

The Public Service Pensions Act 2013

Setting the scene for the new TPS

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PSP Act 2013

The Act provides the primary legislative framework for all of the public service schemes – this presentation will look at :

- The movement of the Bill through each house to become an Act and concentrate on those parts of the Act which set out
- Scheme design
- Scheme governance
- Cost management
- Protections

PSP Act 2013 – a journey through parliament

- The Draft Bill – committee stage
- Commons – reading and report stages
- Lords – reading and report stages
- Commons – ‘ping pong’ and final reading
- Royal ascent
- Commencement Orders
- Secondary legislation (Statutory Instruments and Treasury Directions)

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Schedule 11 — Prime Minister, Lord Chancellor and Commons Speaker

PSP Act 2013 – scheme design

Section 8 says schemes may be DB or DC but -

(2) A scheme under section 1 which is a defined benefits scheme must be—

(a) a career average revalued earnings scheme, or

(b) a defined benefits scheme of such other description as Treasury regulations may specify.

(3) Treasury regulations may not specify a final salary scheme under subsection (2)(b).

Section 8 also defines a CARE scheme

Section 9 defines revaluation as linked to changes in prices or earnings (up or down) as set out in Treasury orders – in particular

(5) A Treasury order under this section is subject to—

(a) the affirmative Commons procedure, if the order specifies a percentage decrease for the purposes of subsection (2), and

(b) the negative Commons procedure, in any other case.

PSP Act 2013 – scheme design

Section 10 defines normal pension age

- (1) The normal pension age of a person under a scheme under section 1 must be—*
- (a) the same as the person’s state pension age, or*
 - (b) 65, if that is higher.*

Section 10 also links NPA to movements in SPA

- (4) Where—*
- (a) a person’s state pension age changes, and*
 - (b) the person’s normal or deferred pension age under a scheme under section 1 changes as a result of subsection (1) or (3), the change to the person’s normal or deferred pension age must under the scheme apply in relation to all the benefits (including benefits already accrued under the scheme) which may be paid to or in respect of the person under the scheme and to which the normal or deferred pension age is relevant.*

PSP Act 2013 – scheme governance

Section 2 defines the Responsible Authority as the person who may make scheme regulations

Schedule 2 states that the Secretary of State (or Scottish Minister) is the Responsible Authority for the Teachers Scheme.

Section 4 requires a Scheme Manager:-

- (1) Scheme regulations for a scheme under section 1 must provide for a person to be responsible for managing or administering—
 - (a) the scheme, and
 - (b) any statutory pension scheme that is connected with it.
- (2) In this Act, that person is called the “scheme manager” for the scheme (or schemes).
- (3) The scheme manager may in particular be the responsible authority.

PSP Act 2013 – scheme governance

Section 5 requires and defines a Pension Board:-

- (1) Scheme regulations for a scheme under section 1 must provide for the establishment of a board with responsibility for assisting the scheme manager (or each scheme manager) in relation to the following matters.*
- (2) Those matters are—*
 - (a) securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that is connected with it;*
 - (b) securing compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator;*
 - (c) such other matters as the scheme regulations may specify.*

Section 5 (4) states that regulations must have provisions:-

- (c) requiring the board to include employer representatives and member representatives in equal numbers*

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PSP Act 2013 – cost management

Section 11 says that scheme regulations must provide for a valuation and that:-

- (2) Such a valuation is to be carried out in accordance with Treasury directions.*
- (3) Treasury directions under subsection (2) may in particular specify—*
 - (a) how and when a valuation is to be carried out;*
 - (b) the time in relation to which a valuation is to be carried out;*
 - (c) the data, methodology and assumptions to be used in a valuation;*
 - (d) the matters to be covered by a valuation;*
 - (e) where a scheme under section 1 and another statutory pension scheme are connected, whether the schemes are to be valued separately or together (and if together, how);*
 - (f) the period within which any changes to the employer contribution rate under a scheme under section 1 must take effect following a valuation.*

PSP Act 2013 – cost management

Section 12 sets out the provisions for setting and measuring the employer cost cap (Treasury Directions) and:-

- (5) Treasury regulations must make—*
 - (a) provision requiring the cost of a scheme (and any connected scheme) to remain within specified margins either side of the employer cost cap, and*
 - (b) for cases where the cost of a scheme would otherwise go beyond either of those margins, provision specifying a target cost within the margins.*

Section 12 also requires that:-

- (6) For cases where the cost of the scheme would otherwise go beyond the margins, scheme regulations may provide for—*
 - (a) a procedure for the responsible authority, the scheme manager (if different), employers and members (or representatives of employers and members) to reach agreement on the steps required to achieve the target cost for the scheme, and*
 - (b) the steps to be taken for that purpose if agreement is not reached under that procedure.*
- (7) The steps referred to in subsection (6) may include the increase or decrease of members' benefits or contributions..*

PSP Act 2013 – protections

Section 18 says :-

(1) No benefits are to be provided under an existing scheme to or in respect of a person in relation to the person's service after the closing date.

however

(5) Scheme regulations may provide for exceptions to subsection (1) in the case of—

- (a) persons who were members of an existing scheme, or who were eligible to be members of such a scheme, immediately before 1 April 2012, and*
- (b) such other persons as the regulations may specify, being persons who before that date had ceased to be members of an existing scheme or to be eligible for membership of such a scheme.*

Section 20 states:-

Schedule 7 contains provision for a “final salary link” in relation to schemes to which section 18(1) applies (and see section 31(14)).

PSP Act 2013 – Summary

In summary the Act sets out that the TPS should

- Be a CARE scheme
- Have an NPA of SPA
- Have a Scheme Manager and a Pension Board
- Have an employer cost cap with a method to ensure costs match that cap
- Prevent accrual to the existing scheme except for protected members