

PENSIONS ACT 2008

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Schedule 2: Revaluation of accrued benefits etc.

Part 1

240. *Paragraphs 2 and 3* of Schedule 2 amend the provisions in the PSA 1993 for revaluing deferred members' benefits in final salary occupational pension schemes.
241. The overall effect of the amendments is to provide that accrued benefit attributable to pensionable service on or after the commencement day is to be revalued by the rate of inflation over the relevant revaluation period, capped at 2.5% per annum. Accrued benefit attributable to service before the commencement day is to be unaffected by the amendments and a cap of 5% per annum is to continue to be applied to accrued benefits for service between 1985 and the commencement day. Where the time period between the end of pensionable service and the beginning of pension payments is longer than a year, the caps are applied to the rate of inflation as averaged over that time, and are calculated on a compound basis.
242. "Accrued benefit" is defined as the amount of benefit accrued at the date pensionable service was terminated, excluding any guaranteed minimum pension rights (to which separate provisions apply) – see the inserted paragraph 1(1E) of Schedule 3 to PSA 1993, which reproduces the existing text. "Pensionable service" continues to include any notional pensionable service which is credited to the member by the scheme.