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## EXPLANATORY NOTE

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

These Regulations introduce further detailed rules relating to the new state pension. The Pensions Act 2014 (c.19) (“the 2014 Act”) creates the new state pension for people reaching pensionable age on or after 6th April 2016 (see Part 1 of that Act). It replaces the existing state pension for those people.

These Regulations also make amendments relating to the abolition of contracting-out of the state additional pension for salary related pension schemes as a consequence of a defect in the Occupational Pension Schemes (Schemes that were Contracted-out) Regulations 2015 (S.I. 2015/1452) (“the Contracted-out Regulations”). These Regulations are being issued free of charge to all known recipients of those defective Regulations.

Regulations 2 to 4 of these Regulations amend the State Pension Regulations 2015 (S.I. 2015/173). Regulation 2 inserts some new definitions into those Regulations.

Regulation 3 inserts a new regulation 12A into the State Pension Regulations 2015. This makes further provision about deferral. A person may defer their state pension by choosing not to claim it when they are first entitled to it or by suspending receipt of it after they first claim it. If they defer, they may receive more state pension when they later choose to claim it. Regulation 12A sets out how any extra state pension they receive is calculated in certain circumstances. These are where the weekly rate of the state pension the person would have received if they had not deferred would have changed otherwise than as a result of an annual up-rating increase. For example, it might have changed as a result of becoming entitled to an inherited amount upon the death of the person’s spouse or civil partner.

Regulation 4 of these Regulations inserts a new Part 6 into the State Pension Regulations 2015, which contains provisions about inheritance of graduated retirement benefit. A person can be entitled to graduated retirement benefit if they made certain National Insurance contributions between 1961 and 1975. Where such a person dies, the provisions in new Part 6 provide that their surviving spouse or civil partner can be entitled to a state pension based on the inheritable graduated retirement benefit. This is a state pension under Part 1 of the 2014 Act.

Inserted regulations 15 and 16(1) to (3) set out the circumstances in which a person is entitled to a state pension based on the inheritable graduated retirement benefit. Regulation 16(4) to (6) determines the amount of such a state pension. Regulation 17 provides for annual up-rating increases of that state pension. Regulation 18 applies where a person has died while deferring their entitlement to a graduated retirement benefit. It allows their surviving partner to make a choice between taking the inheritable payment as a one-off lump sum or as a weekly pension and it includes provisions about making that choice. Regulation 19 sets out how to calculate the lump sum. Regulation 20 sets out who is eligible for the weekly pension, how to calculate it and when annual up-rating increases apply to it.

Regulation 4 of these Regulations also inserts a new Part 7 into the State Pension Regulations 2015, which contains provisions about state pensions for persons who are overseas residents. New regulation 21 sets out when overseas residents are not entitled to up-rating increases of their state pension. This includes at regulation 21(3) and (4) rules for persons who have deferred and are an overseas resident. Regulation 21(6) makes provision about whether a person in part of the Channel Islands is an overseas resident. Regulation 22 makes similar provision to regulation 12A for overseas residents who have deferred. Regulation 23 sets out how to determine the extra state pension when both regulations 12A and 22 apply.

*Status: This is the original version (as it was originally made). This item of legislation is currently only available in its original format.*

Regulation 5 of these Regulations amends the 2014 Act so that it includes state pension based on inheritance of graduated retirement benefit.

Regulation 6 amends the Occupational Pension Schemes (Schemes that were Contracted-out) (No.2) Regulations 2015 (S.I. 2015/1677). The amendment sets out the requirements for the provision of survivors' benefits to members of a former contracted-out pension scheme who have accrued rights to a guaranteed minimum pension ("GMP"), where the scheme has converted GMPs into other benefits. The requirements are the same as the requirements for survivors' benefits in legislation governing the provision of GMPs (see sections 13 to 25 of the Pension Schemes Act 1993 (c.48)). This amendment is made as a consequence of the abolition of contracting-out. It replaces regulation 69B of the Occupational Pension Schemes (Contracting-out) Regulations 1996 (S.I. 1996/1172), which is revoked by regulation 6 of these Regulations. Regulation 6 also revokes other provisions in the Contracted-out Regulations.

An analysis of the impact of regulation 6 of these Regulations has been made as part of the analysis of the 2014 Act. A full impact assessment has not been published for the remainder of these Regulations as they have no impact on the private sector or civil society organisations. An assessment has been made of the impact of the introduction of the new state pension. Copies of that impact assessment and the analysis of the impact of regulation 6 may be obtained from the Better Regulation Unit of the Department for Work and Pensions, 2D Caxton House, Tothill Street, London SW1 9NA or from the DWP website: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/311316/pensions-act-ia-annex-a-single-tier-state-pension.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/311316/pensions-act-ia-annex-a-single-tier-state-pension.pdf). (Annex A contains the assessment for new state pension.)