The Public Service Pensions (Employer Cost Cap and Specified Restricted Scheme) Regulations (Northern Ireland) 2022

Department of Finance response to consultation with member representatives

24 August 2022

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1. EXECUTIVE SUMMARY

1.1. In line with the requirements for consultation under section 12(10) of the Public Service Pensions Act (Northern Ireland) 2014 (the Act), the Department of Finance consulted with representatives of public service scheme members between 22 June 2022 and 5 August 2022 on the draft Public Service Pensions (Employer Cost Cap and Specified Restricted Scheme) Regulations (Northern Ireland) 2022.

1.2. This response has been published on the Department's website at: https://www.finance-ni.gov.uk/topics/finance/public-service-pensions-policy-and-legislation

1.3. Four responses were received. A list is provided at **Annex A**. One response was received after the deadline had passed but the Department agreed to include this in the consultation. The Department is grateful to those who provided comments on these draft regulations.

1.4. Two of the respondents to the consultation had no concerns on the regulations to widen the cost cap margin from 2% to 3%.

1.5. Other respondents to the consultation raised points concerning 'near miss' breaches; the potential cliff edge effect of adjustments under a wider cost cap margin; equality considerations, and also the suitability of a single cost cap margin across all schemes.

1.6. Some comments were also provided regarding other recommendations for change to the cost control mechanism made in the Government Actuary's 2021 report[1] - in particular the 'economic check'. This recommendation was carried separately in the Public Service Pensions and Judicial Offices Act 2022[2]. It was extended for devolved pension schemes by means of the Legislative Consent Motion (LCM) agreed by the NI Assembly on 31 January 2022. As such it is outside the scope of this consultation. Further detail on the issues raised for this change, and also the adoption of a 'reformed scheme only design' are contained in the Assembly debate for the LCM and also in the Westminster Government's central response to consultation (which included views from NI stakeholders) in October 2021[3].

[1] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/993416/Cost_Control_Mechanism_-_GA_Review_-_Final_Report_-_27_May_2021.pdf
[2] Public Service Pensions and Judicial Offices Act 2022 (legislation.gov.uk)
[3] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1022938/CCM_RESPONSE.pdf

1.7. There were no comments on the other provisions contained in the regulations to specify the Northern Ireland Judicial Pension Scheme 2015 (NIJPS) as a restricted scheme.

1.8. More detail on the points raised in the consultation and the Department's response are covered in part 4 of this response.

1.9. Having considered responses to the consultation, the Department's view is these regulations are an appropriate measure to achieve a better balance between stability and responsiveness in the cost control mechanism and will help to ensure a fair balance of risk with regard to the cost of providing public service defined benefit (DB) pension schemes between members of those schemes and scheme employers.

Next steps

1.10. The Department of Finance will proceed with the making of the Public Service Pensions (Employer Cost Cap and Specified Restricted Scheme) Regulations (Northern Ireland) 2022. The regulations will be published to the Department of Finance website at: Public service pensions policy and legislation | Department of Finance (finance-ni.gov.uk)

2. BACKGROUND

2.1. The cost control mechanism (CCM) was introduced in the Public Service Pensions Act (Northern Ireland) 2014, following the recommendations of the Independent Public Service Pensions Commission (IPSPC) in 2011. It is designed to ensure a fair balance of risk with regard to the cost of public service pension schemes between members of those schemes and employers, (and by extension the taxpayer). Each public service pension scheme has an employer cost cap figure specified in its scheme regulations and is subject to the CCM. For each scheme, the CCM assesses if scheme costs have increased or decreased by more than a certain percentage of pensionable pay – the cost cap margin – compared to the original cost cap figure, and if so action is required to bring costs back to target.

2.2. The cost cap margin is set in regulations made by the Department of Finance[4]. The current regulations specify a cost cap margin of 2%. The margin used reflects the central Treasury policy for cost control in public service schemes and the arrangements also in place for the similarly constituted and identically costed public service schemes in Britain.

2.3. The original intention was that the CCM would only be triggered by unforeseen and unpredictable events. In September 2018, the Treasury announced it would ask the Government Actuary to conduct a review of the CCM due to concerns that it was not operating in line with its original objectives and was too volatile. The Government Actuary's report was published on 15 June 2021[5]. The report made a number of recommendations on how to improve the stable operation of the mechanism – one of which was the proposal to widen the cost cap margin from 2% to 3%.

2.4. The other recommendations in the Government Actuary's report were for a 'reformed scheme only design' and the application of an 'economic check'. On 31 January 2022 the NI Assembly agreed a legislative consent motion for these two recommendations to apply for devolved schemes via amendments made during the passage of the Public Service Pensions and Judicial Offices bill at Westminster. The Bill subsequently received Royal Assent on 10 March 2022[6].

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[4] https://www.legislation.gov.uk/nisr/2015/12/resources

[5] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/993416/Cost_Control_Mechanism_-_GA_Review_-_Final_Report_-_27_May_2021.pdf

[6] https://www.legislation.gov.uk/primary+secondary/2022?title=Public%20Service%20Pensions%20and%20Judicial%20Offices%20Act%202022

2.5. The widening of the cost cap margin from 2% to 3%, which these draft regulations would achieve, implements the final recommendation of the report of the Government Actuary's Review to make the CCM more stable and operate in line with its original objectives. The report recommended that increasing the size of the corridor would make the mechanism less prone to breaches and therefore improve stability and certainty for scheme members. The change would apply from the 2020 valuations.

2.6. The Treasury has now also made equivalent regulations under the Public Service Pensions Act 2013 for comparable public service pension schemes in Britain.

3. CONSULTATION PROCESS

3.1. The Department formally consulted with representatives of public service scheme members and employers on the draft regulations between 22 June 2022 and 5 August 2022.

3.2. A consultation letter, together with the draft regulations was issued directly to members at the Collective Consultation Working Group (CCWG) which is the recognised forum for consultation on public service pension policy and legislation for the NI schemes. The group includes member and employer representation for public service employments in scope of the Public Service Pensions Act (NI) 2014.

3.3. The change to a wider cost cap margin has been discussed at multiple meetings of CCWG. At the CCWG meeting held on 15 June 2022 it was agreed that a 6 week consultation period would apply for these draft regulations.

3.4. Member representatives for the NI Judicial Pension Scheme the Police Pension Scheme are not formally represented at CCWG and the Department wrote separately to the Lord Chief Justice of Northern Ireland; the Police Federation for Northern Ireland; the PSNI Chief Officer Association, and the PSNI Superintendent Association to alert member representatives for both those schemes to the consultation.

3.5. Public service pension scheme representatives on the interdepartmental Northern Ireland Public Service Pensions Group (NIPSPG) were also directly alerted to the consultation.

3.6. The Department conducted an equality screening exercise for these regulations which found there are no differential impacts for s75 groups. The screening document can be viewed online at: https://www.finance-ni.gov.uk/publications/policy-screening-public-service-pensions-employer-cost-cap-and-specified-restricted-scheme

4. ISSUES RAISED AND DEPARTMENTAL RESPONSE

4.1. Four responses were received to the consultation. Two respondents raised no objections to the regulations. In addition the NITPS response agreed that widening the corridor would lead to a more stable mechanism by minimising the frequency of breaches, which will lead to fewer changes in benefits or member contributions, and that *"a corridor size of +/- 3% is appropriate, and will strike the right balance between stability and effective cost control" (NITPS)*.

4.2. The Police Federation for Northern Ireland (PFNI) concurred that the widening of the margin appeared reasonable but also raised concerns on how this could lead to 'near miss' breaches with potential implications for intergenerational fairness.

"*Modelling by the Government Actuary suggests that under the existing cost control mechanism, the cost cap could be breached by reasonably plausible events rather than only occurring as a result of "extraordinary, unpredictable events". Therefore, widening the corridor to improve stability appears to be reasonable. However, it is noteworthy that widening the corridor could lead to any cost cap breaches being larger as and when they do occur, if "near-miss" breaches in a particular direction have been allowed to build up over time without remedy".*

"*Intergenerational unfairness may also arise as a result of the use of a wider corridor, which may result in remedies of cost cap breaches being delayed (and potentially larger in size) such that (currently) younger members are more likely to be affected than older members*"(PFNI).

4.3. PFNI also questioned whether a proportionate corridor tailored to individual schemes would be a more appropriate alternative.

4.4. In its response the Northern Ireland Public Service Alliance (NIPSA) also had concerns that the widening of the margin could make the effects of any ceiling breach more significant for members and that there could be an intergenerational aspect where it could also fall to younger members to pay for this.

4.5. The NIPSA response also suggested that Pension Boards should play a role in monitoring scheme performance and indicators for cost changes in schemes to pre-empt any potential breach of the revised 3% threshold.

"NIPSA acknowledges that Pension Boards will continue to monitor scheme performance and GAD valuations as part of their responsibilities. To support Pension Boards in this, NIPSA would suggest that Pension Boards, should their scheme breach the +/-2% threshold, are required to carry out further analysis of actions potentially needed to protect the scheme and scheme members rather than wait for a future breach of the +/-3% limit. Pension Boards may decide that no further action is needed but should still be required to complete this analysis and present their decision to scheme members" (NIPSA).

DEPARTMENT OF FINANCE RESPONSE

Cliff edge breaches

4.6. The Department acknowledges the concerns raised by some respondents that a wider corridor may increase the cliff edge nature of the mechanism, and that this means larger changes in costs may occur without any remedial action. This was also noted in the original review by the Government Actuary[7] and also in the Westminster response to the policy consultation on reform of the cost cap Mechanism[8]. However as illustrated in the consultation letter a wider corridor does not mean that different action would need to be taken if a breach beyond +/- 3% was observed. For example, a breach of +/-4% would still require the same changes in benefits under either a +/-2% or +/-3% corridor.

4.7. The Department's position concurs with that in the Treasury response to the policy consultation on this issue. Although the cliff edge risk exists, a wider corridor is necessary to ensure a more stable mechanism and limit the frequency of benefit changes. It is also not correct to assume that if a scheme shows cost changes between 2-3% at one valuation, then that automatically means that costs would either stay at that level or move further in the same direction at subsequent valuations and therefore result in a breach that would be larger than under a smaller corridor. Multiple factors affect the cost of a scheme. It is perfectly possible that a scheme may see a small increase in costs at one valuation, and then a reduction in costs at the next due to a change in factors. A wider corridor of +/-3% may prevent confusion and disruption for schemes and members by reducing the likelihood that smaller, temporary fluctuations in costs within the corridor will lead to benefit changes, which may then be reversed at subsequent valuations.

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[7] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/993416/Cost_Control_Mechanism_-_GA_Review_-_Final_Report_-_27_May_2021.pdf

[8] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1022938/CCM_RESPONSE.pdf

4.8. It must also be noted that cost control policy for the NI public service schemes reflects that of Treasury for the similarly constituted and costed schemes in Britain. The +/-3% corridor, identified as striking the right balance between providing effective cost control and a stable mechanism, and recommended by the Government Actuary in his 2021 report, remains appropriate also for the analogous NI schemes. To diverge from this approach would lead to fundamental differences in costs and benefits between the NI schemes and their counterparts in Britain. This would be both costly and complex to administer, but also conflict with the approach recommended by the Government Actuary and adopted by the Treasury as the acceptable cost cap design across similar public service schemes. Any resultant increase in scheme costs or benefits could have potential negative implications for AME scheme funding.

Intergenerational fairness

4.9. The Department acknowledges the concerns raised by some respondents that a wider corridor which could lead to fewer breaches of the mechanism and fewer benefit adjustments, may have an impact on intergenerational fairness, if those in service following the breach will have their benefits adjusted, whereas relatively older members who will have retired or be closer to retirement would be less affected. However, it can also be argued that a wider corridor may also insulate relatively younger members from smaller and temporary changes in costs related to the past service of relatively older members. The Department maintains the view that the benefits provided by a wider corridor in terms of increased stability and certainty of benefit levels for members make it a justified and proportionate measure to introduce. The Department of Finance undertook an equality screening exercise on these draft regulations. The screening exercise concluded a full EQIA is not required and the introduction of the regulations will not have an adverse differential impact upon any of the Section 75 groupings. The Departmental screening exercise is available at: https://www.finance-ni.gov.uk/publications/policy-screening-public-service-pensions-employer-cost-cap-and-specified-restricted-scheme

Proportionate cost cap

4.10. The Department's position is that a consistent corridor design for all schemes is preferable to a proportional cost corridor. A consistent corridor size limits the absolute change in costs that can occur across all schemes before a breach is triggered. It is the case that some schemes are more generous or have a higher long term cost than others and depending on circumstance a breach might be expected to occur more frequently than any other ‘average’ scheme. However it does not follow that just because a scheme is more expensive from the outset, it should be allowed to let costs change by a greater absolute amount. Furthermore, a proportionate scheme specific cost corridor would be overly complex and more difficult for members to understand than the current consistent corridor design, as well as potentially eroding transparency and trust in the mechanism. The Department’s approach on this point concurs with that set out in the Treasury response to the policy consultation.

4.11. Additionally, for similar reasoning as that already set out at paragraph 4.8 on the issue of cliff edge breaches, any deviation from a consistent approach with other similarly designed schemes would be especially complicated, as well as inconsistent with the Treasury approved cost envelope for such analogous schemes elsewhere.

Pension board scrutiny

4.12. The Department notes the comments by NIPSA concerning the role of scheme pension boards (and scheme advisory boards) to monitor individual scheme performance and valuation outcomes. Outside of the actual requirements of the cost cap regulations and other current provisions of the Public Service Pensions Act (Northern Ireland) 2014 the Department of Finance has no remit to direct scheme-responsible departments or their individual boards on this issue. However it is content to provide a forum for scheme member and employer representatives to discuss at a further meeting of CCWG if helpful.

5. CONCLUSION AND NEXT STEPS

5.1. The Department of Finance acknowledges the contributions made to the consultation exercise by respondents.

5.2. These proposed regulations will amend the Public Service Pensions (Employer Cost Cap) Regulations (Northern Ireland) 2015 to widen the specified margin in the cost control mechanism within which scheme costs must remain before corrective action is required, from 2% to 3%. The Department's view is that the change to adjust the cost cap margin in line with the recommendations of the Government Actuary following his review in 2021 will make the cost cap mechanism more stable, less volatile, in line with its original objectives, and provide more certainty to public service pension scheme members on their entitlements.

Next Steps

5.3. The Department of Finance will now proceed with the making of the Public Service Pensions (Employer Cost Cap and Specified Restricted Scheme) Regulations (Northern Ireland) 2022.

5.4. The regulations are subject to negative procedure in the NI Assembly. When laid they will be made available alongside this response on the Department of Finance website at: https://www.finance-ni.gov.uk/topics/finance/public-service-pensions-policy-and-legislation

ANNEX A

List of respondents to the consultation

The Department of Finance received submissions to the consultation from the following;

- Northern Ireland Teachers Pension Scheme (NITPS)
- Northern Ireland Public Service Alliance (NIPSA)
- Police Federation for Northern Ireland (PFNI); and
- Lord Chief Justice’s Office Northern Ireland.

ANNEX B

Consultation letter

Director of Pensions Division
ESS, DoF
Waterside House
75 Duke Street
Derry
BT47 1FP

☎ 028 71321227 (87227)
email: colette.heaney@finance-ni.gov.uk

22 June 2022

Dear

THE PUBLIC SERVICE PENSIONS (EMPLOYER COST CAP AND SPECIFIED RESTRICTED SCHEME) REGULATIONS (NORTHERN IRELAND) 2022

Purpose

1. In accordance with section 12(10) of the Public Service Pensions Act (Northern Ireland) 2014 the purpose of this letter is to consult with you on the enclosed draft of the Public Service Pensions (Employer Cost Cap And Specified Restricted Scheme) Regulations (Northern Ireland) 2022. **(Annex A).**

Background

2. The cost control mechanism (CCM) was introduced in the Public Service Pensions Act (Northern Ireland) 2014, following the recommendations of the Independent Public Service Pensions Commission (IPSPC) in 2011. It is designed to ensure a fair balance of risk with regard to the cost of public service pension schemes between members of those schemes and the taxpayer. Each public service pension scheme has an employer cost cap figure specified in its scheme regulations and is subject to the CCM. For each scheme, the CCM assesses if scheme costs have increased or decreased by more than a certain percentage of pensionable pay – the cost cap margin - compared to the original cost cap figure, and if so action is required to bring costs back to target.

3. The cost cap margin is set in regulations made by the Department of Finance[9]. The current regulations specify a cost cap margin of 2%. This reflects the central Treasury policy for cost control in public service schemes and the arrangement also in place for the similarly constituted and identically costed public service schemes in Britain.

4. The original intention was that the CCM would only be triggered by unforeseen and unpredictable events. In September 2018, the Treasury announced it would ask the Government Actuary to conduct a review of the CCM due to concerns that it was not operating in line with its original objectives and was too volatile. The Government Actuary's report was published on 15 June 2021[10]. The report made a number of recommendations on how to improve the stable operation of the mechanism – one of which was the proposal to widen the cost cap margin from 2% to 3%.

5. As discussed at our meetings at CCWG the other recommendations in the Government Actuary's report were for a 'reformed scheme only design' and the application of an 'economic check'. On 31 January 2022 the NI Assembly agreed a legislative consent motion for these two recommendations to apply for devolved schemes via amendments made during the passage of the Public Service Pensions and Judicial Offices bill at Westminster. The Bill subsequently received Royal Assent on 10 March 2022[11].

Adjustment of the cost cap margin

6. The widening of the cost cap margin from 2% to 3% which these draft regulations would achieve, implements the final recommendation of the Government Actuary's report to make the CCM more stable and operate in line with its original objectives. The report recommended in general that increasing the size of the corridor would make the mechanism less prone to breaches and therefore improve the stability and certainty of benefit levels. The change would apply from the 2020 valuations.

7. The Government Actuary's report noted concerns that, as a wider corridor would mean larger changes in costs can occur without any remedial action it could, in theory, reduce the ability to protect the taxpayer or lead to larger changes in benefits and/or member contributions when breaches do emerge. Conversely however, the current narrow corridor means that breaches can now occur as a result of relatively minor events which might

[9] https://www.legislation.gov.uk/nisr/2015/12/resources

[10] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/993416/Cost_Control_Mechanism_-_GA_Review_-_Final_Report_-_27_May_2021.pdf

[11] https://www.legislation.gov.uk/primary+secondary/2022?title=Public%20Service%20Pensions%20and%20Judicial%20Offices%20Act%202022

not be considered to be extraordinary or unpredictable. Whilst this could protect taxpayer and members against relatively small changes in costs/value, it can lead to more regular changes in the level of member benefits. Stakeholders engaged by the Government Actuary in his review were generally against this, and had concerns that it would make retirement planning more difficult, and potentially reduce member engagement. The Actuary's report concluded that the current cost corridor is too narrow and will lead to excessive volatility in the mechanism. He noted that even under a reformed mechanism, the current corridor would still mean a high likelihood of frequent breaches.

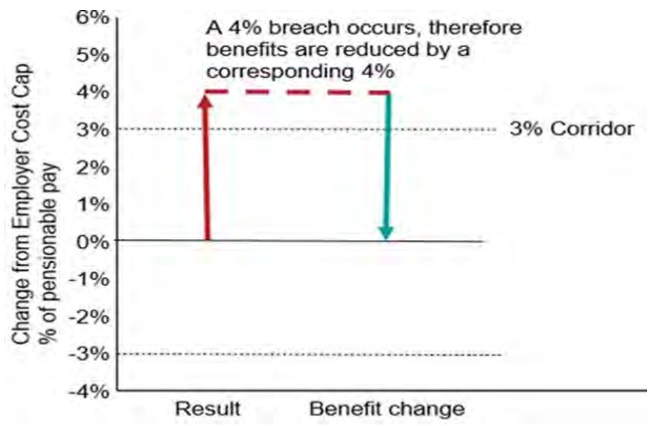
8. The report recommended that widening the cost corridor to +/-3% of pensionable pay will ensure a more stable mechanism, meaning it is more likely that breaches occur only in unforeseen and unpredictable circumstances, as was intended when the mechanism was originally established. This should also provide greater certainty to members regarding their projected benefits and future contribution rates.

9. In its response to the central policy consultation published in October 2021[12], and which included NI stakeholders, Treasury noted the concerns of some respondents that a wider corridor could increase the cliff edge nature of the mechanism, and that this could mean larger changes in costs can occur without any remedial action. Some respondents also felt the wider corridor might still not lead to stability for some schemes or may not be so necessary if the 'reformed scheme only design' and 'economic check' are also adopted.

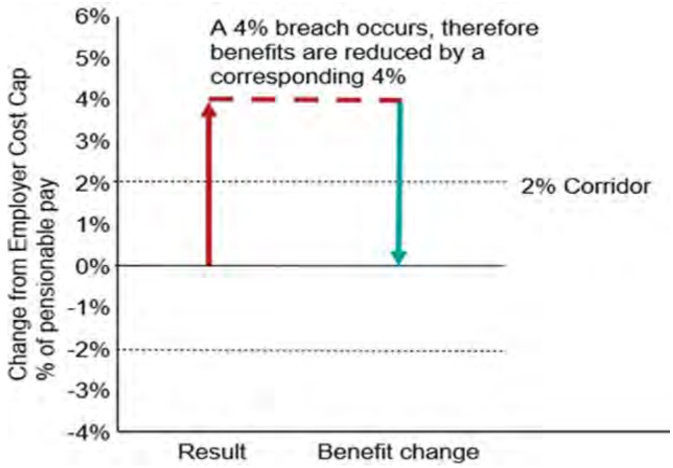
10. However the response pointed out that a wider corridor does not mean that different action would need to be taken if a breach beyond +/- 3% was observed. For example, a breach of +/-4% would still require the same changes in benefits under either a +/-2% or +/-3% corridor. This is demonstrated in the example below - where the costs increase by 4% of pensionable pay from the employer cost cap in a single valuation, the same level of benefit changes occurs regardless of whether the corridor is +/-2% or +/-3%.

[12] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1022938/CCM_RESPONSE.pdf

3% corridor



2% corridor



Illustrations provided by the Government Actuary's Department

11. In response to the concern that the other measures recommended by the Government Actuary meant the widening of the margin may not be necessary it was pointed out that modelling from the Government Actuary's Department suggests that a +/-2% corridor under a reformed scheme only design would still result in expected breaches on average every 5 valuations (every 20 years), and which the Government considers would be too frequent and not in line with the aim of a stable mechanism that is only triggered by unforeseen and unpredictable events.

12. In summary the central consultation response proposed the widening of the corridor from 2% to 3%, as recommended by the Government Actuary's report, was an appropriate measure to achieve a better balance between stability and responsiveness of the cost control mechanism. The majority of respondents to the central consultation also supported the proposal to widen the corridor, and a slight majority also agreed that the corridor should be set at +/-3% of pensionable pay.

Specified restricted scheme

13. These draft regulations will also make a technical change required so that the devolved 2015 NI Judicial Pension Scheme NI[13] will be specified as a restricted scheme for the purposes of section 12A of the Public Service Pensions Act (Northern Ireland) 2014. This change will remove the now redundant requirement that Judicial scheme regulations provide for an actuarial valuation for the purpose of measuring change in the cost of that scheme. This change is as a consequence of wider reforms to judicial pensions wherein all devolved judicial offices now have their public service pension provision made in the UK wide Ministry of Justice scheme with effect from 1 April 2022.

Next steps

14. As discussed at the CCWG meeting of 15 June 2022 I would be grateful to receive any views and comments on the enclosed draft regulations at the earliest opportunity or by 5 August 2022. Please let me know if you require any further information.

Yours sincerely

COLETTE HEANEY
DIRECTOR OF PENSIONS DIVISION

[13] https://www.justice-ni.gov.uk/articles/northern-ireland-judicial-pension-scheme

(DRAFT)

STATUTORY RULES OF NORTHERN IRELAND

2022 No.

PUBLIC SERVICE PENSIONS

The Public Service Pensions (Employer Cost Cap and Specified Restricted Scheme) Regulations (Northern Ireland) 2022

Made - - - -	*****
Coming into operation - -	**** 2022*

The Department of Finance, in exercise of the powers conferred on it by sections 12(5)(a) and 12A(3)(b) of the Public Service Pensions Act (Northern Ireland) 2014([14]), make the following Regulations.

Citation and commencement

1. These Regulations may be cited as the Public Service Pensions (Employer Cost Cap and Specified Restricted Scheme) Regulations (Northern Ireland) 2022 and come into operation on [***] [***] 2022.

Interpretation

2. In these Regulations, the "*New Judicial Pension Scheme (Northern Ireland) 2015*" means the career average revalued earnings scheme established as a defined benefits scheme for the payment of pensions and other benefits to or in respect of the judiciary by the Judicial Pensions Regulations (Northern Ireland) 2015([15]).

Amendment of the Public Service Pensions (Employer Cost Cap) Regulations (Northern Ireland) 2015

3.—(1) The Public Service Pensions (Employer Cost Cap) Regulations (Northern Ireland) 2015([16]) are amended as follows.

(2) In regulation 3 (specified margins)—

(a) in paragraph (a), for "2" substitute "3", and

(b) in paragraph (b), for "2" substitute "3".

Specified restricted scheme

4. For the purposes of section 12A of the Public Service Pensions Act (Northern Ireland) 2014 (restricted schemes), the New Judicial Pension Scheme (Northern Ireland) 2015 is a specified restricted scheme.

([14]) 2014 c. 2. Section 12A was inserted by section 95(13) of the Public Service Pensions and Judicial Offices Act 2022 (c. 7).
([15]) S.R. 2015/76.
([16]) S.R. 2015/12.

(L.S.)

A senior officer of the
Department of Finance

EXPLANATORY NOTE

(This note is not part of the Regulations)

Regulation 3 of these Regulations amends the Public Service Pensions (Employer Cost Cap) Regulations (Northern Ireland) 2015 to widen the specified margins in which scheme costs must remain, before corrective action is taken to rebalance the costs of the scheme, from 2 percentage points above and below the employer cost cap to 3 percentage points above and below the employer cost cap.

Regulation 4 of these Regulations provides that the New Judicial Pension Scheme (Northern Ireland) 2015 is specified as a restricted scheme for the purposes of section 12A of the Public Service Pensions Act (Northern Ireland) 2014 ("the Act"). Section 12A of the Act states that where a scheme is a restricted scheme and is specified for the purposes of that section in Department of Finance regulations then, in respect of that scheme, the requirement in section 11(1) (valuations) of the Act is removed and section 12(1) (employer cost cap) of the Act is disapplied, meaning scheme regulations need not provide for actuarial valuations or the setting of an employer cost cap for the purpose of measuring changes in the cost of that scheme.

A full impact assessment has not been produced for this rule as no, or no significant, impact on the private, voluntary or public sector is foreseen.