These notes refer to the Public Service Pensions Act (Northern Ireland) 2014 (c.2) which received Royal Assent on 11 March 2014

Public Service Pensions Act (Northern Ireland) 2014

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Cost Control

Section 12: Employer cost cap

This section requires scheme regulations for defined benefits schemes made under section 1 to set an employer cost cap and sets out how this cap should be set, measured and operated. The section does not apply to defined contributions schemes, or injury and compensation benefit schemes, as these schemes do not require this type of cost control.

Subsections (1) and (2) require scheme regulations to set a rate, known as the employer cost cap, which is to be used for measuring the costs of a scheme made under section 1 and, subject to Department of Finance and Personnel directions made under this section, those of any connected schemes as defined in section 4(6).

Subsection (3) provides that the cap is to be set in accordance with Department of Finance and Personnel directions.

Subsection (4) gives non-exhaustive examples of what those Department of Finance and Personnel directions may cover. They may, in particular, specify how the first valuation under section 11 will be taken into account when setting the cap, and how costs or changes in costs at subsequent valuations are to be taken into account when measuring the costs of the scheme against the employer cost cap (the comparison that will be made at subsequent valuations).

The directions may also specify to what extent the costs of connected or other schemes are to be taken into account when setting the employer cost cap.

Subsection (5) requires the Department of Finance and Personnel to make regulations to determine how the cap will operate. Department of Finance and Personnel regulations will:

- set margins either side of the cost cap; and

- specify the target cost (within those margins) that the scheme should take action to return costs to if the costs of the scheme go beyond those margins.

Subsection (6) makes provision for scheme regulations to specify the processes to be followed to reach agreement on the action to be taken if the cost of the scheme arising from a second or subsequent valuation does not fall within the margins set out in Department of Finance and Personnel regulations. A default action may also be specified if there is no agreement.

Subsection (7) provides that the action taken to bring the scheme costs within the margins may include an increase or decrease in members' benefits or contributions. It is not envisaged that such action will affect any pension already built up in the scheme.

Subsection (8) allows Department of Finance and Personnel regulations to make consequential and supplementary provision. It also allows regulations to make different provision for different schemes with regard to the way the employer cost cap is set, measured and operated.

Subsection (9) provides that Department of Finance and Personnel regulations under this section are subject to the negative procedure in the Assembly.

Subsection (10) requires the Department of Finance and Personnel to consult with persons, or representatives of persons, likely to be affected before making directions or regulations under section 12.