



National Insurance Contributions Series
CA16A

Appropriate Personal Pension Scheme Manual

Guidance for Scheme Managers

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Abbreviations

- APP** Appropriate Personal Pension
- APPSHP** Appropriate Personal Pension Stakeholder Pension
- ARR** Age-Related Rebate
- ASCN** Appropriate Scheme Number
- AVC** Additional Voluntary Contributions
- COD** Contracted-out Deduction
- COMB** Contracted-out Mixed Benefit
- COMP** Contracted-out Money Purchase
- COMPSPH** Contracted-out Money Purchase Stakeholder Pension
- COSR** Contracted-out Salary Related
- DWP** Department for Work and Pensions
- ECON** Employer's Contracting-out Number
- FSA** Financial Services Authority
- FSMA** Financial Services and Markets Act 2000
- FSAVC** Free standing Additional Voluntary Contributions
- GB** Great Britain
- GMP** Guaranteed Minimum Pension
- HMRC** Her Majesty's Revenue and Customs
- NI** National Insurance
- NICs** National Insurance contributions
- NINO** National Insurance number
- NIRS** National Insurance Recording System
- PA** Pensions Act
- PP** Personal Pension
- PPPRP** Personal Pension Protected Rights Premium
- PSA** Pension Schemes Act 1993
- PSS** Pension Scheme Services

SCON Scheme Contracting-out Number

S2P State Second Pension

SERPS State Earnings Related Pension Scheme

SI Statutory Instrument

SIPP Self invested Person Pension

UK United Kingdom

Glossary of terms

This glossary is made up of definitions taken and adapted from various sources. Where necessary, definitions mirror those in legislation. For ease of reference and consistency with the pensions industry some definitions have been taken, in whole, or in part, or adapted from the joint PMI/PRAG publication 'Pensions Terminology'. A copy of this is available from the PMI. PMI is the Pensions Management Institute and PRAG is the Pensions Research Accounts Group.

Appropriate Personal Pension

A personal pension scheme which an individual may join as a means of contracting-out of the State Second Pension (S2P), previously known as the State Earnings Related Pension Scheme (SERPS). To obtain an appropriate scheme certificate from Pension Schemes Services on behalf of the commissioners of HMRC, the personal pension scheme needs to satisfy certain conditions about the provision of protected rights.

Appropriate Personal Pension Scheme certificate

The certificate issued by HMRC Pension Schemes Services on behalf of the Commissioners of HMRC to a PP scheme or to a FSAVC scheme, confirming that the scheme satisfies the conditions required for contracting-out.

Appropriate Personal Pension Stakeholder Pension (APPSHP) scheme

An Appropriate Personal Pension scheme which operates in the same basis as an APP scheme but with stakeholder status.

Earners

An earner construed in accordance with sections 3, 4 and 112 of the Social Security Contributions and Benefits Act 1992.

Establisher

A person or institution who establishes a pension scheme registered with HMRC. This term is replacing the former term Provider.

Free standing Additional Voluntary Contributions (FSAVCs)

Contributions to a pension contract separate from a company pension scheme effected by an active member of that scheme. Benefits are secured with a pension provider/establisher by contributions from the members only.

Friendly Society

A Friendly Society as defined in the Friendly Societies Act 1992 (including any society which, under section 96(2) of that Act, is to be treated as a registered Friendly Society within the meaning of that Act).

Insurance company

An insurance company authorised to carry on long term business as such under the Insurance Companies Act 1982.

Minimum contributions

Contributions payable to an APP scheme or to a FSAVC scheme by the HMRC National Insurance Contributions Office in respect of a member who is contracted-out of the state additional pension. Minimum contributions are made up of the contracted-out rebate (including Age-related Rebates (ARRs), the 1% age addition where appropriate and 2% incentive payment if entitlement existed.

Personal Pension (PP) scheme

A scheme or arrangement providing benefits in the form of pensions or otherwise to its members.

Protected rights

The rights held under an Appropriate Personal Pension/Appropriate Personal Pension Stakeholder Pension or a Contracted-Out Money Purchase/Contracted-Out Money Purchase Stakeholder Pension scheme which derive mainly from the contracted-out rebate and its investment return. These rights are subject to prescribed conditions relating to their investment and their use on retirement.

Provider

A person or institution which provides a PP or FSAVC scheme approved by HMRC. This term has been replaced by Establisher.

Safeguarded Rights

Rights as defined in section 68(A) of the Pensions Schemes Act 1993.

Scheme Administrator

In this guidance scheme administrator means the “administrators” as defined in the The Personal Pension Schemes (Appropriate Schemes) Regulations 1997/470. This will be the person responsible for the day to day administration of the scheme.

This cannot be any person who is resident outside the UK or another state, which is a member state, or a non-member EEA state. A non-member EEA state means a state other than the UK which is a contracting party to the agreement on the European Economic Area signed at Oporto on 2 May 1992.

Scheme Authorities

The scheme administrator, establisher/provider, trustee(s), or auditor of a scheme.

State Earnings Related Pensions Scheme (SERPS)

A term used to describe the additional pension provisions of the State Pension scheme earned from 6 April 1978 to 5 April 2002.

State Second Pension (S2P)

A term used to describe the additional pension provision of the state pension scheme accrued from 6 April 2002.

Trustee

A person or company appointed to carry out the purpose of a trust in accordance with the trust deed and rule, trust law, and where relevant, pensions law.

1 Introduction to this manual

About this manual

- 1.1 This manual
- is intended for scheme administrators who wish to use an Appropriate Personal Pension (APP) scheme as a vehicle for employed earners to contract out of the State Second Pension, formerly known as State Earnings Related Pension Scheme (SERPS) or who already have APP scheme certificates
 - incorporates changes to contracting out with an APP introduced by the Pensions Act 1995.
- 1.2 This manual gives general guidance only and should not be treated as a complete and authoritative statement of the law.
- 1.3 This manual, and those associated with it, are available to anyone who has an interest in the procedures for gaining and then maintaining an APP scheme certificate.
- 1.4 This manual tells APP scheme administrators
- how to apply for an APP scheme certificate
 - what action to take to remain an APP scheme
 - how to vary and surrender an APP scheme certificate.
- 1.5 This manual and manual CA16, *Appropriate Personal Pension Scheme Manual - Procedural guidance*, deal only with guidance for APP schemes. Separate manuals are available on other contracted-out schemes, including:
- CA14C, a manual for occupational schemes contracting-out on a salary-related basis
 - CA14D, a manual for occupational schemes contracting-out on a money purchase basis
 - CA14E, a manual for occupational mixed benefit schemes
 - CA14F, a manual covering review of determinations, giving detailed information of the review process including the procedures to be undertaken when requesting a review.

Statutory provisions

- 1.6 The statutory procedural provisions for contracting-out as an APP scheme are contained in
- The Pension Schemes Act 1993 (PSA), and
 - The Pensions Act 1995 (PA), and
 - In Regulations made under these Acts.
- 1.7 Northern Ireland has separate but corresponding legislation on pensions, the Pension Schemes (N.I.) Act 1993 and the Pensions (Northern Ireland) Order 1995 and associated Regulations. Any reference to Great Britain (GB) Acts and Regulations also refer to the corresponding Northern Ireland provisions. The appropriate references to the Acts and Regulations are noted in the margin of this manual and the following abbreviations have been used:

APP Regs	The Personal Pension Schemes (Appropriate Schemes) Regulations 1997/470
PA 1995	The Pensions Act 1995

Responsibilities and Contacts

Pension Schemes Services

- 1.8 Pension Schemes Services is part of HMRC Charities, Assets and Residence. Pension Schemes Services registers occupational and personal pension schemes for tax relief and exemptions.
- considers elections from employers who wish to contract-out of the State Second Pension previously known as the State Earnings Related Pension Scheme (SERPS) and issues contracting-out certificates if the election is accepted for Appropriate Personal Pension (APP) schemes
 - issues revised certificates where elections to vary a contracted-out certificate are made for an APP scheme
 - allocates Scheme Contracted-out Numbers for APP schemes
 - supplies an information pack when the contracting-out certificate is first issued
 - has the authority to cancel or vary contracting-out certificates for APP schemes on behalf of the Commissioners of HMRC

National Insurance Services to Pensions Industry

- 1.9 National Insurance Services to the Pensions Industry:
- approves a scheme's arrangements of APP schemes if they cease to contract-out
 - has the power to withdraw/refuse approval of arrangements for APP schemes

- has the power to issue certificate of non-approval and direction to discharge liabilities for APP schemes
- registers, cancels and terminates contracted-out employment for all contracted-out scheme optants
- ensures all necessary arrangements are made for individuals if any contracted-out scheme ceases to contract-out
- deals with procedures for registration and payment of Age-related Rebates (ARRs) for APP and APPSHP schemes

Financial Services Authority

- 1.10 On 6 April 2007 the FSMA 2000 (Regulated Activities) Order 2001 (SI 2001/544) was amended by SI 2006/1969 to widen the regulated activity to cover all PPs, including SIPPs. From that date all pension schemes (that are not occupational pension schemes) registering with HMRC must be established by a person with permission from the FSA under the FSMA.

For more information visit the [FSA website](#)

Northern Ireland

- 1.11 The information and instructions in this manual apply to Northern Ireland

Isle of Man

- 1.12 Employers with employees in contracted-out employment in the Isle of Man should contact
 Department of Work and Pension
 Social Security Division
 Contributions Section
 Markwell House
 Market Street
 Douglas, Isle of Man
 IM1 2RZ
 Tel: 01624 685 685

The Pensions Regulator

- 1.13 The Pensions Regulator:
- is a non departmental public body accountable to Parliament
 - regulates occupational pension and, with the FSA, jointly regulates Personal and Stakeholder Pension schemes
 - has the authority to investigate schemes and take action to uphold the law
 - Does not have jurisdiction over some parts of overseas occupational pension schemes
- 1.14 Send any enquiries to

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
East Sussex
BN1 4DW

Tel: 0870 606 3636

Lines are open 9.00 am to 5.00 pm Monday to Friday
Or you can visit the [Pensions Regulator website](#)

Further Information

- 1.15 All documentation and any enquiries relating to this guidance should be sent to:

HM Revenue & Customs
Pension Schemes Services
FitzRoy House
Castle Meadow Road
Nottingham
NG2 1BD

Tel: 0845 600 2622

Lines are open 8.00 am - 5.00 pm Monday to Friday

If you are unhappy with our service

- 1.16 If you are unhappy with any aspect of our service you have received from HMRC, you should complain to the manager at the office you have been dealing with.

Data Protection

- 1.17 HM Revenue and Customs is a Data Controller under the Data Protection Act 1998. We hold information for the purposes specified in our notification made to the Information Commissioner, including the assessment and collection of tax and duties, the payment of benefits and the prevention and detection of crime, and may use this information for any of them.

We may get information about you from others, or we may give information to them. If we do it will only be as the law permits, to check accuracy of information, prevent or detect crime, or protect public funds.

We may check information we receive about you with what is already in our records. This can include information provided by you as well as by others, such as other government departments and agencies and overseas tax and customs authorities. We will not give information about you to anyone outside HMRC unless the law permits us to do so. Further information can be found on our [website](#) or in our leaflet *Data Protection*.

2 Background to Appropriate Personal Pension Scheme Certificates

- 2.1 An Appropriate Personal Pension (APP) scheme certificate allows a Personal Pension (PP) scheme to become an APP scheme. See Glossary. Further information is available in manual CA16, *Appropriate Pension Scheme Manual - Procedural guidance*

APP Regs:
Reg 4

Applications for the issue of an APP scheme certificate

- 2.2 To apply for an APP scheme certificate, written confirmation must be provided using form APSS 101 of
- the name of the scheme
 - the scheme administrator's name and address
 - the name and position (in relation to the scheme) of the person making the application for the certificate
 - the name and address of the person who has established the scheme or, if a company, the registered office
 - that the scheme meets all the requirements of the Personal Pension Schemes (Appropriate Schemes) Regulations 1997, as amended, for being treated as an APP scheme. This includes all the conditions which relate to members' protected rights
 - the effective date of application. The effective date of the application for the certificate must be in either:
 - the tax year in which the application is received, if the scheme rules allow, or
 - any tax year after receipt of the application.
- 2.3 Minimum contributions can only be paid in respect of tax years starting on or after the effective date. This does not apply where contributions are outstanding following a transfer payment to the scheme.

Documentation required for the issue of an APP scheme certificate

- 2.4 An application for an APP scheme certificate, APSS 101, must be submitted to the HMRC Pension Schemes Services before an APP scheme certificate can be issued.

Appropriate Scheme Number (ASCN)

- 2.5 On receipt of an application which contains all of the prescribed information and documentation, and where all of the conditions for being treated as an APP scheme are satisfied, an APP scheme certificate will be issued. The certificate will show an ASCN.
- 2.6 This number is used to track National Insurance contributions (NICs) and pension liability and should be quoted on all correspondence concerning the scheme.

Changes in scheme details

APP Regs:
Reg 8 (2)

Notices

- 2.7 Before an application is made in respect of the following changes, notice of intention must be given in writing to any member who
- has protected rights or safeguarded rights under the scheme
 - has given joint notice with the trustees or managers of the scheme of his/her intention to join it and not had this notice cancelled, but does not have protected rights under the scheme.

APP Regs:
Reg 8 (3)

- 2.8 Notice given must specify
- the name of the scheme administrator and address where the scheme is administered
 - the date from which it is desired that the change will have effect.

Variation of an APP scheme certificate

APP Regs:
Reg 6

- 2.9 The following changes must be notified by the scheme administrator on form APSS 155B, as soon as possible after they happen:
- change in identity, name or address of the scheme administrator or trustee(s)
 - change in the name or address of the establisher, the body which established the scheme
 - change in the name of the scheme.
- 2.10 In addition, if the nature of the body establishing the scheme changes (for example from a Building Society to a Bank), this must be notified in writing by the scheme administrator as soon as possible after the change.
- 2.11 If any changes fundamentally affect the financial structure of the scheme, then a new scheme must be established. See also paragraph 2.15, on the taking over of another establisher's business.
- 2.12 The effective date of the change must be noted.

Transfer of business under the Financial Services and Markets Act 2000

APP Regs:
Reg 6 (b)(iv)

- 2.13 Where there is a transfer of business from one establisher to another and therefore a change of identity of the establisher, the transferring establisher must submit the following information using form APSS 155B¹:
- a statement confirming that all payments which have been received by the scheme and which give rise to protected rights, as defined in section 10 of the PSA 1993, have been credited to each member's account

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- the scheme is covered by an arrangement for compensating members in the event of insolvency
- the notification of the transfer of business has been given to the scheme members within one month of the date of change

3 Surrender or cancellation of an Appropriate Personal Pension scheme certificate

Notices

APP Regs:
Reg 8 (2)

- 3.1 Before an application to surrender an Appropriate Personal Pension (APP) scheme certificate is made, a notice of intention must be given in writing and sent to the last known address of
- any member who has protected rights or safeguarded rights under the scheme
 - any earner who has given joint notice with the trustees or managers of the scheme of his intention to join it, and has not had this notice cancelled.

APP Regs:
Reg 8 (3)

- 3.2 The notice of intention given must specify
- the name of the scheme and address where it is administered
 - the date from which it is desired that the surrender will have effect
 - any arrangements made or proposed for the preservation or transfer of protected rights under the scheme.

Surrender

- 3.3 Applications to surrender a certificate may be made on form APSS 155A. Notes on completion can be found on the website along with the form. The scheme administrator will be notified of the outcome of the application.

Cancellation

- 3.4 If the scheme at any time no longer meets the conditions for being an APP scheme, the APP scheme certificate may be cancelled. This could for example be for a failure to meet the ongoing financial supervision requirements in section 4.
- 3.5 The date of cancellation will be the date on which the certificate is cancelled, that is the day on which cancellation action is taken by HMRC Pension Schemes Services. The only exception would be if the scheme has failed to meet the conditions for continuing to be an APP scheme before this date. In these circumstances, the certificate will normally be cancelled with effect from 6 April in the tax year during which the scheme failed to meet those conditions.

4 Supervision of Appropriate Personal Pension schemes

Unallocated payments

- 4.1 As a condition of continuing Appropriate Personal Pension (APP) scheme status, minimum contributions must be invested for the benefit of the member on receipt of payment by HMRC and allocated to members' accounts within three months of receipt.
- 4.2 If any payments remain unallocated at the end of this period the establisher must tell the HMRC National Insurance Contributions Office within one month, that is four months from the date of receipt.
- 4.3 An unallocated payment of minimum contributions includes:
- a payment received for a member which, for whatever reason, has not yet been credited to the member's account
 - a payment received for a member whose policy has been transferred to another establisher or payment received from other establishers, which cannot be credited to an individual account
 - a payment received and the establisher does not hold a policy or any information for the member.
- 4.4 Where any payment of minimum contributions has not been allocated, a report, an example of which can be found at Appendix 1, must be sent to HMRC National Insurance Contributions Office outlining the total amount of unallocated payments broken down as follows:
- the names and National Insurance numbers of the members together with the related unallocated amounts
 - the month in which the payments were received
 - why the payments remain unallocated
 - proposals for resolution.
- 4.5 New APP applications for new clients may be refused where a scheme consistently fails to allocate payments on time.

Appendix 1

*Appropriate Personal Pension schemes report
to the National Insurance Contributions Office: Unallocated payments*

Name of scheme:

Appropriate Scheme Number (ASCN):

Establisher name:

Return in respect of payments received in:..... (eg June)

Payments not allocated within 3 months of receipt:.....(eg October)

Member	NINO	Policy number	Reason for non allocation	Proposals for resolution	Amount
					Total amount

Appendix 2 Quick reference guide

Circumstances	Forms Required completion	Responsibility for	Outcome	Where to get the forms	Manual reference
Applying for an APP scheme certificate	APSS 101 – Application for an APP Scheme certificate	Establisher, scheme administrator or trustees	Provided the documentation is correctly completed an APP scheme certificate will be issued for the scheme and sent out to the scheme administrator. The scheme will also be issued with an Appropriate Scheme Number (ASCN).	HMRC website	Para 2.3–2.5
Varying an APP scheme certificate to change the identity of the provider the name and/or address of the scheme administrator the name and address of the establisher the name of the scheme	APSS 155B	Trustees or scheme administrator	Provided the documentation is correctly completed the scheme details will be updated on HMRC records and an amended APP scheme certificate sent out to the scheme administrator.	HMRC website	Para 2.9–2.13
Transfer of business from one establisher to another under the Financial Services & Markets Act 2000	APSS 155B	Transferring establisher	Scheme details will be updated on HMRC records and an APP scheme certificate issued to the new establisher.	HMRC website	Para 2.13
Payments of minimum contributions to member's accounts have not been made within three months of receipt from the HMRC National Insurance Contributions Office	Establishers should send their own form	Establisher	If an establisher persistently reports unallocated payments to HMRC National Insurance Contributions Office, their APP scheme certificate may be withdrawn or joint notices from the scheme may be turned down, preventing the scheme from taking any new business.	Establishers should send their own form based on the specimen at Appendix 1	Para 4.6–4.10
Application for the scheme to cease to be an APP scheme, ie to surrender the APP scheme certificate	APSS 155A	Scheme administrator trustees or establisher	Once a correctly completed application is received HMRC Pension Schemes Services will send out a letter to the scheme administrator confirming the date from which surrender has been accepted.	HMRC website	Para 3.1–3.5
A Personal Pension scheme fails to meet the requirements for continuing to be treated as an APP scheme	No form	HMRC	Pension Scheme Services will cancel the APP scheme certificate from the date at which the scheme failed to meet the requirements of being treated as an APP scheme.	A notice of determination will be issued	Para 3.4–3.5

This leaflet give general guidance only and should not be treated as a complete and authoritative statement of the law.

Leaflet CA16A from March 2010
Prepared by HMRC Pension Scheme Services.
Available on the internet.
Our address is: www.hmrc.gov.uk/