

EXPLANATORY MEMORANDUM TO
THE PUBLIC SERVICE PENSIONS REVALUATION (PRICES) ORDER
(NORTHERN IRELAND) 2016

2016 No. 184

1. Introduction

- 1.1 This Explanatory Memorandum has been prepared by the Department of Finance and Personnel to accompany the above named Statutory Rule which is laid in draft before the Northern Ireland Assembly.
- 1.2 The Statutory Rule is being made under powers conferred by section 9(2) of the Public Service Pensions Act (Northern Ireland) 2014. The Public Service Pensions Revaluation (Prices) Order (Northern Ireland) 2016 shall be subject to the draft affirmative resolution procedure.

2. Purpose of the rule

- 2.1 The Statutory Rule specifies the annual percentage change in prices for the purposes of revaluation of pension benefits accrued by active members in Career Average Revaluated Earnings (CARE) public service pension schemes. The order will be used by schemes which require an annual revaluation by reference to a change in prices, in line with the revaluation process set out in scheme regulations, to revalue active member's benefits accrued in the scheme year 1 April 2015 to 31 March 2016.

3. Background

- 3.1 The Public Service Pensions Act (Northern Ireland) 2014, (the Act), set out requirements to introduce new and reformed pension schemes for public service employees from 1 April 2015. Under the Act the default design for these new schemes is the Career Average Revaluated Earnings (CARE) model. In a CARE scheme each member builds up a fraction (the accrual rate) of their average annual earnings as pension for each year of membership of the scheme. At the end of each year the pension built up by each member during that period is revalued.
- 3.2 Different schemes revalue members' benefits in different ways. The revaluation process is set out in regulations for each scheme. The process applied reflects arrangements which were put in place during policy development and consultation for each individual scheme.

3.3 In all cases the revaluation process will include a reference to a cost of living index which tracks annual changes in the level of prices, or earnings. The current measure used to track change in prices is the Consumer Prices Index (CPI). The measure used for earnings is the whole economy figure for the year on year change in Average Weekly Earnings (AWE). Under section 9 of the Act the Department of Finance and Personnel must produce legislative orders each year specifying each separate figure which schemes will use in line with the process set out in their regulations. The revaluation processes for active member benefits for each of the main CARE public service schemes in Northern Ireland are:

Pension Scheme	Process for revaluation
Civil Service Pension Scheme	CPI + 0%
Devolved Judicial Pension Scheme	CPI + 0%
Local Government Pension Scheme (NI)	CPI + 0%
Police Pension Scheme	CPI + 1.25%
NI Teachers Pension Scheme	CPI + 1.6%
Health and Social Care Pension Scheme	CPI + 1.5%
Firefighters Pension Scheme	Average Earnings (AWE)

3.4 The Public Service Pensions Revaluation (Prices) Order (Northern Ireland) 2016 fulfils the Department of Finance and Personnel’s obligation to make a revaluation order in relation to prices. (CPI). The published CPI figure relevant for 2015-2016 revaluation is minus 0.1%.

3.5 The Act requires that where the change in prices or earnings is negative the Order will be subject to affirmative resolution procedure in the Assembly.

4. Consultation

4.1 This Statutory Rule is an order which the Department of Finance and Personnel is required to make every year and that does not require a consultation exercise. The Department has discussed its contents with those departments with responsibilities for public service pension schemes at the Northern Ireland Public Sector Pensions Group. The Department has also

formally notified public service Trade Unions of its intention to make this Statutory Rule.

5. Equality Impact

- 5.1 There is no equality impact. The Statutory Rule will be used by each scheme to specify the annual change in prices relevant to the CARE revaluation process set out in scheme regulations. Equality screening of individual scheme regulations was completed by responsible departments during policy development for their scheme.

6. Regulatory Impact

- 6.1 The Statutory Rule imposes no cost on business, charities, social economy enterprises or the voluntary sector. A regulatory impact assessment is not considered necessary.

7. Financial Implications

- 7.1 The Statutory Rule specifies the percentage change in the Consumer Prices Index (CPI) to be used by a public service pension scheme in line with the revaluation provisions in its scheme regulations (*see table at 3.3*). Where scheme regulations specify a flat rate of CPI revaluation, benefits will be revalued by minus 0.1%. Other schemes will see a positive revaluation. There are no financial implications for the Department of Finance and Personnel.
- 7.2 Where scheme revaluation will be with reference to a flat rate of CPI only, (Civil Service, Local Government, and Devolved Judiciary), scheme members will see a slight negative revaluation in their 2015/16 CARE annual pension earned. For example: revaluation for Local Government and Civil Service workers on a salary of £21,000 will see their accrued pension reduced by less than £0.50. Those on a salary of £36,000 will see their accrued pension reduced by less than £1.
- 7.3 In all other cases the overall revaluation will be a positive amount. For example: a Health Service Worker on a salary of £21,000 will see their accrued pension revalued by around +£5.44. A Health Service Worker on a salary of £36,000 will see their accrued pension revalued by +£9.33.

8. Section 24 of the Northern Ireland Act

8.1 It is the view of the Department that the statutory rule is compatible with section 24 of the Northern Ireland Act 1998.

9. EU implications

9.1 None.

10. Parity or Replicatory Measure

10.1 HM Treasury will introduce a similar order for the purposes of revaluation of equivalent public service pension schemes in Great Britain, which will be revaluated in an identical manner.

11. Additional information

11.1 Not applicable.