



**Director  
Pensions Division  
NICSHR, DoF**

Orchard House  
40 Foyle Street  
Londonderry  
BT48 6AT

☎ 02871321227 (87227)

email: [Colette.Heaney@finance-ni.gov.uk](mailto:Colette.Heaney@finance-ni.gov.uk)

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Laurence McCann  
TUS Co-Chair CCWG  
Via email: [laurence.mccann@daera-ni.gov.uk](mailto:laurence.mccann@daera-ni.gov.uk)

**13 April 2026**

Dear Laurence,

**THE PUBLIC SERVICE PENSIONS (VALUATIONS & EMPLOYER COST CAP)  
(AMENDMENT) DIRECTIONS (NORTHERN IRELAND) 2026**

**Purpose**

1. In accordance with section 11(5) of the Public Service Pensions Act (Northern Ireland) 2014 (PSPA(NI) 2014) I am writing to consult with TUS representatives on the enclosed draft of: *the Public Service Pensions (Valuations & Employer Cost Cap) (Amendment) Directions (Northern Ireland) 2026* (attached separately at **Annex A**).

**Background**

2. Under the PSPA(NI) 2014 public service pension schemes must periodically complete an actuarial valuation. The valuation is an analysis, performed by the scheme actuary, of the pension scheme's financial position, to ensure that the contributions paid into a scheme are sufficient to meet the benefits being paid from it.
3. Department of Finance directions made under sections 11 and 12 of the PSPA(NI) 2014 provide instruction to the NI Departments with responsibility for the devolved public service pensions schemes on processes and assumptions to be used when completing these actuarial valuations.

4. Valuation and cost cap [directions](#) were first introduced in 2014 following the making of the PSPA(NI) 2014. There have been further amendment directions made since in 2015, 2018, 2019 and 2021 all of which were consolidated by a new set of directions in [2023](#) for NI Departments. In addition to consolidating previous iterations, those directions also made some additional technical amendments in line with changes to the cost cap mechanism and other policy developments.

### **The Public Service Pensions (Valuations & Employer Cost Cap) (Amendment) Directions (NI) 2026**

5. The amendments proposed in the 2026 directions include:
  - The assumption for the SCAPE discount rate is updated from 1.7% to 2.0%\*;
  - Economic assumptions for CPI, CARE revaluation and earnings growth are updated; and
  - Modifications to the application of the directions for local government workers.

\* Please note that the draft amendment directions include a place-holder for the SCAPE discount rate of 2%+CPI (shown in square brackets and accompanied by a comment). As the rate has not yet been confirmed or officially announced by HMT, it is included solely for the purposes of this targeted consultation exercise only and should not be shared beyond the intended recipients of this letter.

### **Position in GB**

6. These directions reflect comparable directions “The Public Service Pensions (Valuations and Employer Cost Cap) (Amendment) Directions 2026” – being prepared by HM Treasury for 2024 scheme valuation in Great Britain.

### **Next steps**

7. I am keen to engage fully with TUS on this matter and to provide any further information or assistance that would be helpful to aid understanding. I have included an additional summary document on the background and purpose of valuation and cost control directions and containing more detail on the 2026 amendments at **Annex B**.
8. As these directions deal with quite technical actuarial matters, if it would be helpful, I can make arrangements for representatives from the Government Actuary’s Department to attend a standalone meeting of CCWG to provide an overview of the rationale and detail of the draft content and to answer any questions TUS colleagues may have. Please advise if you feel a meeting would be useful.
9. At our most recent CCWG meeting on 11 March 2026 we discussed an appropriate consultation timeframe for these directions. You agreed to take away to consider further and subsequently confirmed on 19 March 2026 that TUS wish for an 8-week consultation period. The consultation launches today, Monday 13 April 2026 and closes at 23.59 on 5 June 2026.

10. I look forward to receiving any views or comments TUS may have on the draft Amendment Directions. Responses can be emailed to: [DOFpensionspolicy@finance-ni.gov.uk](mailto:DOFpensionspolicy@finance-ni.gov.uk).

Yours sincerely

A handwritten signature in cursive script, appearing to read 'C Heaney', enclosed in a thin black rectangular border.

**COLETTE HEANEY  
DIRECTOR PENSIONS DIVISION**

**Draft THE PUBLIC SERVICE PENSIONS (VALUATIONS & EMPLOYER COST  
CAP) (AMENDMENT) DIRECTIONS (NORTHERN IRELAND) 2026**

**(Attached separately)**

## **THE PUBLIC SERVICE PENSIONS (VALUATIONS AND EMPLOYER COST CAP) (AMENDMENT) DIRECTIONS (NORTHERN IRELAND) 2026 – PURPOSE AND CONTENT**

### **Background**

The Department of Finance proposes to make The Public Service Pensions (Valuations and Employer Cost Cap) (Amendment) Directions (Northern Ireland) 2026 under sections 11 and 12 of the Public Service Pensions Act (Northern Ireland) 2014 (PSPA(NI) 2014).

Under the PSPA(NI) 2014 schemes must periodically perform an actuarial valuation of the scheme's financial position, to ensure that the contributions paid into a scheme are sufficient to meet the benefits being paid to members from it.

Valuation and cost control directions made by the Department of Finance under the PSPA(NI) 2014 provide instruction to the NI Departments with responsibility for devolved public service pensions schemes within their scope on completing the scheme valuations. These directions include instructions on process for consistent valuation reporting and cost control across all schemes, and the assumptions which should be used in each valuation. They also set out the process for the setting of employer contribution rates in the unfunded schemes.

Each scheme is required by the PSPA(NI) 2014 to operate a cost cap mechanism (CCM). The CCM shares scheme costs between employers and scheme members. The target cost is called the Employer Cost Cap, and it is against this that future costs are measured in actuarial valuations. Should costs rise or fall outside an acceptable margin, this is referred to as a 'breach' and the directions contain instruction on process and action to measure and address a cost cap breach at any periodic valuation.

It can be noted that valuation and cost control policy for the NI schemes reflects that of HM Treasury for the similarly constituted and costed schemes in England, Scotland and Wales under equivalent Westminster legislation. HM Treasury is currently taking forward similar set of amending directions changes in its draft *Public Service Pensions*

*(Valuations and Employer Cost Cap) (Amendment) Directions 2026*. The changes made by HM Treasury in respect of its draft 2026 Directions have therefore, where applicable, been replicated in these Department of Finance Directions, aside from a limited number of differences required to reflect circumstances specific to the devolved schemes in Northern Ireland.

### **Revised provision in the draft Public Service Pensions (Valuations and Employer Cost Cap) (Amendment) Directions (Northern Ireland) 2026**

The proposed amendments to the 2023 Directions include:

- The assumption for the SCAPE discount rate is updated from 1.7% to 2.0%.
- Economic assumptions, including for CPI, CARE revaluation, general earnings growth and public sector earnings growth assumptions are updated.
- Modifications to the application of the directions for local government workers.

Further commentary on the Directions is contained in the appendix.

**COMMENTARY ON PROVISIONS IN THE DRAFT PUBLIC SERVICE PENSIONS (VALUATIONS AND EMPLOYER COST CAP) (AMENDMENT) DIRECTIONS (NORTHERN IRELAND) 2026**  
**PART 1: GENERAL**

**1. Citation & Commencement**

Direction 1 names the Directions as the Public Service Pensions (Valuations and Employer Cost Cap) (Amendment) Directions (Northern Ireland) 2026 and advises that they will come into operation on the day after the day on which they are signed.

**2. Amendment of the previous Department of Finance Directions**

Amendment of the previous Department of Finance Directions – The Public Service Pensions (Valuations and Employer Cost Cap) Directions (Northern Ireland) 2023 are amended as follows.

**3 – 12. Amendment of Part 1: General**

Directions 3-12 include amendments to omit certain definitions, insert some definitions and the updating of dates and percentages in the 2023 Directions. In this section, the amendments specify a range of methodology and assumptions to be used by the scheme actuary in the 2024 valuations, including: contribution yields; public service earnings growth; annual Pensions Increase; CARE revaluation; mortality projections, and State Pension age. The Pensions Increase (Review) Order & CARE Revaluation Order are made annually by the Department of Finance. In circumstances where these figures are unavailable, the amending directions specify the assumptions which should be used, and these are updated in line with recent updates to economic forecasting.

‘SCAPE’, referred to in this section, stands for ‘Superannuation Contributions Adjusted for Past Experience’. The SCAPE process aims to ensure that the value of pension benefits being promised are considered at the point at which they are accrued – ensuring employers pay a contribution rate that reflects this appropriately. The SCAPE discount rate projects a percentage ratio by which future benefit payments are discounted to give a value in today’s terms and is

essential to the calculation of employer contribution rates. The assumption for the SCAPE discount rate is now updated from 1.7% to 2.0%.

### **13 – 29. Amendment of Part 2: Valuations & Cost Cap Valuations**

Directions 13 to 29 include amendments to update or omit certain definitions, including the use of 'reconstructed first cost cap valuation' which is now redundant; and to update certain assumptions used in the calculation of 'notional assets' and the 'past service technical immunity adjustment'.

### **30. Amendment of Part 2A: Calculating The Employer Cost Cap**

Direction 30 amends direction 50 to remove the reference to 'scheme regulations' in the interpretation of part 2A.

### **31 – 38. Amendment of Part 3: Economic Check**

Directions 31 to 37 amend Part 3 of the 2023 directions to remove now redundant references to a 'reconstructed first cost cap valuation'.

Direction 38 amends direction 64 of the 2023 directions which relates to the application of the directions under Part 1, Part 2 and Part 3 to Local Government Workers, with scheme specific modification. In Part 1 the amendments are in regard to future service cost, cost cap contribution yield, and application of employer contributions by the scheme actuary. In Part 2 and Part 3 of the amendments relate to transitional protection remedy and how the scheme actuary must calculate the core cost cap fund contribution rate and the economic cost cap fund contribution rate.