

PENSIONS ACT 2008

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Section 102: Consolidation of additional pension

246. *Sections 102 to 104* and *Schedules 3 and 4* change the method of calculating earnings related components of state pensions for people who reach state pension age after 5 April 2020. In addition to their basic State Pension, pensioners can have accrued rights under three earnings related state schemes:
- the Graduated Retirement Benefit scheme (GRB) – from 1961 to 1975;
 - State Earnings Related Pension Scheme (SERPS) – from 1978 to 2002;
 - State Second Pension (S2P) – accrued from 2002.
247. S2P was reformed by the PA 2007. From the Flat Rate Introduction Year (for planning purposes this is assumed to be 2012), S2P will start to accrue on a flat-rate basis – the earnings-related element will be gradually phased out and will cease to accrue from around 2030.
248. *Section 102* amends SSCBA 1992, section 45. It provides the mechanism by which additional pension in respect of years before the Flat Rate Introduction Year will be calculated for people who reach state pension age after 5 April 2020.
249. *Subsection (4)* provides that their weekly rate of Additional Pension will be the consolidated value of their GRB, SERPS and S2P accruals, “the consolidated amount”, plus any flat rate accruals built up after 2012.
250. *Subsection (5)* introduces Schedule 3. This inserts new Schedule 4C into the SSCBA 1992 which sets out how the consolidated amount is to be calculated.
251. *Subsection (6)* provides for the GRB element of the consolidated pension to be omitted when carrying out the calculation to offset additional pension from incapacity age addition entitlement. This arises where a person was getting an age addition of incapacity benefit before they reach state pension age.
252. *Subsection (7)* restricts the calculation of GRB under existing rules to those who reach state pension age before 6 April 2020.