

**EXPLANATORY MEMORANDUM TO THE
OCCUPATIONAL PENSIONS (REVALUATION) ORDER 2004**

2004 No. 2948

1. This explanatory memorandum has been prepared by the Department for Work and Pensions and is laid before Parliament by Command of Her Majesty.

2. Description

2.1 This instrument amends the Occupational Pensions (Revaluation) Order which sets out the percentage by which preserved pensions are revalued in occupational pension schemes.

3. Matters of special interest to the Joint Committee on Statutory Instruments

3.1 None

4. Legislative Background

4.1 We are required by law to lay an order each year which sets out the revaluation of pension rights (excluding Guaranteed Minimum Pensions (GMPs)) of people who were early leavers from salary-related occupational pension schemes on or after 1 January 1986 but have left accrued rights in the scheme.

5. Extent

5.1 This instrument applies to Great Britain. NI will be responsible for making their order.

6. European Convention on Human Rights

Not applicable

7. Policy background

- 7.1** Sections 83-86 and Schedule 3 of the Pension Schemes Act 1993 provide for preserved pension rights to be revalued. The revaluation provisions first introduced in the Social Security Act 1985, and are designed to protect early leavers from the effects of inflation. The requirement applies to rights of members who leave pensionable service on or after 1 January 1986 where there is at least a year between the date of leaving and the scheme's normal pension age.
- 7.2** The draft revaluation order attached sets out the revaluation required (over and above GMP rights) for people who are retiring in 2004 who will reach their scheme's normal pension age in 2004.
- 7.3** The increase must be at least in line with the full RPI increase over the whole period of deferment or 5% compound per annum whichever is the lower.
- 7.4** People who left pensionable employment on or after 1 January 1991 have all deferred rights revalued, including pre-1986 service. People who left between 1 January 1986 and 31 December 1990 have a right to valuation of only the rights accrued from pensionable service after 1 January 1985. (The legislation effective from 1 January 1986 was based on a complete year's service from 1 January 1985. The "revaluation period" of the Table in the Order refers to the dates between which the member retires.)
- 7.5** The Order should not be contentious. It has no impact on business cost because the scheme actuary will have built in provision for revaluation when working out a scheme's funding requirement.

8. Impact

- 8.1** A Regulatory Impact Assessment has not been prepared for this instrument as it has no impact on private or voluntary sectors.

9. Contact

Dee Beard at the Department for Work and Pensions Tel: 020-7712-2768 or e-mail: Dee.Beard1@dwp.gsi.gov.uk can answer any queries regarding the instrument.