

EXPLANATORY MEMORANDUM TO
THE SOCIAL SECURITY PENSIONS (LOW EARNINGS THRESHOLD) ORDER 2008
2008 No. 726

1. This explanatory memorandum has been prepared by the Department for Work and Pensions and is laid before Parliament by Command of Her Majesty.

2. Description

2.1 The Social Security Pensions (Low Earnings Threshold) Order is made each year to set the new Low Earnings Threshold for the additional pension (State Second Pension) for 2008/09.

2.2 The State Second Pension reformed the State Earnings-Related Pension Scheme (SERPS) from 6 April 2002. An important element of the reform is that, from 2002 onwards, earnings used to determine an additional pension that fall between the National Insurance Lower Earnings Limit and the Low Earnings Threshold are treated as being at the Threshold.

3. Matters of special interest to the Joint Committee on Statutory Instruments

3.1 None.

4. Legislative Background

4.1 This Order is being made to effect the annual uprating of the Low Earnings Threshold for 2008/09.

4.2 Each year, the Secretary of State is required to review changes in the general level of earnings and if it appears to him that the general level of earnings has increased during the review period, to make an Order to set the LET for the following year.

5. Territorial extent and Application

5.1 This instrument applies to Great Britain.

5.2 Equivalent provision will be made by statutory rule in relation to Northern Ireland.

6. European Convention on Human Rights

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

7.1 State Second Pension reformed the State Earnings-Related Pension Scheme (SERPS) from 6 April 2002. It boosts the additional State Pension of low earners, and

brings carers and some long-term disabled people with broken work records into the system for the first time.

7.2 An important element of the reform is that, from 2002 onwards, earnings used to determine an additional State Pension that fall between the National Insurance Lower Earnings Limit (LEL) and the Low Earnings Threshold (LET) are treated as being at the LET.

7.3 The LEL is the level that a person's earnings become relevant for National Insurance purposes.

7.4 The following will be treated as if they had earnings at the LET for State Second Pension purposes:

- employees earning at or above the annual LEL up to the LET;
- qualifying carers; and
- qualifying disabled people.

7.5 The LET is £13,000 for the 2007/08 tax year.

7.6 Each year the Secretary of State is obliged to review the general level of earnings obtaining in Great Britain and any changes in that level which have taken place during the review period. If on such a review it appears to him that the general level of earnings has increased during the review period, he shall make an order under section 148A of the Social Security Administration Act 1992.

7.7 The Office of National Statistics' September whole economy (non-seasonally adjusted) index showed that the rise in average earnings over the period 1 October 2006 to 30 September 2007 is 4.2%. This means that, with rounding, the threshold is increased to £13,500 for 2008/09.

7.8 The LEL is £4,524 for 2007/08 and will be £4,680 for 2008/09.

7.9 No consultation on this Order was necessary.

7.10 An information notice will be issued to the financial press. The figures will also be published on the Department for Work and Pensions Website.

7.11 Consolidation is not appropriate for the Order.

8. Impact

8.1 A full impact assessment has not been produced for this instrument as it has no impact on the private or voluntary sectors.

8.2 The impact on the public sector is negligible.

9. Contact

ANGELA EGBEDI (at the Department for Work and Pensions Tel: 020 7962 8720 or e-mail: angela.egbedi@dwp.gsi.gov.uk) can answer any queries regarding the instrument.