EXPLANATORY MEMORANDUM TO

THE PENSIONS INCREASE (REVIEW) ORDER 2022

2022 No. 333

1. Introduction

1.1 This explanatory memorandum has been prepared by HM Treasury and is laid before Parliament by Command of Her Majesty.

2. Purpose of the instrument

2.1 This Order makes provision for the annual increase of official pensions (as defined in the Pensions (Increase) Act of 1971.) The Order provides for an increase of 3.1 per cent from 11 April 2022 for all official pensions, except for those which have been in payment for less than a year, which will receive a pro-rata increase.

3. Matters of special interest to Parliament

Matters of special interest to the Joint Committee on Statutory Instruments

3.1 None.

4. Extent and Territorial Application

4.1 The territorial extent of this instrument is the United Kingdom.

4.2 The territorial application of this instrument is the United Kingdom.

5. European Convention on Human Rights

5.1 As the instrument is laid after being made and there is no further provision for parliamentary procedure, no statement is required.

6. Legislative Context

6.1 Sections 59 and 59A of the Social Security Pensions Act 1975 (“the 1975 Act”) provide that the Minister for the Civil Service shall, by order, provide that the annual rate of an official pension may be increased by the same percentage as that specified in the annual direction given by the Secretary of State for Work and Pensions pursuant to section 151 of the Social Security Administration Act 1992 (“the 1992 Act”). The Minister’s enabling power was transferred to HM Treasury by virtue of the Transfer of Functions (Minister for the Civil Service and Treasury) Order 1981 (S.I. 1981/1670).

6.2 The increase is the percentage (or fraction of the percentage) by which the Secretary of State for Work and Pensions has, by direction under the provisions of section 151(1) of the 1992 Act, increased the sums referred to in section 150(1)(c) of that Act. These are the additional pension entitlements accruing to employees in respect of earnings after 5 April 1978.

6.3 Under section 59(7) of the 1975 Act, sections 59 and 59A of that Act have effects as if they were contained in the Pensions (Increase) Act (“the 1971 Act”). The 1971 Act defined certain terms: section 8(2), read with sections 8(2A) and 8A, provide for when a pension "begins" for the purposes of the Act, and section 9 makes provision as to lump sums.

7. Policy background

What is being done and why?

7.1 Public service pensions in payment, preserved pensions and preserved lump sums are increased annually to take account of increases in the cost of living so that they maintain their purchasing power. This is done either under statutory provisions, including the annual order, or under separate analogous arrangements.

7.2 The level of increase is equal to the percentage specified by the Secretary of State for Work and Pensions for the increase of additional pensions in long-term benefits (including the State Second Pensions) in the annual direction made under section 151 of the 1992 Act. This increase is equal to the percentage rise in the Consumer Prices Index (CPI) in the twelve months to the preceding September. CPI in the twelve months to September 2021 was 3.1 per cent.

7.3 Since 1987 the increase of official pensions has taken effect from the first Monday of the tax year.

8. European Union Withdrawal and Future Relationship

8.1 This instrument does not relate to withdrawal from the European Union / trigger the statement requirements under the European Union (Withdrawal) Act.

9. Consolidation

9.1 This instrument does not require a consolidation exercise, as it does not relate to other enactments nor does it introduce amendments, revocation or corrections of existing legislation.

10. Consultation outcome

10.1 This annual instrument is made following a process prescribed in primary legislation. As such, it does not require a consultation exercise.

11. Guidance

11.1 Guidance documents on the HM Treasury public website have been updated to reflect the new rates: https://www.gov.uk/government/collections/public-service-pensions-increases.

12. Impact

12.1 There is no, or no significant, impact on business, charities or voluntary bodies.

12.2 The impact on the public sector is an increase in cash payments to pensioners across public service pension schemes. Public service pension schemes use forecast September CPI assumptions to factor in the uprating of public service pensions provided by the Pensions Increase (Review) Order and the cost impact of price increases is taken into account in forecasts of departmental spending used for the Budget, and in Central Government Supply Estimates.

12.3 A full Impact Assessment has not been prepared for this instrument.

13. Regulating small business

13.1 The legislation does not apply to activities that are undertaken by small businesses.

14. Monitoring & review

14.1 The position is subject to review in each tax year (see paragraph 6.1 above).

15. Contact

15.1 Roseanna Borley at HM Treasury (email: roseanna.borley@hmtreasury.gov.uk) can be contacted with any queries regarding the instrument.

15.2 Henry Elks, Deputy Director for Workforce, Pay and Pensions, at HM Treasury can confirm that this Explanatory Memorandum meets the required standard.

15.3 Simon Clarke MP at HM Treasury can confirm that this Explanatory Memorandum meets the required standard.