions of “first valuation” and “inter-valuation period” are to be read as if—

- (a) “first valuation” means the valuation where the liabilities and assets of the scheme are assessed as at 31 March 2017; and

- (b) “inter-valuation period” means, in respect of a valuation or a cost cap valuation with an effective date of 31 March 2020, the period of three years before that date.

(2) In direction 19, after paragraph (e), insert—

“(f) 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).”

(3) In relation to the second valuation, subsequent valuations, the second cost cap valuations and subsequent cost cap valuations, in Part 2 of these directions—

- (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;
- (d) in direction 32, B is zero; and
- (e) in direction 37, the exclusion in sub-paragraph 2(b) does not apply.

(4) In Part 2 of these directions—

- (a) in relation to any service before 1 April 2022 of members in scope of the transitional protection remedy, any reference to benefits or liabilities in direction 34, direction 36, direction 38 and direction 40 for any period of service excludes those parts of the benefits or liabilities that relate to the increase in those benefits or liabilities as a result of the provisions 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 but for that section; and
- (b) in relation to direction 36(1) and direction 36(3), the scheme actuary must calculate the core cost cap fund contribution rate so as to 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.

(5) In Part 4 of these directions—

- (a) in relation to any service before 1 April 2022 of members in scope of the transitional protection remedy, any references to benefits in direction 61 for any period of service excludes those parts of the benefits that relate to the increase in those benefits or liabilities as a result of the provisions made in section 78(1) of the 2022 Act compared to those benefits or liabilities that would have accrued in relation to that same period of service but for that section;
- (b) in relation to direction 61(1) and direction 61(3), the scheme actuary must calculate the economic cost cap fund contribution rate so as to 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; and

(a) S.I. 2013/2356

(b) S.S.I. 2018/141

(c) in direction 62, the exclusion in sub-paragraph 2(b) does not apply.”

Signed

Marcus Mason

Marcus Mason

18 May 2026

Director, Public Spending
for His Majesty’s Treasury