Pension Schemes Act 1993

1993 CHAPTER 48

PART V

ANNUAL INCREASES OF PENSIONS IN PAYMENT

CHAPTER I

PENSIONS UNDER FINAL SALARY SCHEMES ETC.

104 Annual increase of earlier service component where scheme is in surplus

(1) If on any valuation day the value of a qualifying scheme's assets exceeds the value of its liabilities, the amount of the excess (the "valuation surplus") shall, in accordance with this section but subject to subsection (7), be applied in providing for annual increases in the annual rate of the earlier service component of each pension under the scheme that would not, apart from this Chapter, be increased as mentioned in section 102(2)(b).

(2) In this section "earlier service component" means so much (if any) of the annual rate of the pension as is attributable to pensionable service before the appointed day.

(3) Each annual increase to be provided in pursuance of this section shall be equal to the appropriate percentage of the annual rate of the earlier service component of the pension in question.

(4) Except in a case where regulations otherwise provide, the days which are "valuation days" for the purposes of this section are—

(a) the appointed day; and

(b) each subsequent day as at which the assets and liabilities of the scheme in question are actuarially valued for any purpose.

(5) Where, in consequence of a valuation surplus, this section requires provision to be made for annual increases in the annual rate of the earlier service component of a

pension, the first of those increases shall take effect not later than the first anniversary of the later of—

(a) the valuation day as at which the valuation was made which disclosed the valuation surplus; or

(b) the commencement of the pension;

and subsequent increases shall take effect at intervals of not more than 12 months.

(6) In any case where—

(a) a valuation of the assets and liabilities of a qualifying scheme discloses a valuation surplus, but

(b) the amount of the surplus is insufficient to provide in full for the annual increases otherwise required by this section in pensions under the scheme,

the valuation surplus shall be applied in providing for those increases, but only at the percentage rate that would apply year by year in relation to those increases if, for the percentage of 5 per cent. specified in paragraph 2(6)(a) of Schedule 3, there were substituted such lower percentage as represents the greatest percentage by reference to which the valuation surplus is sufficient to provide for annual increases in the earlier service component of the pensions in question.

(7) If a valuation surplus is disclosed on a valuation at any time when either—

(a) provision has already been made by the scheme for the annual rate of the earlier service component of every such pension as is mentioned in subsection (1) to be increased annually in the aggregate by at least the appropriate percentage of that rate, or

(b) the application of part only of the valuation surplus would be sufficient to secure that result,

this section does not require that surplus or, as the case may be, the remaining part of it to be applied in the provision of increases under this section.

(8) The value of a qualifying scheme's assets and liabilities for the purposes of subsection (1) and the percentage to be substituted under subsection (6) shall be determined in accordance with regulations.

(9) This section is subject to sections 105 to 108 and 153.