EXPLANATORY MEMORANDUM TO

THE STATE PENSION REVALUATION FOR TRANSITIONAL PENSIONS ORDER 2025

2025 No. 1219

AND

THE STATE PENSION DEBITS AND CREDITS (REVALUATION) ORDER 2025

2025 No. 1220

1. Introduction

1.1 This Explanatory Memorandum has been prepared by the Department for Work and Pensions and is laid before Parliament by Command of His Majesty.

2. Declaration

2.1 Torsten Bell MP, Minister for Pensions at the Department for Work and Pensions & HM Treasury confirms that this Explanatory Memorandum meets the required standard.

2.2 Cathy Payne, Deputy Director for State Pension Policy, at the Department for Work and Pensions confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Jessica George at the Department for Work and Pensions, email: Jessica.george@dwp.gov.uk can be contacted with any queries regarding the instrument.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 These instruments revalue certain components of an individual's award of the new State Pension, which was introduced on 6 April 2016, and apply to persons reaching State Pension age in 2026/27.

4.2 The State Pension Revaluation for Transitional Pensions Order 2025 re-values "Protected Payments" to reflect increases in the general level of prices since 6 April 2016.

4.3 An individual's Protected Payment may be shared in a divorce settlement, creating a debit and credit to share the Protected Payment between the two parties. The State Pension Debits and Credits (Revaluation) Order 2025 re-values new State Pension debits and credits to reflect price increases since the debit or credit was created.

Where does the legislation extend to, and apply?

4.4 The extent of these instruments (that is, the jurisdiction(s) which the instrument forms part of the law of) is Great Britain.

4.5 The territorial application of these instruments (that is, where the instrument produces a practical effect) is Great Britain.

5. Policy Context

What is being done and why?

5.1 The new State Pension was introduced for people who reached State Pension age on or after 6th April 2016. Under transitional rules, people get a Starting Amount for the new State Pension based on their National Insurance record at 6 April 2016. If their Starting Amount was higher than the full rate of the new State Pension (£155.65.per week as at April 2016), the extra amount is called a Protected Payment. This usually happens if they had built up enough additional State Pension under the old system.

5.2 Once an individual starts receiving the new State Pension, it is usually increased every April as part of the annual review of social security benefits.[1] The amount up to the full rate of the new State Pension is uprated by the Triple Lock, which means it increases by the highest of earnings growth, price inflation, or 2.5%. Protected Payments are also reviewed annually, but they are uprated at least in line with price inflation,[2] rather than by the Triple Lock.

5.3 For people who reach State Pension age after 6 April 2016, the Protected Payment is revalued. This ensures they are not disadvantaged compared to someone who started getting their pension in 2016/17 and whose State Pension will have been up-rated over the same period.

5.4 To ensure that claims for the new State Pension can be processed correctly, two mandatory annual orders are required by law and must be in place each year:

- the State Pension Revaluation for Transitional Pensions Order; and
- the State Pension Debits and Credits (Revaluation) Order.

5.5 These orders will allow the Department for Work and Pensions (DWP) to ensure the component elements of an individual's State Pension entitlement are increased correctly before their claim begins, and to process claims to the new State Pension.

Revaluation of Protected Payments

5.6 Paragraph 6(5) of Schedule 1 to the Pensions Act 2014 (the 2014 Act) states that Protected Payments must be revalued in line with prices during the review period.[3] Section 148AC(2) of the Social Security Administration Act 1992 (the 1992 Act) explains that the review period starts from 6 April 2016.

5.7 The Secretary of State decides both when the review period ends and how to measure price increases, to determine the percentage used for revaluing Protected Payments. He has chosen to use the Consumer Prices Index (CPI) as the measure and has set September 2025 as the end of the review period. Based on this, he estimates that prices increased by 39.0%[4] between April 2016 and September 2025.

Revaluation of new State Scheme Debits and Credits

5.8 Under the new State Pension, a person's Protected Payment may be shareable where divorce proceedings started on or after 6 April 2016.[5]

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[1] Increases in the rates of State Pension take effect from the first Monday in the tax year.

[2] See section 151A of the Social Security Administration Act 1992 https://www.legislation.gov.uk/ukpga/1992/5/section/151A. The full rate of State Pension is up-rated by at least the growth in earnings, under section 150A.

[3] Amounts equal to or less than the 2016 full rate are revalued in line with increases in the full rate under paragraph 6(4) of Schedule 1 to the https://www.legislation.gov.uk/ukpga/2014/19/schedule/1

[4] https://www.ons.gov.uk/economy/inflationandpriceindices/datasets/consumerpriceinflation Estimate based on the increase in the CPI all items' indices for April 2016 and September 2025.

[5] If proceedings began before 6 April 2016, only additional State Pension accrued before that date is shareable under the new scheme https://www.legislation.gov.uk/uksi/2016/39/made.

5.9 When a pension sharing order is made, it sets out the percentage of the Protected Payment that each person will receive. The person giving up part of their Protected Payment (the transferor) will have a debit recorded on their National Insurance record. The person receiving the share (the transferee) will have a credit added to theirs.

5.10 Where the pension sharing order takes effect before either or both parties have reached their respective State Pension ages, the debit and/or credit is revalued according to the percentage increase in the general level of prices. At State Pension age, the transferor's Protected Payment will be reduced by the debit and the transferee's new State Pension will be increased by a credit of the same amount as the debit.

5.11 Under Section 148AD(6) of the 1992 Act, the Secretary of State has the discretion to decide how to measure price increases. He has chosen to increase new state scheme debits and credits by the CPI for the 12 months ending September 2025. This Order accordingly increases debits and credits created in 2026/27 by 3.8%.[6] His estimate of the cumulative percentage required to make up the fall in value of new state scheme debits and credits created in the last eight years is also set out in the Schedule to the Order.

What was the previous policy, how is this different?

5.12 The policy has not changed, both the State Pension Revaluation for Transitional Pensions Order and the State Pension Debits and Credits (Revaluation) Order are mandatory annual orders that are required under the founding legislation. Without these orders it would not be possible to process claims for the new State Pension for groups of people affected. They are needed to increase the component parts of their State Pension entitlement before their claim begins.

5.13 These Orders will allow DWP to ensure the component elements of an individual's State Pension entitlement are increased correctly before their claim begins, and to process claims to the new State Pension.

6. Legislative and Legal Context

How has the law changed?

Revaluation of Protected Payments

6.1 Section 148AC of the 1992 Act requires the Secretary of State to review the general level of prices in Great Britain in each tax year, and, if it appears to him that the Protected Payments have not maintained their value relative to the general level of prices during the review period, to make an order specifying the percentage of the increase.

6.2 The Secretary of State has carried out his review and has determined that the general level of prices has increased. Accordingly, he makes the State Pension Revaluation for Transitional Pensions Order 2025, to ensure that those Protected Payments maintain their value.

Revaluation of new State Scheme Debits and Credits

6.3 Section 148AD of the 1992 Act requires the Secretary of State to review the general level of prices in Great Britain in each tax year. If it appears to him that relevant debits or credits have not maintained their value relative to the general level of prices during the review period, he is required to make an order specifying the percentage of the amount by which they are to be increased in order to make up the relative fall in their value.

6.4 The Secretary of State has carried out his review and has determined that there has been an increase in the general level of prices. Accordingly, he makes the State Pension Debits

[6] https://www.ons.gov.uk/economy/inflationandpriceindices/datasets/consumerpriceinflation. Estimate based on the increase in the CPI all items indices to September 2025.

and Credits (Revaluation) Order 2025, to ensure that those debits and credits maintain their value.

Why was this approach taken to change the law?

6.5 This is required to maintain the levels of State Pension entitlement.

7. Consultation

Summary of consultation outcome and methodology

7.1 There is no statutory duty on the Secretary of State to consult on these instruments, and the Department does not consider informal consultation is appropriate in this case, as these are technical orders that carry out legal requirements already set out in the primary legislation.

8. Applicable Guidance

8.1 No applicable staff guidance is required as this process is managed through DWP IT systems.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full Impact Assessment has not been prepared because these are routine instruments which maintain the value of new State Pension Protected Payments and relevant debits and credits against price inflation. New State Pension was introduced on 6 April 2016 by the 2014 Act. An Impact Assessment was prepared for that Act.

Impact on businesses, charities and voluntary bodies

9.2 There is no, or no significant, impact on business, charities or voluntary bodies because these instruments are relevant to State Pension only.

9.3 The legislation does not impact small or micro businesses.

9.4 There is no, or no significant, impact on the public sector because the benefit expenditure associated with revaluation has not been separately identified but is included within the Government's expenditure plans along with the costs of up-rating new State Pension. [7]

9.5 The Department estimates that around 65,000 people who will be reaching State Pension age in 2026/27 will be entitled to a Protected Payment.[8] We do not have published data on the number of individuals subject to a new State Pension debit or entitled to a credit, but internal Management Information suggests this number to be very low.

[7] Spring Statement 2025 - Expenditure and Caseload forecasts https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fassets.publishing.service.gov.uk%2Fmedia%2F68f8923724fc2bb7eed11ac8%2Foutturn-and-forecast-tables-spring-statement-2025.xlsx&wdOrigin=BROWSELINK

[8]Extract from DWP UK Government's official publication series on Benefit expenditure and caseload tables. State Pension Protected Payments (PP) inflows https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fassets.publishing.service.gov.uk%2Fmedia%2F673caad47524e1b17c494ee3%2FProtected-payments-inflows-2016-17-to-2029-30.ods&wdOrigin=BROWSELINK

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The approach to monitoring this legislation is to give effect to a statutory duty to undertake a review in each tax year (see paragraphs 6.1 and 6.3).

10.2 The instrument does not include a statutory review clause.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 None.

12. European Convention on Human Rights

12.1 As the instrument is subject to negative procedure and does not amend primary legislation, no statement is required.

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts").