The Public Service Pensions (Valuations and Employer Cost Cap) (Amendment) Directions (Northern Ireland) 2026

Department of Finance response to consultation with member representatives

15 JULY 2026

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1. EXECUTIVE SUMMARY

1.1. In line with the requirements for consultation under sections 11(5) & 12(10) of the Public Service Pensions Act (Northern Ireland) 2014 (the Act), the Department of Finance consulted with representatives of public service pension scheme members between 13 April 2026 and 12 June 2026 on the draft Public Service Pensions (Valuations and Employer Cost Cap) (Amendment) Directions (Northern Ireland) 2026 (the Directions).

1.2. The proposed amendments update the central economic and demographic assumptions used for the (as at) 2024 valuations to ensure the costs associated with these schemes continue to be accurately measured. There are a number of technical amendments, including to remove now redundant terms and wording. The scope of actuarial discretion around the analyses which are required to be included in a valuation report is clarified with the aim of improving the efficiency of the reporting.

1.3. Six responses were received to the consultation. A list of responses is provided at **Annex A**. The Department is grateful to all those who replied.

1.4. This response document summarises respondent feedback and provides the departmental response on points raised. More detail on this is covered in part 4 of the response.

1.5. The response has been published on the Department's website at: [The Department of Finance consultation response on the Public Service Pensions (Valuations & Employer Cost Cap) (Amendment) Directions (Northern Ireland) 2026]

1.6. Having considered all responses to the consultation, the Department now intends to proceed with the making of the amending Directions, which will ensure the costs of public service pension schemes continue to be accurately and consistently measured and managed in the 2024 valuations.

2. BACKGROUND

2.1. Under section 11(2) and 12(3) of the Public Service Pensions Act (Northern Ireland) 2014, the Department of Finance is required to deliver Directions on actuarial valuations and cost control to departments with responsibility for the devolved public service pension schemes. The directions are designed to provide a consistent approach on the scheme valuation process and manage future cost risks for public service employers and the taxpayer.

2.2. In accordance with the requirement under section 12 of the Public Service Pensions Act (Northern Ireland) 2014, the Department has also undertaken formal consultation with the Government Actuary on these amending directions. The Government Actuary has confirmed in writing that she is content that these amending directions meet the DoF objectives for valuations and are technically coherent and complete.

2.3. As part of these amending Directions the SCAPE discount rate will change from 1.7% + CPI to 2% + CPI. The change in the SCAPE discount rate was announced on 19 May 2026 in a Written Ministerial Statement from the Westminster Government. The Treasury also made 'The Public Service Pensions (Valuations and Employer Cost Cap) (Amendment) Directions 2026' on that date for the comparable public service pension schemes in Britain, which are made under the equivalent Westminster 'Public Service Pension Act 2013'. The SCAPE discount rate reflects UK wide economic and fiscal assumptions, particularly long-term UK GDP growth, based on the OBR's long-term forecast and is used to value all unfunded public service pensions backed by HM Treasury. It is set centrally by Westminster to ensure consistency, affordability and fairness across all UK public service pension schemes.

2.4. The original valuation Directions were issued on 26 November 2014. Their purpose was to ensure consistency in:

- how valuations should be carried out, including when the valuation is to be carried out;
- the time periods over which a valuation will measure a scheme's assets and liabilities;
- the matters that must be covered by the valuations; and,
- the data, methodology and assumptions to be used in valuations.

2.5. One of the key principles for the 2014 Directions was to ensure they were kept under review and updated in line with changes and developments in policy and relevant assumptions. There have been further amending directions made since in 2015, 2018, 2019, 2021 and 2023.

2.6. The main changes proposed in the 2026 amending 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
- Content in relation to the Local Government Scheme is consolidated.
- Technical updates are made to remove now redundant provisions and wording.
- The scope of actuarial judgement used on analysis of scheme experience is clarified.

2.7. The amending Directions will be used by NI Departments with responsibility for public service pension schemes when completing the currently ongoing (as at) 2024 scheme valuations.

3. CONSULTATION PROCESS

3.1. The Department formally consulted with representatives of public service employees and scheme members on the amending Directions between 13 April 2026 and 12 June 2026.

3.2. A consultation letter, together with the amending Directions and a summary document detailing their background and purpose, was issued directly to the Northern Ireland Committee of the Irish Congress of Trade Unions (NIC-ICTU).

3.3. NIC-ICTU facilitates representation from Trade Unions for public service employments at the Collective Consultation Working Group (CCWG) which is the recognised forum for central consultation on public service pensions policy and legislation since January 2013. This comprises representation for workforces affected by the Public Service Pensions Act (Northern Ireland) 2014 under which these Directions are made and includes trade unions representing: civil servants; local government workers; teachers; health service workers, and fire and rescue workers.

3.4. Member representatives for the Police Pension Scheme are currently not formally represented at CCWG. Therefore, the Department wrote separately to the Police Federation for Northern Ireland; the PSNI Chief Officer Association, and the PSNI Superintendent Association to alert members to the consultation. The Department also wrote to representatives of the Northern Ireland Judicial Scheme in the Department of Justice to obtain any views they may have on the amending Directions.

3.5. Employer representatives for each of the devolved schemes represented at CCWG were invited to contribute to the consultation.

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

3.7. Representatives from GAD attended a meeting of the CCWG on 15 May 2026 to provide an overview of the rationale and detail of the draft content of these amending directions and to field questions on the technical issues. A further meeting of CCWG TUS members and DoF was held on 28 May 2026.

4. RESPONSE TO THE CONSULTATION

4.1. There were 6 responses received to the consultation in total. These were received from Northern Ireland Judicial Pension Scheme (Department of Justice), Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC), Ulster Teachers' Union (UTU), FDA, Irish National Teachers' Organisation (INTO) and NIPSA.

SCHEME SPECIFIC TECHNICAL COMMENTS

Response from NILGOSC

4.2. In relation to draft direction 38, Part 1: With regard to the approach to assume that no members have, or will continue to accrue, within the 50/50 section of the Scheme for the purposes of calculating the cost cap future service cost and the cost cap contribution yield; NILGOSC noted that this assumption differs to that used by the LGPS(NI) for funding valuation purposes. The contribution rates certified for the LGPS (NI) instead takes account of 50/50 section accrual for actual and prospective service. However, NILGOSC does not deem this difference to have a material impact.

4.3. **Departmental Response:** The Department notes that NILGOSC does not deem this difference to direction 38 as having a material impact.

Response from the NI Judicial Pension Scheme

4.4. No substantive comments were received from representatives of the NI Judicial Pension Scheme, other than noting the amendment directions.

ACTUARIAL DISCRETION AND GOVERNANCE

4.5. UTU, INTO and FDA welcomed the consultation but raised some concerns regarding actuarial discretion and governance within the valuation framework. Respondents sought assurance that any increased flexibility afforded to actuaries would not reduce transparency, consistency, accountability or stakeholder engagement.

Departmental Response

4.6. This amendment allows the scheme actuary to omit the analysis of any of the aspects of the scheme's demographic experience listed in direction 22 only if, in the actuary's professional opinion, this would not be appropriate or relevant to the valuation. This improves the overall efficiency of the valuation process without compromising the quality of the reporting. Since this removes the need to report something which does not provide any information to the reader it will also improve the clarity of the reporting.

4.7. The Department acknowledges the points raised by TUS regarding actuarial discretion. The valuation framework operates within clearly defined statutory Directions made under the Public Service Pensions Act (Northern Ireland) 2014 and supported by professional actuarial standards, independent scrutiny and advice from the GAD.

4.8. The Directions prescribe the overall valuation methodology, assumptions framework and governance requirements. Within this structure, limited actuarial discretion allows professional judgement to be exercised to ensure assumptions remain evidence-based, proportionate and reflective of prevailing demographic and economic conditions.

4.9. Such discretion is subject to established safeguards, including compliance with professional actuarial standards, oversight by GAD and transparency through the publication of valuation methodologies and outcomes. Valuation reports produced by GAD will continue to set out clearly the assumptions adopted, the evidence considered and the rationale supporting key decisions. The amendment is intended to improve the clarity of valuation reporting by removing the requirement to include analysis where, in the professional judgement of the actuary, that analysis would not provide meaningful information to users of the report.

4.10. The Department considers that this approach strikes an appropriate balance between consistency across schemes and flexibility to reflect emerging evidence.

4.11. The responsible authority for each scheme continues to hold responsibility for setting the non-directed assumptions. GAD analysis and advice will provide recommendations on the assumptions to be adopted and support discussion and challenge before final decisions are taken. The relevant Scheme Advisory Board may also be consulted and provides independent challenge and assurance. The relevant Scheme Advisory Board, including member and employer representatives, has the opportunity to consider and challenge the recommendations made by GAD before assumptions are finalised. This helps ensure that stakeholder views are taken into account while maintaining the independence and professional judgement required of the scheme actuary. Pension Boards provide further scrutiny of the valuation process and assurance that appropriate governance procedures have been followed. This governance framework helps ensure that assumptions are evidence-based, proportionate, informed by scheme experience and wider demographic and economic factors, and consistent with the requirements of the Directions.

4.12. The Directions also require future experience assumptions to be set on a best estimate basis. This helps ensure that valuations reflect the best estimate of future costs and that additional margins for prudence are not included unless specifically required by the Directions. This supports consistency, transparency and the accurate assessment of pension scheme liabilities and costs.

4.13. The changes to actuarial discretion in these Directions are within the context of the already very robust regulatory scheme valuation and governance process. The process will continue to be subject to established safeguards, including compliance with professional actuarial standards, and transparency through the publication of valuation methodologies and outcomes. The responsible authority for each scheme continues to hold responsibility for setting the non-directed assumptions. The GAD analysis and advice will set out suitable recommendations for discussion and challenge including with employee representatives on scheme advisory boards) before a final decision is made on the assumption to be used.

LONGEVITY AND DEMOGRAPHIC ASSUMPTIONS

4.14. UTU and INTO raised concerns regarding the use of UK-wide longevity assumptions and advocated greater use of Northern Ireland-specific demographic and mortality data within valuations.

Departmental Response

4.15. The Department notes the comments regarding Northern Ireland specific demographic data. These assumptions form part of a centrally developed set of valuation assumptions intended to support consistency, transparency and comparability across public service pension schemes while remaining informed by relevant scheme level demographic evidence where available.

4.16. The valuation calculations are based on the actual membership of the scheme at the time and will reflect specific membership profiles such as the age profile and gender profile of the members.

4.17. Where assumptions about the future experience of scheme membership are required, for example for the expected future mortality of the membership, relevant information is considered. This includes:

- an analysis of scheme specific experience (e.g. historic death data for the scheme)
- consideration of the wider environment and additional relevant information.

4.18. The scheme specific experience analysis is contingent on sufficiently robust and credible death data being available for the scheme.

4.19. For example, for the 2020 valuation, it was only possible to undertake scheme-specific Northern Ireland mortality analysis for the Northern Ireland Civil Service Pension Scheme and the Northern Ireland Local Government Pension Scheme because sufficiently robust mortality data was available.

4.20. Where robust scheme-specific data is not available, assumptions adopted for comparable England and Wales schemes are typically used as a starting point. Adjustments are then considered by reference to credible evidence of differences between Northern Ireland and England and Wales populations to determine an appropriate assumption for the Northern Ireland scheme.

4.21. This was the approach adopted for the Northern Ireland Teachers' Pension Scheme and other Northern Ireland schemes during the 2020 valuation process. A similar methodology is applied in Scotland and Wales where scheme-specific experience is limited.

4.22. The Department welcomes ongoing work across schemes to improve the availability of scheme experience data so that future valuations can continue to reflect scheme-specific experience where appropriate.

4.23. Longevity assumptions are informed by established actuarial methodologies and independent demographic evidence, including data from recognised national sources. The Department notes the importance of balancing regional considerations with the need for consistency and comparability across similarly constituted and costed UK public service pension schemes directly backed by the Treasury.

SCAPE DISCOUNT RATE, ACTUARIAL FACTORS, AND MEMBER IMPACTS

4.24. UTU, INTO, FDA and NIPSA sought clarification regarding the impact of the revised SCAPE discount rate on actuarial factors and retirement benefits, including early retirement, transfer values and commutation factors for retirement lump sums. Some respondents also expressed concerns regarding possible scheme level impacts to members, as a consequence of scheme level factor reviews, particularly those approaching retirement or who may already have received retirement estimates.

4.25. In particular, NIPSA expressed opposition to the change in the SCAPE discount rate on this basis.

4.26. In addition, NIPSA sought clarification regarding advance communication of actuarial reviews, the immediate implementation of revised factors, the absence of transitional protections, and the impact on members who had already made retirement plans.

Departmental Response

4.27. The Department notes the points raised regarding the revised SCAPE discount rate. The revised SCAPE discount rate announced by the Treasury on 19 May 2026 is CPI + 2.0% per annum. References within some consultation responses to a rate of CPI + 3.0% appear to have arisen in error.

4.28. The SCAPE discount rate is determined by the Treasury as part of a UK-wide framework underpinning unfunded public service pension schemes directly backed by the Treasury and reflects long-term economic and fiscal assumptions which can affect changes in costs for those schemes. The Department of Finance applies the rate consistently with the Directions made by the Treasury for the equivalent UK public service pension schemes in order to maintain comparability, fiscal coherence and consistency in the valuation process. Any departure from the UK-wide approach could create additional financial pressures for Northern Ireland Departments and the Northern Ireland Budget.

4.29. In isolation, the impact of an increase in the SCAPE discount rate is likely to differ depending on the member option involved. Higher discount rates may result in lower transfer value amounts and less generous early retirement terms. Conversely, for other members the cost of purchasing additional pension may reduce and late retirement terms may become more favourable. The overall outcome of any factors review cannot be predicted with certainty because demographic and other financial assumptions are also considered as part of the review process.

4.30. In each individual scheme the scheme actuary will be advising the scheme manager more fully about the likely impact of changes in the assumptions underlying the factors, including the SCAPE discount rate, as part of their factors review.

4.31. It is important to distinguish between factors that are fixed in pension scheme regulations and those which are subject to periodic actuarial review. The Department notes that some respondents referred to revised "commutation factors" reducing retirement lump sums. In the Northern Ireland Civil Service Pension Scheme and the Northern Ireland Teachers' Pension Scheme, the standard pension commutation factor of 12:1 is fixed in scheme regulations and is unaffected by the revised SCAPE discount rate. Consequently, the amendments do not alter members' ability to exchange pension for lump sum on the terms prescribed in scheme regulations.

4.32. By contrast, some member options rely on actuarial factors that are designed to reflect the expected cost of providing benefits under prevailing economic and demographic assumptions. Examples include factors used for early retirement, late retirement, cash equivalent transfer values and the purchase of additional pension. These factors are reviewed periodically by the scheme actuary and may change over time to ensure they continue to operate on a cost-neutral basis and appropriately reflect current assumptions.

4.33. Accordingly, while some actuarial factors may change following review, accrued pension rights and statutory commutation arrangements are unaffected.

4.34. Actuarial factors are periodically reviewed to maintain cost neutrality. Cost neutrality means that optional member choices should not create an unintended additional cost or saving to the pension scheme overall. Factors are therefore designed so that, based on the assumptions in force at the time, the expected value of the benefit given up is broadly equivalent to the expected value of the benefit received in exchange. Where economic or demographic assumptions change, factors may also need to change to preserve that balance.

4.35. The Department therefore considers that these amendments do not reduce accrued pension entitlements or alter pension benefits payable at normal pension age. Any changes arising from factor reviews relate to optional member choices and are intended to maintain cost neutrality using up-to-date assumptions, which is necessary to ensure accuracy in the valuation process.

4.36. Following the Treasury announcement on 19 May 2026, scheme managers worked with administrators and actuaries to review member communications. Updated website guidance, retirement quotations and member correspondence were issued where appropriate to explain that actuarial factors had been reviewed and to clarify that quotations are estimates based on the factors applicable at the time of issue.

4.37. Communications make clear that actuarial factors may change before retirement and that final benefits for optional member choices are calculated using the factors in force on the date the benefits become payable. This approach is applied consistently across affected schemes. For example for the Northern Ireland Civil Service Scheme, pension quotation letters issued to members have been updated to include specific wording advising that actuarial factors may be subject to change prior to retirement and that quotation figures cannot be guaranteed until benefits are brought into payment.

4.38. Actuarial factor reviews are generally not communicated in advance because the outcome of the review cannot be known with certainty until actuarial analysis, governance processes and approvals have been completed. Communicating potential changes before a review is concluded could create uncertainty for members and may result in reliance being placed on information that is subsequently revised. However, the Department recognises the importance of timely communication. Responsibility for member communications rests with scheme managers, and schemes will seek, where practicable, to keep members informed of relevant changes to actuarial factors and their potential implications for member options.

4.39. Introducing transitional protections against these updates would mean that some members receive terms based on previous actuarial assumptions while others receive terms based on updated assumptions. This would be inconsistent with the principle that member options should operate on a cost-neutral basis using current assumptions and could create different outcomes for members with otherwise similar pension entitlements based solely on their retirement date. In the past transitional protections in public service pension schemes have, in certain circumstances, been found to be unfairly discriminatory. Applying revised factors consistently from a single implementation date was therefore considered the fairest and most administratively robust approach.

4.40. The Department notes the suggestion that future changes to the SCAPE discount rate should be subject to a separate consultation process. The

SCAPE discount rate is determined by HM Treasury as part of a UK-wide fiscal framework and changes to the rate are announced by HM Treasury. Consultation on the Northern Ireland Directions fulfils the statutory consultation requirements applicable to the Northern Ireland valuation framework.

4.41. On the impact on members who may have obtained retirement quotations or made provisional retirement plans before the revised actuarial factors were introduced, the Department recognises that some members of individual schemes may have expected outcomes based on estimates produced using previous factors. However, pension quotations are provided for planning purposes only and do not create a legal entitlement to benefits being calculated using the factors in force when the quotation was issued. Retirement benefits are calculated in accordance with the scheme rules and actuarial factors applicable on the date the benefits become payable. However, the Department notes these concerns and will continue to give due consideration, in conjunction with scheme managers, to how any such effects can be mitigated going forward.

4.42. In summary, the Department confirms that actuarial factors are reviewed periodically in accordance with established actuarial and governance processes; revised factors are implemented once approved; member communications are updated to reflect any changes; retirement quotations remain estimates rather than guarantees; transitional protections were not introduced because of fairness, consistency and cost-neutrality considerations; and members' accrued pension rights and core scheme benefits are unaffected by these amendments.

CONSULTATION PROCESS AND MEMBER CONCERNS

4.43. NIPSA also sought clarification regarding equality screening and Section 75 considerations associated with the draft amending Directions.

Departmental Response

4.44. An equality screening exercise was undertaken in respect of these amending Directions and concluded no identified differential adverse impacts based on section 75 categories and a full Equality Impact Assessment was not required. The screening document has been published on the Department's website at: Policy screening template - The Public Service Pensions (Valuations and Employer Cost Cap) (Amendment) Directions (Northern Ireland) 2026 | Department of Finance.

5. CONCLUSION AND NEXT STEPS

5.1. The Department of Finance acknowledges and welcomes the engagement by stakeholders throughout this consultation process.

5.2. Having carefully considered all consultation responses received, the Department remains satisfied that the proposed amendments represent necessary and proportionate updates to the technical valuation framework.

5.3. The amendments support the long-standing principle that valuation Directions should be kept under review and updated to reflect changes in relevant assumptions and valuation methodology. They do not alter pension scheme design, member contribution structures or benefit arrangements. Rather, they update the technical framework used to assess accurately assess and measure pension scheme liabilities and costs within the existing legislative framework.

5.4. The Department considers that the proposed amendments will ensure that public service pension scheme valuations continue to be carried out using up-to-date assumptions, including the revised SCAPE discount rate and associated economic assumptions for CPI, CARE revaluation and earnings growth, thereby supporting the accurate and effective management of scheme costs.

5.5. The SCAPE discount rate is used to value all unfunded public service pensions schemes backed by the Treasury. It measures the cost of providing future pension liabilities in today's terms and is essential for accurately setting the required employer contribution rate in the unfunded schemes. The Department applies the SCAPE discount rate in the same way as is provided for in the Treasury Directions for the equivalent public service pension schemes in Britain. This is necessary in order to maintain comparability, and fiscal coherence in valuation processes, and ensure public service pension scheme costs here are maintained within the Treasury mandated cost envelope.

5.6. Any divergence from Treasury policy on valuation process could create financial implications for Northern Ireland budgets, with any associated additional costs falling to departments. In this regard the Department does not have any practical independent discretion to vary the SCAPE discount rate locally.

5.7. The Department remains committed to maintaining a valuation framework that is transparent, evidence-based and consistent across public service pension schemes. This includes the use of published economic and demographic data, independent actuarial advice and continued engagement with stakeholders through established consultation and governance arrangements.

5.8. The Department has also consulted with the Government Actuary on these draft amending Directions who confirmed that she is content that the proposed amendments will deliver results which meet the stated objectives for Directions on valuation and cost control in the public service schemes.

5.9. Having considered the consultation responses and actuarial advice, the Department of Finance will proceed with the making of the Public Service Pensions (Valuations and Employer Cost Cap) (Amendment) Directions (Northern Ireland) 2026.

5.10. The making of the amending Directions will enable scheme responsible Departments to proceed to complete currently ongoing scheme valuations. For the unfunded public service schemes, these valuations will inform the setting of appropriate employer contribution rates from 1 April 2027.

5.11. The amending Directions are not subject to NI Assembly procedure. They take effect upon signature of a senior officer in the Department of Finance.

5.12. When made they will be published alongside this response and the consultation with the Government Actuary on the Department of Finance website at: The Department of Finance consultation response on the Public Service Pensions (Valuations & Employer Cost Cap) (Amendment) Directions (Northern Ireland) 2026

ANNEX A

List of respondents to the consultation

The Department of Finance received submissions to the consultation from the following Trades Unions and Employers.

- Northern Ireland Judicial Pension Scheme, Department of Justice
- Ulster Teachers' Union (UTU)
- Irish National Teacher's Organisation (INTO)
- Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC)
- FDA
- NIPSA