



Pensions Act 1995

1995 CHAPTER 26

PART I

OCCUPATIONAL PENSIONS

Indexation

51 Annual increase in rate of pension.

- (1) Subject to [^{F1}subsections (6) and (7)] this section applies to a pension under an occupational pension scheme if—
- (a) the scheme—
 - [^{F2}(i) is a registered pension scheme under section 153 of the Finance Act 2004, and]
 - (ii) is not a public service pension scheme, and
 - [^{F3}(iii) in the case where the pension becomes a pension in payment on or after the commencement day, is not a money purchase scheme, and]
 - [^{F4}(b) the whole, or any part of, the pension is attributable—
 - (i) to pensionable service on or after [^{F5}6 April 1997], or
 - (ii) in the case of money purchase benefits where the pension is in payment before the commencement day, to payments in respect of employment carried on on or after [^{F5}6 April 1997], and
 - (c) apart from this section—
 - (i) the annual rate of the pension, or
 - (ii) if only part of the pension is attributable as described in paragraph (b), so much of the annual rate as is attributable to that part,would not be increased each year by at least the appropriate percentage of that rate.]

[^{F6}(1A) Where a pension scheme is divided into sections, each section that is a collective money purchase scheme for the purposes of Part 1 of the Pension Schemes Act 2021

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(see section 1(2)(b) of that Act) is to be treated for the purposes of this section as a separate occupational pension scheme which is a money purchase scheme.]

- (2) [^{F7}Subject to sections 51A and 52], where a pension to which this section applies, or any part of it, is attributable to pensionable service on or after [^{F56} April 1997] or, in the case of money purchase benefits [^{F8}where the pension is in payment before the commencement day], to payments in respect of employment carried on on or after [^{F56} April 1997]—
- (a) the annual rate of the pension, or
 - (b) if only part of the pension is attributable to pensionable service or, as the case may be, to payments in respect of employment carried on on or after [^{F56} April 1997], so much of the annual rate as is attributable to that part,
- must be increased annually by at least the appropriate percentage.
- [^{F9}(3) Subsection (2) does not apply to the annual rate of a pension under an occupational pension scheme, or to a part of that rate, if under the rules of the scheme the rate or part is for the time being being increased at intervals of not more than twelve months by at least the relevant percentage.
- (4) For the purposes of subsection (3) the relevant percentage is—
- (a) the percentage increase in the consumer prices index for the reference period, being a period determined, in relation to each periodic increase, under the rules, or
 - (b) if lower, the default percentage for that period.
- (4ZA) Subsection (2) does not apply to the annual rate of a pension under an occupational pension scheme, or to a part of that rate, if subsection (4ZB) applies to the rate or part.
- (4ZB) Subject to subsection (4ZD), this subsection applies to the rate or part if, under the rules of the scheme, the rate or part is for the time being being increased, and since the relevant time has always been increased, at intervals of not more than twelve months by at least—
- (a) the percentage increase in the retail prices index for the reference period, being a period determined, in relation to each periodic increase, under the rules, or
 - (b) if lower, the default percentage for that period.
- (4ZC) In subsection (4ZB) “the relevant time” means—
- (a) the beginning of 2011 or, if later, the time when the pension became a pension in payment, or
 - (b) if the pension was transferred to the scheme from another occupational pension scheme as a pension in payment after the beginning of 2011, the time of the transfer.
- (4ZD) If the pension was transferred to the scheme as mentioned in subsection (4ZC)(b), subsection (4ZB) does not apply to the rate or part unless, immediately before the transfer, subsection (4ZB) (read with this subsection if relevant) applied to the rate or part by reference to the scheme from which the pension was transferred (or would have applied had subsection (4ZB) been in force immediately before the transfer).
- (4ZE) If only part of the pension is attributable to pensionable service or, as the case may be, to payments in respect of employment carried on on or after [^{F56} April 1997], in subsections (3) to (4ZD) references to the annual rate of the pension are references to so much of that rate as is attributable to that part.

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- (4ZF) For the purposes of subsections (4) and (4ZB) the default percentage for a period is the percentage for that period which corresponds to—
- (a) in the case of a category X pension, 5% per annum, and
 - (b) in the case of a category Y pension, 2.5% per annum.
- (4ZG) In subsections (4) and (4ZB)—
- “consumer prices index” means—
- (a) the general index of consumer prices (for all items) published by the Statistics Board, or
 - (b) where that index is not published for a month, any substituted index or figures published by the Board;
- “retail prices index” means—
- (a) the general index of retail prices (for all items) published by the Statistics Board, or
 - (b) where that index is not published for a month, any substituted index or figures published by the Board.]
- [^{F10}(4A) For the purposes of this section, a pension is a category X pension if it is—
- (a) a pension which became a pension in payment before the commencement day, or
 - (b) a pension—
 - (i) which becomes a pension in payment on or after the commencement day, and
 - (ii) the whole of which is attributable to pensionable service before that day.
- (4B) For the purposes of this section, a pension is a category Y pension if it is a pension—
- (a) which becomes a pension in payment on or after the commencement day, and
 - (b) the whole of which is attributable to pensionable service on or after the commencement day.
- (4C) For the purposes of applying this section in the case of a pension—
- (a) which becomes a pension in payment on or after the commencement day,
 - (b) part of which is attributable to pensionable service before the commencement day, and
 - (c) part of which is attributable to pensionable service on or after that day,
- each of those parts of the pension is to be treated as if it were a separate pension.]
- (5) Regulations may provide that [^{F11}any of the provisions of this section] apply in relation to a pension as if so much of it as would not otherwise be attributable to pensionable service or to payments in respect of employment were attributable to pensionable service or, as the case may be, payments in respect of employment—
- (a) before [^{F56}April 1997][^{F12}or the commencement day],
 - (b) on or after that day, or
 - (c) partly before and partly on or after that day.
- (6) This section does not apply to any pension or part of a pension [^{F13}which is attributable (directly or indirectly) to a pension credit or] which, in the opinion of the trustees or managers, is derived from the payment by any member of the scheme of voluntary contributions.

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[^{F14}(7) This section does not apply to any pension (or part of a pension) under a relevant occupational pension scheme which—

- (a) is a cash balance benefit (see section 51ZB), and
- (b) first comes into payment on or after the day on which section 21 of the Pensions Act 2011 comes into force.]

[^{F15}(8) An occupational pension scheme is a “relevant occupational pension scheme” if—

- (a) it has not, at any time on or after 6 April 1997, been a salary related contracted-out scheme (see section 7B of the Pension Schemes Act 1993), or
- (b) it has, at any time on or after 6 April 1997, been a salary related contracted-out scheme but no person is entitled to receive, or has accrued rights to, benefits under the scheme attributable to a period on or after that day when it was such a scheme.]

Textual Amendments

- F1** Words in s. 51(1) substituted (3.1.2012) by [Pensions Act 2011 \(c. 19\), ss. 21\(2\)](#), 38(4); S.I. 2011/3034, art. 3(c)
- F2** S. 51(1)(a)(i) substituted (6.4.2006) by [The Taxation of Pension Schemes \(Consequential Amendments\) Order 2006 \(S.I. 2006/745\)](#), arts. 1, **10(2)**
- F3** S. 51(1)(a)(iii) inserted (15.3.2005 for specified purposes, 6.4.2005 in so far as not already in force) by [Pensions Act 2004 \(c. 35\), ss. 278\(2\)\(b\)](#), 322(1) (with s. 313); S.I. 2005/275, art. 2(7), Sch. Pt. 7; S.I. 2005/695, art. 2(4)
- F4** S. 51(1)(b)(c) substituted for s. 51(1)(b) (15.3.2005 for specified purposes, 6.4.2005 in so far as not already in force) by [Pensions Act 2004 \(c. 35\), ss. 278\(2\)\(c\)](#), 322(1) (with s. 313); S.I. 2005/275, art. 2(7), Sch. Pt. 7; S.I. 2005/695, art. 2(4)
- F5** Words in s. 51 substituted (6.4.2016) by [Pensions Act 2014 \(c. 19\)](#), s. 56(4), **Sch. 13 para. 59(2)**
- F6** S. 51(1A) inserted (11.2.2021 for specified purposes, 1.8.2022 in so far as not already in force) by [Pension Schemes Act 2021 \(c. 1\)](#), s. 131(1)(3)(a), **Sch. 3 para. 7**; S.I. 2022/721, regs. 1(2), 3(a)
- F7** Words in s. 51(2) substituted (1.12.2000) by [Child Support, Pensions and Social Security Act 2000 \(c. 19\), ss. 51\(1\)](#), 86(1)(b)(2) (with s. 83(6)); S.I. 2000/3166, art. 2(2)(b)
- F8** Words in s. 51(2) inserted (15.3.2005 for specified purposes, 6.4.2005 in so far as not already in force) by [Pensions Act 2004 \(c. 35\), ss. 278\(3\)](#), 322(1) (with s. 313); S.I. 2005/275, art. 2(7), Sch. Pt. 7; S.I. 2005/695, art. 2(4)
- F9** S. 51(3)-(4ZG) substituted for s. 51(3)(4) (3.1.2012) by [Pensions Act 2011 \(c. 19\), ss. 19\(8\)](#), 38(4); S.I. 2011/3034, art. 3(b)
- F10** S. 51(4A)-(4C) inserted (15.3.2005 for specified purposes, 6.4.2005 in so far as not already in force) by [Pensions Act 2004 \(c. 35\), ss. 278\(5\)](#), 322(1) (with s. 313); S.I. 2005/275, art. 2(7), Sch. Pt. 7; S.I. 2005/695, art. 2(4)
- F11** Words in s. 51(5) substituted (15.3.2005 for specified purposes, 6.4.2005 in so far as not already in force) by [Pensions Act 2004 \(c. 35\), ss. 278\(6\)\(a\)](#), 322(1) (with s. 313); S.I. 2005/275, art. 2(7), Sch. Pt. 7; S.I. 2005/695, art. 2(4)
- F12** Words in s. 51(5)(a) inserted (15.3.2005 for specified purposes, 6.4.2005 in so far as not already in force) by [Pensions Act 2004 \(c. 35\), ss. 278\(6\)\(b\)](#), 322(1) (with s. 313); S.I. 2005/275, art. 2(7), Sch. Pt. 7; S.I. 2005/695, art. 2(4)
- F13** Words in s. 51(6) inserted (1.12.2000) by [Welfare Reform and Pensions Act 1999 \(c. 30\)](#), s. 89(1), **Sch. 12 para. 51**; S.I. 2000/1047, art. 2(2)(d) Sch. Pt. 4
- F14** S. 51(7)(8) inserted (3.1.2012) by [Pensions Act 2011 \(c. 19\), ss. 21\(3\)](#), 38(4); S.I. 2011/3034, art. 3(c)
- F15** S. 51(8) substituted (6.4.2016) by [Pensions Act 2014 \(c. 19\)](#), s. 56(4), **Sch. 13 para. 59(3)**

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Modifications etc. (not altering text)

- C1** Ss. 51-54 modified (30.12.2005) by [The Occupational Pension Schemes \(Cross-border Activities\) Regulations 2005 \(S.I. 2005/3381\)](#), regs. 1, 14, **Sch. 2 para. 3**
- C2** S. 51 modified (6.4.2005) by [The Personal and Occupational Pension Schemes \(Indexation and Disclosure of Information\) \(Miscellaneous Amendments\) Regulations 2005 \(S.I. 2005/704\)](#), regs. 1(2), **2**
- C3** S. 51 excluded (24.7.2014) by [The Pensions Act 2011 \(Transitional, Consequential and Supplementary Provisions\) Regulations 2014 \(S.I. 2014/1711\)](#), regs. 1(1), **26(1)**

Commencement Information

- I1** S. 51 in force at 6.4.1996 for specified purposes by [S.I. 1996/778](#), art. 2(5)(a), **Sch. Pt. V**
- I2** S. 51 in force at 6.4.1997 in so far as not already in force by [S.I. 1997/664](#), art. 2(3), **Sch. Pt. 3**

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Changes and effects yet to be applied to :

- s. 51(1) words substituted by [2015 c. 8 s. 41\(1\)\(a\)](#)
- s. 51(1)(a)(ii) words inserted by [2015 c. 8 s. 42\(2\)](#)
- s. 51(1)(a)(iii) words substituted by [2015 c. 8 Sch. 2 para. 9](#)

Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

- Blanket amendment words substituted by [S.I. 2011/1043 art. 36](#)

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 37(1A)(b) inserted by [2015 c. 8 Sch. 2 para. 7\(b\)](#)
- s. 51(5A)-(5C) inserted by [2015 c. 8 s. 43\(1\)](#)
- s. 51(7A) inserted by [2015 c. 8 s. 41\(1\)\(b\)](#)
- s. 51(9)(10) inserted by [2015 c. 8 s. 42\(3\)](#)
- s. 67A(3)(aa)-(ac) inserted by [2015 c. 8 s. 45\(3\)](#)
- s. 67A(9)(a)(viii)-(x) inserted by [2015 c. 8 s. 45\(6\)\(a\)](#)
- s. 67A(9)(b)(vi)-(viii) inserted by [2015 c. 8 s. 45\(6\)\(b\)](#)
- s. 73(2)(2A) substituted for s. 73(2) by [2015 c. 8 Sch. 2 para. 11](#)
- s. 75(1)-(1B) substituted for s. 75(1) by [2015 c. 8 Sch. 2 para. 12](#)
- s. 175(2)(ca) inserted by [2004 c. 35 s. 240\(2\)](#)
- s. 175(2)(za) inserted by [2015 c. 8 s. 43\(2\)](#)