

*Draft Order laid before Parliament under section 54(2)(c) of the Pensions Act 2014 for approval by resolution of each House of Parliament.*

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D R A F T   S T A T U T O R Y   I N S T R U M E N T S

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**2014 No.**

**SOCIAL SECURITY**

**The Pensions Act 2014 (Consequential Amendments) (Units of Additional Pension) Order 2014**

*Made* - - - -

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*Coming into force* - -

*12th October 2015*

The Secretary of State in exercise of the powers conferred on him by section 53(1) and (2) of the Pensions Act 2014(a) makes the following Order.

A draft of this instrument was laid before Parliament in accordance with section 54(2)(c) of the Pensions Act 2014 and approved by a resolution of each House of Parliament.

**Citation and commencement**

**1.**—(1) This Order may be cited as the Pensions Act 2014 (Consequential Amendments) (Units of Additional Pension) Order 2014.

(2) This Order shall come into force on 12th October 2015.

**Amendment of the Social Security Contributions and Benefits Act 1992**

**2.** In section 47 of the Social Security Contributions and Benefits Act 1992(b) (increase of Category A retirement pension for invalidity), after subsection (3), insert—

“(3A) In subsections (2) and (3) above references to additional pension do not include any amount of additional pension attributable to units of additional pension.

(3B) For units of additional pension, see section 14A.”(c).

**3.** In Schedule 7 to the Social Security Contributions and Benefits Act 1992 (industrial injuries benefits), after paragraph 3(3)(d) (increase of unemployability supplement) insert—

“(3A) In sub-paragraphs (2) and (3) above references to additional pension do not include any amount of additional pension attributable to units of additional pension.

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(a) 2014 c.19.

(b) 1992 c.4. Section 47(1) and (5) were amended by paragraph 13 of Part 1 of Schedule 1 to the Social Security (Incapacity for Work) Act 1994 (c.18). Section 47(3) was amended by paragraph 39 of Schedule 8 to the Pension Schemes Act 1993 (c.48).

(c) Section 14A was inserted by paragraph 3 of Schedule 15 to the Pensions Act 2014.

(d) Paragraph 3(2) was amended by paragraph 41(2)(a) of Part 1 of Schedule 1 to the Social Security (Incapacity for Work) Act 1994. Paragraph 3(3) was amended by paragraph 41(2)(b) of Part 1 of Schedule 1 to that Act. Paragraph 3(3) was also amended by paragraph 43(a) of Schedule 8 to the Pension Schemes Act 1993 and by paragraph 13 of Schedule 4 to the Pensions Act 2008 (c.30).

(3B) For units of additional pension, see section 14A.”.

**Amendment of section 46 of the Pension Schemes Act 1993**

4. In section 46 of the Pension Schemes Act 1993 (effect of entitlement to guaranteed minimum pensions on payment of social security benefits)(a), at the end insert—

“(10) In this section a reference to “additional pension” does not include any amount of additional pension attributable to units of additional pension.

(11) For units of additional pension, see section 14A of the Social Security Contributions and Benefits Act 1992.”.

**Amendment of the Social Security (Inherited SERPS) Regulations 2001**

5. In regulation 1(2) (citation, commencement and interpretation) of the Social Security (Inherited SERPS) Regulations 2001(b), in the definition of “additional pension”, after “2002” insert “and an additional pension attributable to units of additional pension (within the meaning of section 14A of the Contributions and Benefits Act)”.

Signed by authority of the Secretary of State for Work and Pensions

Address	<i>Name</i> Minister of State
Date	Department for Work and Pensions

**EXPLANATORY NOTE**

*(This note is not part of the Order)*

This Order makes consequential amendments to primary and secondary legislation as a result of the introduction on 12 October 2015 of Class 3A voluntary national insurance contributions. A person may pay a Class 3A contribution in return for a unit of additional pension which results in an increase in the weekly rate of the additional pension in a category A, B or D retirement pension. This was provided for by section 14A of the Social Security Contributions and Benefits Act 1992 which was inserted by paragraph 3 of Schedule 15 to the Pensions Act 2014.

Articles 2 and 3 amend section 47 of, and paragraph 3 of Schedule 7 to, the Social Security Contributions and Benefits Act 1992 in order to exclude the part of a person’s additional pension in a category A retirement pension that is attributable to units of additional pension as a result of paying voluntary class 3A contributions. Therefore the reference in these provisions to an additional pension in a category A retirement pension will only include the additional pension attributable to any surpluses in the pensioner’s earnings factors for the tax years in their working life. This will mean in the case of state pension that the amounts paid to those incapacitated before age 45 who received an increase to their long-term incapacity benefit, and subsequently an equivalent increase to their state pension as a result, will be unaffected by the person having paid class 3A contributions. This will also mean in the case of disablement pension, that the amount of the person’s unemployability supplement will be unaffected by the person having paid class 3A contributions.

Article 4 makes similar amendments to section 46 of the Pension Schemes Act 1993 which applies to persons entitled to state pension or disablement pension who are also entitled to a guaranteed minimum pension. Section 46 refers to and modifies both section 47 of, and paragraph 3 of Schedule 7 to, the Social Security Contributions and Benefits Act 1992.

Article 5 makes an amendment to the Social Security (Inherited SERPS) Regulations 2001. It amends the definition of “additional pension” in regulation 1(2) so that it includes additional

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(a) 1993 c.48.  
(b) S.I. 2001/1085.

pension that a deceased spouse or civil partner was entitled to by virtue of that person paying a class 3A voluntary national insurance contribution in return for a unit of additional pension. This will mean that a surviving spouse or civil partner will, in line with existing rules for other additional pension, be able to inherit the full amount of pension due from units of additional pension of the deceased spouse or civil partner if the deceased attained pensionable age before 6 October 2002; or a lesser amount of additional pension in line with the arrangements for a gradual reduction in inheritance to fifty percent where the spouse or civil partner who died reached State Pension age between 6 October 2002 and 5 October 2010.

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

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