EXPLANATORY MEMORANDUM TO

THE PUBLIC SERVICE PENSIONS REVALUATION ORDER (NORTHERN IRELAND) 2023

2023 No. 54

1. Introduction

1.1 This Explanatory Memorandum has been prepared by the Department of Finance to accompany the above named Statutory Rule which is laid 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 Order (Northern Ireland) 2023 shall be subject to the negative resolution procedure.

2. Purpose of the rule

2.1 The Statutory Rule specifies the annual percentage change in prices and earnings 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 or earnings, in line with the revaluation process set out in scheme regulations, to revalue active members' benefits accrued in CARE schemes as at 1 April 2023 with the exception of the Local Government Pension Scheme (Northern Ireland) and the Health and Social Care Pension Scheme 2015 were the revaluation of active members' benefits accrued in CARE schemes will be as at 6 April 2023. This change aims to move revaluation for selected schemes to the start of the new tax year, thereby aligning the CPI measure used for revaluation purposes with that used for the purposes of calculating a member's Pension Input Amount for the calculation of the pension tax Annual Allowance.

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 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 published CPI figure relevant for 2022 – 2023 is 10.1%. The measure used for earnings is the whole economy figure for the year on year change in Average Weekly Earnings (AWE). The published figure relevant for 2022 – 2023 is 7%. Under section 9 of the Act the Department of Finance must produce a legislative Order each year specifying each percentage 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%
NI 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 making of this Order fulfils the Department's requirement to make an Order in relation to CARE schemes for the purpose, of revaluation with reference to published cost of living indices which track annual changes in the level of prices or earnings. The only CARE scheme which currently uses the earnings index in its revaluation process is the Firefighters Pension Scheme. The other main public service schemes use the CPI measure.

4. Consultation

4.1 The Statutory Rule is an Order which the Department of Finance is required to make every year and 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 (NIPSPG). The Department has also formally notified public service Trade Unions of its intention to make the Statutory Rule.

5. Equality Impact

5.1 There is no, or no significant equality impact. The Statutory Rule will be used by each scheme to specify the annual change in prices or earnings 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 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 10.1%. There are no financial implications for the Department of Finance. The Statutory Rule also specifies the percentage change in Average Earnings (AWE) to be used by the Firefighters' Pension Scheme in Northern Ireland to revalue CARE benefits accrued by active members in 2022-2023 by 7%. There are no financial implications for the Department of Finance.

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 Not applicable.

10. Parity or Replicatory Measure

10.1 HM Treasury has made 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.