



# Pensions Act 2007

## 2007 CHAPTER 22

### PART 1

#### STATE PENSION

##### *Up-rating of basic state pension and other benefits*

#### **5 Up-rating of basic pension etc. and standard minimum guarantee by reference to earnings**

(1) After section 150 of the Administration Act insert—

##### **“150A Annual up-rating of basic pension etc. and standard minimum guarantee**

- (1) The Secretary of State shall in each tax year review the following amounts in order to determine whether they have retained their value in relation to the general level of earnings obtaining in Great Britain—
  - (a) the amount of the basic pension;
  - (b) the specified amounts in the case of Category B, C or D retirement pensions;
  - (c) the specified amounts in the case of industrial death benefit; and
  - (d) the amounts of the standard minimum guarantee for the time being prescribed under section 2(4) and (5)(a) and (b) of the State Pension Credit Act 2002.
- (2) Where it appears to the Secretary of State that the general level of earnings is greater at the end of the period under review than it was at the beginning of that period, he shall lay before Parliament the draft of an order which increases each of the amounts referred to in subsection (1) above by a percentage not less than the percentage by which the general level of earnings is greater at the end of the period than it was at the beginning.

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- (3) Subsection (2) above does not require the Secretary of State to provide for an increase in any case if it appears to him that the amount of the increase would be inconsiderable.
- (4) The Secretary of State may, in providing for an increase in pursuance of subsection (2) above, adjust the amount of the increase so as to round the sum in question up or down to such extent as he thinks appropriate.
- (5) The Secretary of State shall lay with a draft order under this section a copy of a report by the Government Actuary or the Deputy Government Actuary giving that Actuary's opinion on the likely effect on the National Insurance Fund of any parts of the order relating to sums payable out of that Fund.
- (6) If a draft order laid before Parliament under this section is approved by a resolution of each House, the Secretary of State shall make the order in the form of the draft.
- (7) An order under this section shall be framed so as to bring the increase in question into force in the week beginning with the first Monday in the tax year following that in which the order is made.
- (8) For the purposes of any review under subsection (1) above the Secretary of State shall estimate the general level of earnings in such manner as he thinks fit.
- (9) If a draft order under this section is combined with a draft up-rating order under section 150 above, the report required by virtue of subsection (5) above may be combined with that required by virtue of section 150(8) above.
- (10) In this section—
  - “the amount of the basic pension” means the first amount specified in section 44(4) of the Contributions and Benefits Act (weekly rate of Category A retirement pension);
  - “the specified amounts in the case of Category B, C or D retirement pensions” means—
    - (a) the amount specified in paragraph 5 of Part 1 of Schedule 4 to the Contributions and Benefits Act, and
    - (b) the amounts specified in paragraphs 6 and 7 of Part 3 of that Schedule;
  - “the specified amounts in the case of industrial death benefit” means—
    - (a) the amounts specified in paragraph 10 of Part 5 of that Schedule (apart from the amount of the initial rate), and
    - (b) the amount specified in paragraph 11 of that Part of that Schedule.”
- (2) Part 5 of Schedule 1 contains consequential and related amendments.
- (3) The section 150A inserted by subsection (1) and the amendments made by Part 5 of Schedule 1, so far as relating to the amounts referred to in section 150A(1)(a) to (c), have effect in relation to the designated tax year and subsequent tax years (with the result that the first review to be carried out under section 150A(1) in relation to those amounts is to be carried out in the designated tax year).

- (4) “The designated tax year” means such tax year as the Secretary of State may designate by an order made before 1st April 2011.
- (5) The Secretary of State must exercise his power under subsection (4) in such a way as to secure that the tax year immediately following the designated tax year is one that begins before the relevant dissolution date.
- (6) “The relevant dissolution date” means the latest date on which, having regard to the maximum period for which a Parliament may exist, the Parliament in existence at the time of exercise of the power could be dissolved.
- (7) The new section 150A inserted by subsection (1) and the amendments made by Part 5 of Schedule 1, so far as relating to the amounts mentioned in section 150A(1)(d), have effect in relation to the tax year in which this Act is passed and subsequent tax years.

## **6 Preservation of link with prices in case of other benefits**

- (1) Section 150 of the Administration Act (up-rating by reference to prices) is amended as follows.
- (2) In subsection (1) (annual reviews)—
  - (a) in paragraph (a), for sub-paragraphs (i) and (ii) substitute—
    - “(i) Schedule 4 (excluding the provisions of Parts 1, 3 and 5 of the Schedule that specify amounts mentioned in section 150A(1) below); and
    - (ii) section 44(4) so far as relating to the lower rate of short-term incapacity benefit;”;
  - (b) before paragraph (b) insert—

“(ab) specified in regulations under section 39(2A) or section 39C(1A) of that Act;”;

and
  - (c) in paragraph (1), at the end insert “(other than those prescribing the amounts mentioned in section 150A(1)(d) below)”.
- (3) In subsection (3) (sums to which requirement to up-rate applies)—
  - (a) in paragraph (a), for “1 to 6” substitute “1 to 5” and at the end insert “(excluding the provisions of Parts 1 and 5 of the Schedule that specify amounts mentioned in section 150A(1) below)”; and
  - (b) in paragraph (b), before “(b), (c),” insert “(ab),”.
- (4) In subsection (7) (sums that may be up-rated) at the end insert—

“The reference to regulations under the State Pension Credit Act 2002 does not include those prescribing the amounts mentioned in section 150A(1)(d) below.”
- (5) In section 39 of the SSCBA (rate of widowed mother’s allowance and widow’s pension) after subsection (2) insert—

“(2A) In its application by virtue of subsection (1) above, section 44(4) below is to be read as if for the first amount specified in that provision there were substituted a reference to the amount prescribed for the purposes of this subsection.”
- (6) In section 39C of the SSCBA (rate of widowed parent’s allowance and bereavement allowance)—
  - (a) for subsection (2) substitute—

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- “(1A) In its application by virtue of subsection (1) above, section 44(4) below is to be read as if for the first amount specified in that provision there were substituted a reference to the amount prescribed for the purposes of this subsection.
- (2) The weekly amount of a bereavement allowance is an amount equal to the amount prescribed for the purposes of subsection (1A) above.”; and
- (b) in subsection (3), for the words “or (as the case may be) section 44 below by virtue of subsection (1) or (2) above” substitute “by virtue of subsection (1) above”.
- (7) Subsections (2)(a) and (b), (3), (5) and (6) have effect in relation to the designated tax year (see section 5(4)) and subsequent tax years.
- (8) Subsections (2)(c) and (4) have effect in relation to the tax year in which this Act is passed and subsequent tax years.
- (9) The Secretary of State must exercise his power to prescribe amounts for the purposes of the new sections 39(2A) and 39C(1A) (inserted by subsections (5) and (6)) in such a way as to secure that, at any time before the coming into force of the first provision made under the new section 150A that alters the amount of the basic pension, the amounts prescribed are equal to the amount of the basic pension for the time being.
- (10) In subsection (9)—
- “the amount of the basic pension” means the first amount specified in section 44(4) of the SSCBA (weekly rate of Category A retirement pension);
- “the new section 150A” means the section 150A inserted by section 5(1).

## **7 Removal of link between lower earnings limit and basic pension**

- (1) Section 5 of the SSCBA (earnings limits and thresholds for Class 1 contributions) is amended as follows.
- (2) In subsection (1) (limits and thresholds to be specified in regulations) for the words from “in the case of” to the end substitute “in the case of the upper earnings limit shall be made in accordance with subsection (3) below.”
- (3) Omit subsection (2) (link between lower earnings limit and weekly rate of basic pension).
- (4) Subsections (2) and (3) have effect in relation to the tax year following the designated tax year (see section 5(4)) and subsequent tax years.
- (5) In section 176(1) of the SSCBA (instruments subject to affirmative procedure), before paragraph (a) insert—
- “(za) regulations under section 5 specifying the lower earnings limit for the tax year following the designated tax year (see section 5(4) of the Pensions Act 2007) or any subsequent tax year;”.

## **8 Removal of link between lower earnings limit and basic pension: Northern Ireland**

- (1) Section 5 of the Social Security Contributions and Benefits (Northern Ireland) Act 1992 (c. 7) (earnings limits and thresholds for Class 1 contributions) is amended as follows.
- (2) In subsection (1) (limits and thresholds to be specified in regulations) for the words from “in the case of” to the end substitute “in the case of the upper earnings limit shall be made in accordance with subsection (3) below.”
- (3) Omit subsection (2) (link between lower earnings limit and weekly rate of basic pension).
- (4) Subsections (2) and (3) have effect in relation to the tax year following the designated tax year (see section 5(4)) and subsequent tax years.
- (5) In section 172 of the Social Security Contributions and Benefits (Northern Ireland) Act 1992 (Assembly, etc. control of regulations and orders)—
  - (a) in subsection (9) for “(11), (11A) and” substitute “(11) to”; and
  - (b) after subsection (11) insert—

“(11ZA) A statutory instrument containing (whether alone or with other provisions) regulations under section 5 specifying the lower earnings limit for—

    - (a) the tax year following the designated tax year (see section 5(4) of the Pensions Act 2007), or
    - (b) any subsequent tax year,

shall not be made unless a draft of the instrument has been laid before and approved by resolution of each House of Parliament.”