

EXPLANATORY MEMORANDUM TO
THE PUBLIC SERVICE PENSIONS REVALUATION ORDER 2015

2015 No. 769

1. This explanatory memorandum has been prepared by HM Treasury and is laid before Parliament by Command of Her Majesty.

2. Purpose of the Instrument

2.1 This Order will come into force on 11 April 2015 and specifies the annual percentage change to be applied to earnings in respect of the first scheme established under the Public Service Pensions Act 2013 (“the Act”).

3. Matters of special interest to the Joint Committee on Statutory Instruments

3.1 This is the first Order to be made under section 9 of the Act (revaluation).

4. Legislative Context

4.1 The Act provides for public service pension schemes to be established by regulations under section 1. Section 8 of the Act requires that certain such schemes must be career average revalued earnings (“CARE”) schemes.

4.2 Section 9 of the Act applies in relation to pension schemes which require a member’s pensionable earnings to be revalued by reference to a change in prices or earnings (or both). Section 9(2) requires the change in prices or earnings to be such percentage increase as may be specified in an order made by the Treasury. Section 9(4)(a) of the Act requires HM Treasury to make an order in each year. This Order is made to fulfil that requirement.

4.3 The only scheme under the Act to have taken effect more than a year before this Order comes into force was established by the Local Government Pension Scheme Regulations 2013, as of 1 April 2014, in respect of local government workers in England and Wales. Other schemes under the Act will take effect from 1 April 2015 in respect of other public service workers.

5. Territorial Extent and Application

5.1 This Order applies in relation to England and Wales.

6. European Convention on Human Rights

- 6.1 As the instrument is subject to the negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

- 7.1 Reforms to public service pensions are being carried out under the Act. Where the new public service pension scheme is a CARE scheme, there needs to be a mechanism for revaluing the pensionable earnings of active members. The process is governed by the scheme regulations but carried out by reference to an annual order made by the Treasury. For 2014-2015, an order is only necessary for the Local Government Pension Scheme for England and Wales (“the LGPS”) which took effect from 1 April 2014. Other major public service schemes are coming into force on 1 April 2015.

- 7.2 This Order specifies a change in earnings for 1 April 2014 to 31 March 2015 – the first “scheme year” for the LGPS – as an increase of 1.2%. This is the Consumer Prices Index (“CPI”) figure for September 2014, and reflects the Government’s view that CPI is the appropriate measure of changes in prices. The use of the September CPI measure reflects the current approach to the uprating of public service pensions in payment.

8. Consultation outcome

- 8.1 This instrument is an annual order that does not require a consultation exercise. The Treasury have discussed its contents with the Department for Communities and Local Government which is responsible for the LGPS.

9. Guidance

- 9.1 No guidance has been produced to accompany this instrument.

10. Impact

- 10.1 No impact assessment has been prepared for this instrument as it imposes no costs on business, charities or voluntary bodies.

11. Regulating small business

- 11.1 This instrument does not apply to small business.

12. Monitoring and review

12.1 The position is subject to review each year (please see paragraph 4.2 above).

13. Contact

Catherine Stewart at the Treasury (telephone 0207 270 1219 or email Catherine.stewart@hmtreasury.gsi.gov.uk) can answer any queries regarding the Order.