EXPLANATORY NOTE

(This note is not part of the Regulations)

Section 12 of the Public Service Pensions Act 2013 ("the Act") requires defined benefits pension schemes to set a rate, expressed as a percentage of pensionable earnings of scheme members, to be used to measure changes in the cost of the scheme and in connected schemes (defined in that section as the 'employer cost cap'). The employer cost cap is then used to help regulate and stabilise the costs of the defined benefits pension scheme.

Section 12 of the Act directly applies this requirement to defined benefits pension schemes made using the power in section 1 of the Act. Section 30(1)(e) of the Act also applies this requirement to new public body defined benefits pension schemes, whether they are established under section 31(7) of the Act or under other powers.

These Regulations provide that the specified margins in which scheme costs must remain, before corrective action is taken to rebalance the costs of the scheme, are set at 2 percentage points above and below the employer cost cap.

They further provide that the target cost of a scheme, for cases where the cost would otherwise go beyond these margins, is the same as the employer cost cap. The target cost is the rate to which the costs of the scheme must return as a result of any corrective action.

An impact assessment has not been produced for this instrument as no significant impact on the costs of business or the voluntary sector is foreseen.