



Public Service Pensions Act 2013

2013 CHAPTER 25

Cost control

12 Employer cost cap

- (1) Scheme regulations for a scheme under section 1 which is a defined benefits scheme must set a rate, expressed as a percentage of pensionable earnings of members of the scheme, to be used for the purpose of measuring changes in the cost of the scheme.
- (2) In this section, the rate set under subsection (1) is called the “employer cost cap”.
- (3) The employer cost cap is to be set in accordance with Treasury directions.
- (4) Treasury directions may in particular specify—
 - (a) how the first valuation under section 11 of a scheme under section 1 is to be taken into account in setting the cap;
 - (b) the costs, or changes in costs, that are to be taken into account on subsequent valuations of a scheme under section 1 for the purposes of measuring changes in the cost of the scheme against the cap;
 - (c) the extent to which costs or changes in the costs of any statutory pension scheme which is connected with a scheme under section 1 are to be taken into account for the purposes of this section.
- (5) Treasury regulations must make—
 - (a) provision requiring the cost of a scheme (and any connected scheme) to remain within specified margins either side of the employer cost cap, and
 - (b) for cases where the cost of a scheme would otherwise go beyond either of those margins, provision specifying a target cost within the margins.
- (6) For cases where the cost of the scheme would otherwise go beyond the margins, scheme regulations may provide for—
 - (a) a procedure for the responsible authority, the scheme manager (if different), employers and members (or representatives of employers and members) to reach agreement on the steps required to achieve the target cost for the scheme, and

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- (b) the steps to be taken for that purpose if agreement is not reached under that procedure.
- (7) The steps referred to in subsection (6) may include the increase or decrease of members' benefits or contributions.
- (8) Treasury regulations under this section may—
 - (a) include consequential or supplementary provision;
 - (b) make different provision for different schemes.
- (9) Treasury regulations under this section are subject to the negative Commons procedure.