

NHS PENSION SCHEMES 02/2016

WHO SHOULD READ: NHS HR and Payroll Managers
GP Practice Managers
Direction Bodies
Practitioner Service Division (PSD)
Dental Payments
Trade Unions

ACTION: For information

SUBJECT: Public Service Pension Indexation and CARE scheme revaluation 2016

The purpose of this circular is to:

- Confirm that, in common with other public sector pension schemes, there will be no inflationary increase in the value of NHS pensions in payments (or deferred pensions) for the year 2016/17
- Advise of the rate that will be used for the 2015/16 annual revaluation of the Career Average Revalued Earnings (CARE) benefits accrued in the 2015 NHS Pension Scheme for active members

Public Service Pensions Indexation

Public service pensions in payment, together with those that are deferred for payment at a future date, are indexed annually based on the annual change in the Consumer Price Index (CPI) measured as at the previous September.

In the 12 months to September 2015, CPI was negative (-0.1%). As a result, no inflationary increase is to be applied from 1 April 2016 for either pensions in payment or deferred pensions. Both will therefore remain frozen at their current level of payment or deferred value.

As there is no increase this year, the UK Government will not issue a Pensions Increase (Review) Order for 2016.

CARE Scheme Revaluation

The NHS Pension Scheme 2015 Regulations were made under the Public Service Pension Act 2013 (the Act). The 2015 pension scheme is a Career Average Revalued Earnings (CARE) scheme and Section 9 of the Act deals with the annual “in-service” revaluation of CARE scheme benefits, so that they keep pace with the passage of time. The SPPA website provides [further information](#) on the principles of CARE scheme revaluation.



The NHS Pension Scheme 2015 Regulations provide for annual revaluation by reference to changes in prices. For active members this is at the rate of CPI plus 1.50%; for deferred members at the rate of CPI included in any Pension Increase (Review) Order.

Section 9(2) of the Act requires the change in prices used for revaluation to be such percentage increase or decrease as is specified in an order made by HM Treasury. The Public Service Pensions Revaluation (Prices) Order 2016 will fulfil that requirement in relation to prices and reflects the negative change in CPI (-0.1%) in the 12 months to September 2015. The Order is subject to affirmative UK parliamentary procedure and a draft is available [here](#).

As a result of the negative increase for CPI applied in the Treasury Revaluation Order, the in-service revaluation for the 2015 NHS scheme in respect of 2015/16 will be 1.40%.

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Contact information

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