EXPLANATORY MEMORANDUM TO

THE PUBLIC SERVICE PENSIONS REVALUATION ORDER 2022

2022 No. 215

1. Introduction

1.1 This explanatory memorandum has been prepared by HM Treasury and is laid before the House of Commons by Command of Her Majesty.

2. Purpose of the instrument

2.1 This Order specifies the annual percentage change in prices and earnings to be applied for the purpose of revaluation required by schemes under the Public Service Pensions Act 2013 ("the Act") in relation to the period 1 April 2021 to 31 March 2022.

3. Matters of special interest to Parliament

Matters of special interest to the Select Committee on Statutory Instruments.

3.1 None.

4. Extent and Territorial Application

4.1 The territorial extent of this instrument is the United Kingdom.

4.2 The territorial application of this instrument is the United Kingdom.

5. European Convention on Human Rights

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

6. Legislative Context

6.1 The Act provides for public service pension schemes to be established by regulations ("scheme regulations") under section 1 of the Act. Section 30 of the Act also makes provision in respect of new public body pension schemes, whether they are established under section 31(7) of the Act or under other powers.

6.2 Section 8 of the Act requires that a scheme under section 1 which is a defined benefits public service pension scheme must be a career average revalued earnings ("CARE") scheme or a scheme of such other description as Treasury regulations may specify.

6.3 Section 9 of the Act applies in relation to pension schemes which require a member's pensionable earnings, or a proportion of them accrued as pensions, 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 a percentage increase or decrease as is specified in an order made by HM Treasury. This Order fulfils that requirement.

6.4 Section 30(1)(d) of the Act applies the requirements under sections 8 and 9 of the Act to new public body defined benefits pension schemes. As such, this Order fulfils the requirement under section 9(2) (see 6.3 above) in respect of new public body defined benefits pension schemes.

7. Policy background

What is being done and why?

7.1 Where a scheme under section 1 of the Act, or a new public body scheme, is a CARE scheme, there needs to be a mechanism for revaluing the pensionable earnings or accrued pension of active members. The process is governed by scheme regulations but carried out by reference to an annual order made by HM Treasury.

7.2 New CARE schemes were introduced for the main public service pension schemes from April 2015, with the Local Government Pension Scheme in England and Wales introduced a year earlier in April 2014. The scheme designs were negotiated by relevant departments and devolved administrations with the trade unions, employee representatives and employer representatives, and published as Proposed Final Agreements for each of the relevant sections.

7.3 The Proposed Final Agreements included the revaluation metric to be used for each scheme. The majority of schemes rely on a prices metric, which is understood as the Consumer Prices Index ("CPI") in the Agreements. Some of these schemes revalue according to CPI alone, whereas other schemes revalue using CPI plus some percentage. Other schemes rely on an earnings metric, which is understood as Average Weekly Earnings in the Agreements.

7.4 The prices metric to be used for revaluation in the various scheme regulations for 1 April 2021 to 31 March 2022 inclusive is the September 2021 CPI figure, which represents an increase of 3.1%. As well as featuring in the Proposed Final Agreement for several schemes, CPI is the Government's preferred measure of change in prices for the indexation of public service pensions in payment and deferment.

7.5 The earnings metric to be used for revaluation in the various scheme regulations for the same period is the September 2021 whole economy (i.e. including both private sector and public sector), year on year change in average weekly earnings, non-seasonally adjusted (i.e. normal seasonal changes have not been discounted from the data), including bonuses and arrears, which represents an increase of 4.1%.

8. European Union (Withdrawal) Act/ Withdrawal of the United Kingdom from the European Union

8.1 This instrument does not relate to withdrawal from the European Union / trigger the statement requirements under the European Union (Withdrawal) Act.

9. Consolidation

9.1 This instrument does not require a consolidation exercise, as it does not relate to other enactments nor does it introduce amendments, revocation or correction of existing legislation.

10. Consultation outcome

10.1 This instrument is made following a process prescribed in primary legislation. As such, it does not require a consultation exercise.

11. Guidance

11.1 No guidance has been produced to accompany this instrument.

12. Impact

12.1 There is no impact on business, charities or voluntary bodies.

12.2 The impact on the public sector is that the prices and earnings metrics specified in this Order will be used by scheme regulations to revalue the pensionable earnings or accrued pensions of active members.

12.3 An Impact Assessment has not been prepared for this instrument.

13. Regulating small business

13.1 The legislation does not apply to activities that are undertaken by small businesses.

14. Monitoring & review

14.1 The regulation does not include a statutory review clause.

15. Contact

15.1 Roseanna Borley at HM Treasury (roseanna.borley@hmtreasury.gov.uk) can be contacted with any queries regarding the instrument.

15.2 Henry Elks, Deputy Director for Workforce, Pay and Pensions, at HM Treasury can confirm that this Explanatory Memorandum meets the required standard.

15.3 Simon Clarke MP at HM Treasury can confirm that this Explanatory Memorandum meets the required standard.