

2023 No. 338

PENSIONS

The Pensions Increase (Review) Order 2023

<i>Made</i>	- - - -	<i>16th March 2023</i>
<i>Laid before Parliament</i>		<i>20th March 2023</i>
<i>Coming into force</i>	- -	<i>10th April 2023</i>

The Secretary of State for Work and Pensions has, by virtue of section 151 of the Social Security Administration Act 1992(a), given a direction(b) that the sums mentioned in section 150(1)(c) of the Act are to be increased by a specified percentage.

The Treasury make the following Order in exercise of the powers conferred by section 59(1), (2), (5) and (5ZA) of the Social Security Pensions Act 1975(c) and now vested in them(d).

Citation and commencement

1. This Order may be cited as the Pensions Increase (Review) Order 2023 and comes into force on 10th April 2023.

Interpretation

2.—(1) In this Order, “the Act” means the Social Security Pensions Act 1975.

(2) In this Order, any reference to a pension is a reference to a pension which began before 10th April 2023(e).

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- (a) 1992 c. 5; section 151(1) was amended by section 130(2) of the Pensions Act 1995 (c. 26).
- (b) S.I. 2023/316.
- (c) 1975 c. 60. Section 59(1) was amended by section 1(7) of the Pensions (Miscellaneous Provisions) Act 1990 (c. 7) and by the Social Security (Consequential Provisions) Act 1992 (c. 6), Schedule 2, paragraph 34. Section 59(5) was amended by section 11 of the Social Security Act 1979 (c. 18) and the Social Security Act 1985 (c. 53), Schedule 5, paragraph 33. Section 59 was also amended by the Social Security Act 1979, section 11 and Schedule 3, paragraph 20; section 9(8) of the Social Security Act 1986 (c. 50) (which inserted subsection (5A)); section 5 of the Pensions (Miscellaneous Provisions) Act 1990 (which inserted subsection (5ZA)) and the Pensions Schemes Act 1993 (c. 48), section 190 and Schedule 8, paragraph 9(1). Section 59 was modified by section 59A, which was inserted by section 11(4) of the Social Security Act 1979, amended by the Social Security Act 1986, section 9(9), and further amended by the Pensions Schemes Act 1993, section 190 and Schedule 8, paragraph 9(2). Subsections 59(5ZA), (5ZB), (5ZC) and (7) were amended by S.I. 2014/560 and S.I. 2014/3229. Subsections 59(5ZB) and (7) were amended by S.I. 2014/3168. Subsections 59(5ZC) and (7) were amended by S.I. 2020/1143.
- (d) By virtue of article 2(1)(c) and (d) of S.I. 1981/1670.
- (e) By virtue of section 59(7) of the Social Security Pensions Act 1975, sections 59 and 59A of that Act have effect as if they were contained in Part 1 of the Pensions (Increase) Act 1971 (c. 56). Consequently, for the purposes of section 11 of the Interpretation Act 1978 (c. 30) the following expressions used in this Order have the meaning which they bear in section 59 of the Social Security Pensions Act 1975 and the Pensions (Increase) Act 1971: “beginning date”, “complete months”, “derivative pension”, “employment”, “guaranteed minimum pension”, “lump sum”, “official pension”, “pension authority”, “qualifying condition”, “relevant injury pension”, “substituted pension” and “transfer credit”. Section 8(2) of the Pensions (Increase) Act 1971 also makes provision about when a pension begins for the purposes of that Act. Section 8(2) was amended by section 1(5) of the Pensions (Miscellaneous Provisions) Act 1990 and by the Welfare Reform and Pensions Act

Pension increase: annual rate and lump sums

3.—(1) This article applies to an official pension if—

- (a) a qualifying condition is satisfied; or
- (b) the pension is—
 - (i) a derivative pension;
 - (ii) a substituted pension; or
 - (iii) a relevant injury pension.

(2) In relation to any period on or after 10th April 2023, the pension authority may increase the annual rate^(a) of the pension—

- (a) for a pension which began before 11th April 2022, by 10.1 per cent;
- (b) for a pension which began on or after 11th April 2022, by 10.1 per cent multiplied by—

$$\frac{A}{12}$$

where A is the number of complete months in the period between the beginning date of the pension and 10th April 2023.

(3) In relation to a lump sum which is payable on or after 11th April 2022 but before 10th April 2023, the pension authority may increase the lump sum by 10.1 per cent multiplied by—

$$\frac{A}{12}$$

where A is the number of complete months in the period between the beginning date of the lump sum (or, if later, 11th April 2022) and the date on which it becomes payable.

Reductions in respect of guaranteed minimum pensions

4.—(1) Where—

- (a) a person is entitled to an increase in a guaranteed minimum pension on 10th April 2023; and
- (b) entitlement to that guaranteed minimum pension arises from an employment from which (either directly, or indirectly by virtue of the payment of a transfer credit) entitlement to the official pension also arises;

the amount by reference to which any increase is calculated for the purposes of article 3(2) must be reduced by an amount equal to the rate of the guaranteed minimum pension unless the Treasury otherwise direct in accordance with the provision of section 59A of the Act^(b).

(2) Where on the death of a deceased spouse or civil partner a person becomes entitled to a guaranteed minimum pension in relation to a surviving spouse's pension or a surviving civil partner's pension, the amount by reference to which any increase is calculated for the purposes of article 3(2) must be reduced in accordance with section 59(5ZA) of the Act.

Scott Mann
Steve Double

16th March 2023

Two of the Lords Commissioners of His Majesty's Treasury

1999 (c. 30), section 39(1) and (4). Section 8 was also amended by the Public Service Pensions Act 2013 (c. 25), Schedule 8, paragraph 4 (which inserted section 8A).

- (a) Section 59(5) of the Social Security Pensions Act 1975 provides that increases in the rate of a pension are to be calculated by reference to the basic rate of the pension as authorised to be increased by section 1 of the Pensions (Increase) Act 1971 or by an order under section 2 of that Act or section 59 of the Social Security Pensions Act 1975.
- (b) The power of direction is vested in the Treasury by S.I. 1981/1670.

EXPLANATORY NOTE

(This note is not part of the Order)

Under section 59 of the Social Security and Pensions Act 1975 (c. 60) where the Secretary of State for Work and Pensions, under the Social Security Administration Act 1992 (c. 5), directs the sums in section 150(1)(c) are increased by a specific percentage, the Treasury shall provide by order for the increase in the rates of public service pensions. The Pensions (Increase) Act 1971 (c. 56) defines certain terms, sets out when a pension “begins” and how the increase applies to lump sums.

The increase is the percentage by which the Secretary of State for Work and Pensions has, by direction under section 151(1) of the Social Security Administration Act 1992 (c. 5), increased the additional pension entitlements accruing to employees in respect of earnings after 5th April 1978.

For pensions which began before 11th April 2022 the increase is 10.1 per cent. For pensions which began on or after 11th April 2022 the increases (following the calculation set out in article 3) are as follows—

<i>Pensions beginning</i>	<i>Pensions increase</i>
11th April 2022 to 25th April 2022	10.1%
26th April 2022 to 25th May 2022	9.26%
26th May 2022 to 25th June 2022	8.42%
26th June 2022 to 25th July 2022	7.58%
26th July 2022 to 25th August 2022	6.73%
26th August 2022 to 25th September 2022	5.89%
26th September 2022 to 25th October 2022	5.05%
26th October 2022 to 25th November 2022	4.21%
26th November 2022 to 25th December 2022	3.37%
26th December 2022 to 25th January 2023	2.53%
26th January 2023 to 25th February 2023	1.68%
26th February 2023 to 25th March 2023	0.84%

Article 3(3) of the Order provides for increases on certain deferred lump sums which become payable on or after 11th April 2022 and before 10th April 2023.

The Order also makes provision for the amount by reference to which any increase in the rate of an official pension is to be calculated to be reduced by the amount equal to the rate of any guaranteed minimum pension entitlement deriving from the employment which gives rise to the official pension.

A full impact assessment has not been produced for this instrument as no, or no significant, impact on the private, voluntary or public sector is foreseen.

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