ANNEX D

EXPLANATORY MEMORANDUM TO THE PUBLIC SERVICE PENSIONS REVALUATION ORDER (NORTHERN IRELAND) 2026

2026 No. X

1. Introduction

1.1. This Explanatory Memorandum has been prepared by the Department of Finance to accompany the above named Statutory Rule which is laid before the Northern Ireland Assembly.

1.2. The Statutory Rule is being made under powers conferred by section 9(2) of the Public Service Pensions Act (Northern Ireland) 2014. The Public Service Pensions Revaluation Order (Northern Ireland) 2026 shall be subject to the negative resolution procedure.

2. Purpose of the rule

2.1 The Statutory Rule specifies the annual percentage change in prices and earnings for the purposes of revaluation of pension benefits accrued by active members in Career Average Revaluated Earnings (CARE) public service pension schemes. The Order will be used by schemes which require an annual revaluation by reference to a change in prices or earnings in line with the revaluation process set out in scheme regulations. The revaluation of active members' benefits accrued in CARE schemes will be as at 1 April 2026, with the exception of the Local Government Pension Scheme (Northern Ireland) and the Health and Social Care Pension Scheme (Norther Ireland) 2015 where the revaluation of active members' benefits accrued in CARE schemes will be as at 6 April 2026.

3. Background

3.1. The Public Service Pensions Act (Northern Ireland) 2014, (the Act), set out requirements to introduce new and reformed pension schemes for public service employees from 1 April 2015. Under the Act the default design for these new schemes is the CARE model. In a CARE scheme each member builds up a fraction (the accrual rate) of their average annual earnings as pension for each year of membership of the scheme. At the end of each year the pension built up by each member during that period is revalued.

3.2. Each public service pension scheme revalues members' benefits in a different way. The revaluation process is set out in regulations for each scheme. The process applied reflects arrangements which were put in place during policy development and consultation for each individual scheme.

3.3. In all cases the revaluation process will include a reference to a cost of living index which tracks annual changes in the level of prices or earnings. The

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current measure used to track change in prices is the Consumer Prices Index (CPI). The published CPI figure relevant for 2025 – 2026 is 3.8%. The measure used for earnings is the whole economy figure for the year on year change in Average Weekly Earnings (AWE). The published figure relevant for 2025 – 2026 is 4.6%. The revaluation processes for active member benefits for each of the main CARE public service schemes in Northern Ireland are:

Scheme	NI Department	Process for revaluation
Civil Service	DoF	CPI + 0%
Local Government	DfC	CPI + 0%
Police	DoJ	CPI + 1.25%
Teachers	DE	CPI + 1.6%
Health and Social Care	DoH	CPI + 1.5%
Firefighters	DoH	AWE (Average Weekly Earnings)

3.4. The making of this Order fulfils the Department's requirement to make an Order in relation to CARE schemes for the purpose, of revaluation with reference to published cost of living indices which track annual changes in the level of prices or earnings. The only CARE scheme which currently uses the earnings index in its revaluation process is the Firefighters Pension Scheme. The other main public service schemes use the CPI measure.

4. Matters of special interest to the Committee for Finance

4.1. None

5. Consultation

5.1. The provisions in Public Service Pensions Act (Northern Ireland) 2014 under which the Statutory Rule is made do not require that the Department carry out formal consultations prior to its introduction. However the Department of Finance has discussed this order with responsible authorities and TUS for schemes affected.

6. Position in Great Britain

6.1. HM Treasury has introduced an equivalent order to provide for the increase in public service pensions in Great Britain.

7. Equality Impact

7.1. The Department undertook an equality screening exercise on the draft Order and found no differential adverse impact for s75 groups. A full EQIA is not considered necessary The screening document is available at:

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Policy Screening Template - The Public Service Pensions Revaluation Order (Northern Ireland) 2026 | Department of Finance

8. Regulatory Impact

8.1. The Statutory Rule imposes no cost on business, charities, social economy enterprises or the voluntary sector. A regulatory impact assessment is not considered necessary.

9. Financial Implications

9.1. The Statutory Rule specifies the percentage change in CPI to be used by a public service pension scheme in line with the revaluation provisions in its scheme regulations (see table at 3.3). Where scheme regulations specify a flat rate of CPI revaluation, benefits will be revalued by 3.8%. The percentage change in Average Earnings (AWE) to be used by the Firefighters' Pension Scheme in Northern Ireland to revalue CARE benefits accrued by active members in 2025-2026 by 4.6%. There are no financial implications for the Department of Finance.

10. EU implications

10.1. Not applicable.

11. Additional information

11.1. Not applicable.

12. Section 24 of the Northern Ireland Act

12.1. It is the view of the Department that the Statutory Rule is compatible with section 24 of the Northern Ireland Act 1998.

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