

EXPLANATORY MEMORANDUM TO
THE PENSIONS INCREASE (REVIEW) ORDER 2021

2021 No. 275

1. Introduction

- 1.1 This explanatory memorandum has been prepared by HM Treasury and is laid before Parliament by Command of Her Majesty.

2. Purpose of the instrument

- 2.1 This Order makes provision for the annual increase of official pensions (as defined in the Pensions (Increase) Act of 1971.) The Order provides for an increase of 0.5 per cent from 12 April 2021 for all official pensions, except for those which have been in payment for less than a year, which will receive a pro-rata increase.

3. Matters of special interest to Parliament

Matters of special interest to the Joint Committee on Statutory Instruments

- 3.1 None.

Matters relevant to Standing Orders Nos. 83P and 83T of the Standing Orders of the House of Commons relating to Public Business (English Votes for English Laws)

- 3.2 As the instrument is not subject to parliamentary procedure there are no matters relevant to Standing Orders Nos. 83P and 83T of the Standing Orders of the House of Commons relating to Public Business.

4. Extent and Territorial Application

- 4.1 The territorial extent of this instrument is the United Kingdom.
4.2 The territorial application of this instrument is the United Kingdom.

5. European Convention on Human Rights

- 5.1 As the instrument is not subject to parliamentary procedure, no statement is required.

6. Legislative Context

- 6.1 Sections 59 and 59A of the Social Security Pensions Act 1975 (“the 1975 Act”) provide that the Minister for the Civil Service shall, by order, provide that the annual rate of an official pension may be increased by the same percentage as that specified in the annual direction given by the Secretary of State for Work and Pensions pursuant to section 151 of the Social Security Administration Act 1992 (“the 1992 Act”). The Minister’s enabling power was transferred to HM Treasury by virtue of the Transfer of Functions (Minister for the Civil Service and Treasury) Order 1981 (S.I. 1981/1670).
- 6.2 Under section 59(7) of the 1975 Act, sections 59 and 59A of that Act have effects as if they were contained in the Pensions (Increase) Act (“the 1971 Act”). The 1971 Act defined certain terms, section 8(2) providing for when a pension “begins” for the purposes of the Act, and section 9 makes provision as to lump sums. The increase is

the percentage (or fraction of the percentage) by which the Secretary of State for Work and Pensions has, by direction under the provisions of section 151(1) of the 1992 Act, increased the sums referred to in section 150(1)(c) of that Act. These are the additional pension entitlements accruing to employees in respect of earnings after 5 April 1978.

7. Policy background

What is being done and why?

- 7.1 Public service pensions in payment, preserved pensions and preserved lump sums are increased annually to take account of increases in the cost of living so that they maintain their purchasing power. This is done either under statutory provisions, including the annual order, or under separate analogous arrangements.
- 7.2 The level of increase is equal to the percentage specified by the Secretary of State for Work and Pensions for the increase of additional pensions in long-term benefits (including the State Second Pensions) in the annual direction made under section 151 of the 1992 Act. This increase is equal to the percentage rise in CPI in the twelve months to the preceding September.
- 7.3 Since 1987 the increase of official pensions has taken effect from the first Monday of the tax year.

8. European Union (Withdrawal) Act/Withdrawal of the United Kingdom from the European Union

- 8.1 This instrument does not relate to withdrawal from the European Union / trigger the statement requirements under the European Union (Withdrawal) Act.

9. Consolidation

- 9.1 This instrument does not require a consolidation exercise, as it does not relate to other enactments nor does it introduce amendments, revocation or corrections of existing legislation.

10. Consultation outcome

- 10.1 This annual instrument is made following a process prescribed in primary legislation. As such, it does not require a consultation exercise.

11. Guidance

- 11.1 Guidance documents on the HM Treasury public website have been updated to reflect the new rates: <https://www.gov.uk/government/collections/public-service-pensions-increases>.

12. Impact

- 12.1 There is no, or no significant, impact on business, charities or voluntary bodies.
- 12.2 The impact on the public sector is an increase in cash payments to pensioners across public service pension schemes. Public service pension schemes use forecast September CPI assumptions to factor in the uprating of public service pensions provided by the Pensions Increase (Review) Order and the cost impact of price

increases is taken into account in forecasts of departmental spending used for the Budget, and in Central Government Supply Estimates.

12.3 An Impact Assessment has not been prepared for this instrument.

13. Regulating small business

13.1 The legislation does not apply to activities that are undertaken by small businesses.

14. Monitoring & review

14.1 The position is subject to review in each tax year (please see paragraph 6.1 above).

15. Contact

15.1 Joseph Bambridge at HM Treasury (email: joseph.bambridge@hmtreasury.gov.uk) can be contacted with any queries regarding the instrument.

15.2 Eleanor Tack, Deputy Director for Workforce, Pay and Pensions, at HM Treasury can confirm that this Explanatory Memorandum meets the required standard.

15.3 Stephen Barclay MP at HM Treasury can confirm that this Explanatory Memorandum meets the required standard.