



2014 CHAPTER 2

Cost control

Employer cost cap

12.—(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 directions given by the Department of Finance and Personnel.

(4) Directions given by the Department of Finance and Personnel 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) Regulations made by the Department of Finance and Personnel 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
 - (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) Regulations made by the Department of Finance and Personnel under this section may—
- (a) include consequential or supplementary provision;
 - (b) make different provision for different schemes.
- (9) Regulations made by the Department of Finance and Personnel under this section are subject to negative resolution.
- (10) Before giving directions or making regulations under this section the Department of Finance and Personnel must consult such persons (or representatives of such persons) as appear to the Department likely to be affected by the directions or regulations.