

EXPLANATORY MEMORANDUM TO
THE PUBLIC SERVICE (CIVIL SERVANTS AND OTHERS) PENSIONS
(AMENDMENT) REGULATIONS 2015

2015 No. 602

1. This explanatory memorandum has been prepared by the Cabinet Office and is laid before Parliament by Command of Her Majesty.

This memorandum contains information for the Joint Committee on Statutory Instruments.

2. **Purpose of the instrument**

- 2.1 This instrument adds two Schedules to the Public Service (Civil Servants and Others) Pensions Regulations 2014. The new Schedules will provide members of Partnership - the Defined Contribution pension alternative to membership of the main Civil Service pension scheme - with death and ill-health benefits under those Regulations from 1st April 2015.

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

- 3.1 None.

4. **Legislative Context**

- 4.1 The new death and ill-health arrangements replace existing arrangements for members of Partnership made under Superannuation Act 1972.

- 4.2 The existing arrangements are provided by two separate statutory schemes (Partnership Pension Account Ill Health Benefits Scheme and Partnership Pension Account Death Benefits Scheme) which will be closed on 31st March 2015 in accordance with the provisions of section 18(1) of the Public Service Pensions Act 2013.

- 4.3 The existing schemes are available at:
<http://www.civilservicepensionscheme.org.uk/about-us/scheme-rules/>

5. **Territorial Extent and Application**

- 5.1 This instrument applies to all of the United Kingdom.

6. **European Convention on Human Rights**

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

7. Policy background

- *What is being done and why*

7.1 Partnership is a Defined Contribution Stakeholder pension scheme which is an alternative pension option to the main Defined Benefit pension scheme for members of the Civil Service pension scheme.

7.2 Partnership is a Group Personal Pension, and this type of pension does not provide death-in-service benefits or ill-health benefits. These ancillary benefits are instead provided by statutory pension schemes provided by the Cabinet Office in its role of pension scheme manager. Employers pay a small percentage of pensionable pay to the Civil Service pension scheme, which then pays out benefits should they become due in the event of death or ill-health of a Partnership member.

7.3 The death and ill health benefits schemes are not themselves defined contribution schemes and the existing death and ill-health benefit schemes are therefore being closed on 31st March 2015 in accordance with the provisions of the Public Service Pensions Act 2013. These amendments to The Public Service (Civil Servants and Others) Pensions Regulations 2014 (the 2014 Regulations) add two Schedules to the 2014 Regulations which will enable the scheme to provide death and ill health benefits in respect of Partnership members from 1 April 2015. These arrangements are only provided for persons who have a Partnership Pension Account, not for active members of the scheme established by regulation 3 of the 2014 Regulations, as the 2014 Regulations already make provision for death and ill health benefits in relation to active members of that scheme. These arrangements will however be subject to the governance and, to the extent provided for in Treasury directions under the Public Service Pensions Act 2013, the cost control provisions provided for in the 2014 Regulations.

7.4 The replacement death and ill-health benefit arrangements largely replicate the existing provisions, although there are minor changes to qualifying ages to align with the increase in Normal Pension Age in the main pension schemes, which will be equal to an individual's State Pension Age.

8. Consultation outcome

8.1 Employee and employer representatives were consulted about these regulations as part of a wider consultation about changes to Defined Contribution provision.

8.2 It was proposed in the consultation to reduce death benefits from the current 3 times salary level to 2 times salary, to align with the death benefits provided by the main pension scheme. The consultation proposed no changes to ill-health benefit provision.

8.3 Consultation responses consistently argued that death benefits should be retained at the level of 3 times salary, as there was no reason that these benefits need to be aligned with those offered by the main pension scheme.

8.4 Following the consultation, the policy proposal was changed to retain death benefits at three times salary. The cost of this was met by a slight reduction to the rate of employer contribution paid to those receiving the highest tier of employer contributions (members aged 46 and over).

9. Guidance

9.1 No guidance is necessary as no substantive policy changes are being made.

10. Impact

10.1 The impact on business, charities or voluntary bodies is nil.

10.2 The impact on the public sector is nil: members of the Partnership pension arrangements will continue to be eligible for ancillary benefits in the event of death or ill-health after 31st March 2015.

10.3 An impact assessment has not been prepared for this instrument.

11. Regulating small business

11.1 The legislation does not apply to small business.

12. Monitoring & review

12.1 The pension and ancillary benefits offered to Partnership members are kept under regular review by Cabinet Office in its role as pension scheme manager.

12.2 Following the results of the next main scheme valuation the pension benefits offered under Partnership will be reviewed to ensure they continue to meet the policy intent that Partnership offers an alternative to the main scheme at broadly the same cost to employers.

13. Contact

Kevin Hughes at the Cabinet Office Tel: 020 7271 2844 or email: Kevin.Hughes@cabinetoffice.gov.uk can answer any queries regarding the instrument.