Department for Communities
www.communities-ni.gov.uk

From: The DALO

Private Office
Level 9
Causeway Exchange
1-7 Bedford Street
Belfast
BT2 7EG

Telephone: 028 9082 2114
Mobile: 078 1268 2767
e-mail: assembly.section@communities-ni.gov.uk
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Ms Emer Boyle
Communities Committee Clerk
Room 430
Parliament Buildings
Ballymiscaw
Stormont
Belfast
BT4 3XX

Dear Emer,

THE OCCUPATIONAL PENSIONS (REVALUATION) ORDER (NORTHERN IRELAND) 2026

The Department for Communities proposes to make a Statutory Rule under powers conferred by the Pension Schemes (Northern Ireland) Act 1993. The Rule is subject to the negative resolution procedure before the Assembly.

Purpose of the Statutory Rule

This Order is a routine annual measure that helps protect the value of occupational defined benefit (final salary) pensions against inflation.

Where a member leaves a defined benefit pension scheme before retirement (an "early leaver") and leaves their pension in the scheme, the pension must generally be increased between the date they leave pensionable service and the date they start receiving it. This process, known as revaluation, helps maintain the real value of deferred pension benefits. The Order sets the revaluation percentages that pension

schemes must apply for members reaching their scheme's normal pension age during 2027.

The Secretary of State for Work and Pensions is required to review price inflation each year and make an Order specifying the revaluation percentages. Revaluation is linked to inflation, measured using the Consumer Prices Index (CPI), based on the increase in prices over the 12 months ending 30 September. While the statutory framework prescribes the reference period, the Secretary of State has discretion in relation to the measure of inflation used and has chosen CPI for this purpose.

Where the Secretary of State for Work and Pensions makes a revaluation Order for GB the Department is empowered to make a corresponding Order for Northern Ireland.

Although the primary purpose of this Order is to revalue deferred pensions, the percentage specified in the Order is also relevant to some defined benefit pensions that are already in payment. Under separate legislation, the annual revaluation percentage is used in calculating the minimum statutory increases that must be applied to certain pensions in payment. The percentage therefore helps provide inflation protection both before retirement, through revaluation, and after retirement, through statutory pension increases (often referred to as indexation).

For deferred pensions, annual increases are subject to statutory caps of 5% for pension rights accrued before 6 April 2009 and 2.5% for pension rights accrued on or after that date.

The relevant CPI figure for this Order is 3.5%, based on inflation to September 2026. As this is below the 5% cap but above the 2.5% cap, pension rights accrued before 6 April 2009 will be revalued by 3.5%, while rights accrued on or after that date will be revalued by 2.5%. Similar statutory caps apply when calculating the minimum increases for certain pensions already in payment.

Schemes may choose to provide more generous increases under their own rules.

The Order does not introduce new pension policy or create new entitlements. It is a

routine annual measure that updates the inflation-related percentages used both to revalue deferred defined benefit pensions and to calculate minimum statutory increases for certain defined benefit pensions already in payment.

Previous Engagement with the Committee

As the revaluation exercise takes place annually, proposals for past Orders will have been considered by Committee in previous years.

Financial Implications

None for the Department. Occupational pension scheme funding plans already incorporate projections of inflation in respect of preserved pension liabilities and therefore no extra costs are imposed by this Rule.

Consultation

There is no requirement to consult on the proposed Rule.

Compliance with Section 24 of the Northern Ireland Act 1998

The Department is content that the Rule complies with section 24 of the Northern Ireland Act 1998 (Convention rights, etc).

Consideration by the Executive

The Rule is not required to be considered by the Executive.

Equality Impact

In accordance with its duty under section 75 of the Northern Ireland Act 1998, the Department has conducted a screening exercise on the legislative proposals and has concluded that they do not have any significant implications for equality of opportunity or good relations. In light of this, the Department considers that an Equality Impact Assessment is not necessary.

Regulatory Impact

The proposed Rule does not require a Regulatory Impact Assessment as it does not impose any new costs on business, charities or voluntary bodies.

Rural Needs Impact

A Rural Needs Impact screening has been undertaken for this Statutory Rule, and the Department is satisfied that the Rule will not have any undue impact on rural communities. No negative impacts have been identified, and no mitigation measures are necessary.

Data Protection Impact

A Data Protection Impact Assessment screening has been undertaken for this Statutory Rule, and the Department is satisfied that there are no causes for concern with regards to the protection of the Department or the public's data. No mitigation measures are necessary.

Child Rights Impact

A Child Rights Impact Assessment has not been deemed necessary for this Statutory Rule as provisions of the Rule will affect only individuals of retirement age.

Position in GB

The corresponding GB Statutory Instrument is expected to be made shortly, coming into force on 1 January 2027. In line with section 87 of the Northern Ireland Act 1998, the Rule should be made as soon as possible after the GB Statutory Instrument has been made and brought into operation from the same date.

Proposed timing of consideration of the SL1

This SL1 covers a parity Statutory Rule. Although pensions are a devolved matter, in general Northern Ireland's pensions policy and legislation operate in line with corresponding pension provision in GB. In effect, there is a single pensions system and regulatory regime across the UK.

The proposals have been submitted to Committee as soon as practicable following completion of the annual review by the Secretary of State for Work and Pensions and confirmation of the revaluation percentages that underpin the Order. Committee consideration is requested at the earliest opportunity to facilitate the making and laying of the Statutory Rule by 11 December 2026 in order to meet the 21 day rule so it can come into operation on 1 January 2027.

Due to the compressed timetable for making the Order, it has not been possible to fully comply with the new Committee procedures, including providing at least a minimum four-week scrutiny period or providing a draft Statutory Rule and Explanatory Memorandum for publication alongside the SL1. The final version of the corresponding GB Order is not yet in the public domain and the draft Northern Ireland Statutory Rule is still subject to final legal clearances. As a result, it is not currently possible to provide the draft Statutory Rule and Explanatory Memorandum alongside the SL1, as envisaged by the Guidance.

It is not anticipated that the final Statutory Rule will differ materially from the policy proposals set out in the SL1. However, should any significant changes arise before the legislation is made, a revised SL1 will be provided to the Committee.

Failure to make the Statutory Rule in line with the corresponding DWP legislation could result in divergence between Northern Ireland and GB in the revaluation and indexation of certain occupational pension rights. Parity of timing and substance is an integral part of the maintenance of a single system of pensions provided for under section 87 of the Northern Ireland Act 1998.

In light of these circumstances the Minister has made the following statement:

"I am satisfied that ensuring the orderly making of this parity pensions legislation in line with DWP timeframes gives rise to exceptional circumstances which require deviation from the normal processes and timeframes set out in the Guidance for Departments on Delegated Legislation (SL1 Pre-Introductory Stage) (November 2025).

I would be grateful if the Committee would agree to approve the SL1 in the requested shortened timeframe in light of these exceptional circumstances. It is my intention to make the Statutory Rule to align as closely as possible with the operational date for the corresponding DWP Statutory Instrument".

Operational Date

It is proposed that the Rule will come into operation on 1 January 2027.

When the Rule together with the Explanatory Memorandum has been laid at the Assembly Business Office, the Business Office will submit copies to the Committee.

You will wish to bring this matter to the attention of the Communities Committee.

Yours faithfully,



Laura Coffey
Departmental Assembly Liaison Officer
Private Office

cc: NI Human Rights Commission
Equality Commission for Northern Ireland
David Tarr DfC