
EXPLANATORY NOTE

(This note is not part of the Order)

This Order is made following a review under section 148 (revaluation of earnings factors) of the Social Security Administration Act 1992 (c. 5).

This Order applies to earnings factors relevant to the calculation of additional pension in any long-term benefit or of any guaranteed minimum pension or to any other calculation required under Part 3 of the Pension Schemes Act 1993 (c. 48) (“the 1993 Act”). Article 2 provides that, for those purposes, earnings factors for the tax years specified in the Schedule to this Order are to be increased by the percentage of their amount specified in that Schedule; the effect is that earnings factors for those years are revalued at 2018-2019 earnings levels.

Accruals of additional state pension ended with the introduction of new state pension on 6th April 2016. Revaluation of earnings factors is still required for inherited additional state pension in certain circumstances (see sections 48B and 51 of the Social Security Contributions and Benefits Act 1992 (c. 4) (“the Contributions and Benefits Act”).

The percentages specified in this Order for the tax years from and including 2000-2001 are used in the revaluation of old state scheme pension debits and credits (awarded under section 49(1) of the Welfare Reform and Pensions Act 1999 (c. 30)) in accordance with sections 13 and 14 of, and paragraph 2(6) of each of Schedules 8 and 10 to, the Pensions Act 2014 (c. 19). The percentage specified for 2015-2016 is used to increase flat rate accrual amounts of additional state pension in accordance with paragraphs 4(2), 8(4) and 9(4) of Schedule 4B to the Contributions and Benefits Act.

Accruals of guaranteed minimum pensions ended on 6th April 1997 by virtue of section 14(8) of the 1993 Act. Revaluation of earnings factors is still required for guaranteed minimum pensions which are not yet in payment.

Article 3 of this Order provides for rounding fractional amounts for earnings factors relevant to the calculation of the additional pension in the rate of any long-term benefit. By virtue of section 23(2) of the Contributions and Benefits Act, rounding is not required for the purpose of calculating guaranteed minimum pensions.

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