
EXPLANATORY NOTE

(This note is not part of the Order)

This Order is made consequent upon a review under section 21 of the Social Security Pensions Act 1975 (“the Pensions Act”), which provides for the revaluation of earnings factors so that they maintain their value in relation to the general level of earnings obtaining in Great Britain.

The Order directs that the earnings factors relevant to the calculation of the additional pension in the rate of any long-term benefit or of any guaranteed minimum pension or to any other calculation required under Part III of the Pensions Act for the tax years specified in the Schedule to the Order are to be increased by the percentage of their amount specified in that Schedule. The percentage for the tax years 1986—87 has been fixed at 7.4 per cent; those for earlier years have also been increased. The Order also provides for the rounding of fractional amounts.

For the purpose of certain occupational pension schemes which are contracted-out under Part III of the Pensions Act, the increases made by this Order are applied, by sections 35(5) and 41C(4A), to the earnings factor used in calculating an earner’s guaranteed minimum pension and by sections 44(6)(a) and 45(3)(a) for the purpose of determining the amount of any state scheme premium.

In certain cases where guaranteed minimum pensions are preserved under arrangements approved by the Occupational Pensions Board under section 44 of the Pensions Act, section 35(5) has effect subject to provisions set out in section 21(1) of the Social Security (Miscellaneous Provisions) Act 1977 (c. 5).

Section 21(1) of the 1977 Act and sections 44(6)(a) and 45(3)(a) of the Pensions Act were amended by section 4 of and Schedule 3 to the Social Security Act 1985 (c. 53) which also added paragraph 4A to section 41C of the Pensions Act.