

# Pensions Industry Business Update

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# Foreword

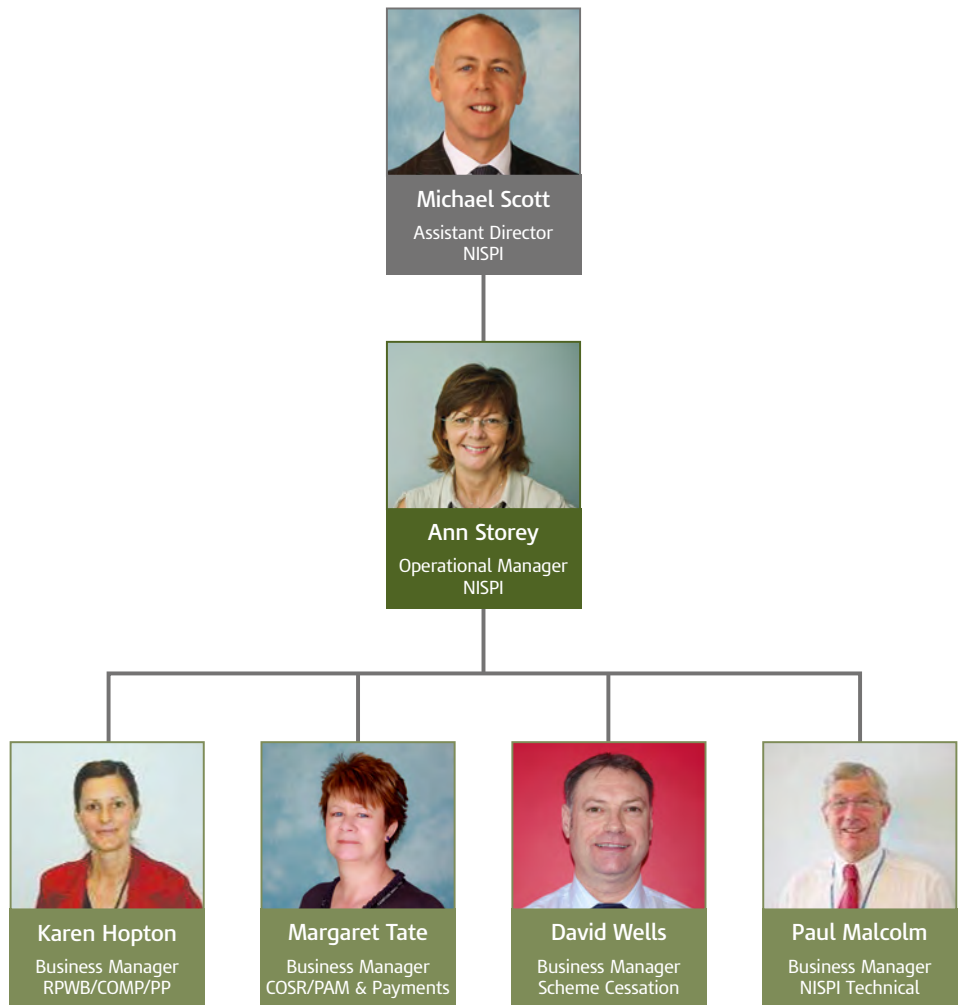


Welcome to the first issue of the NISPI Business Update (formally the NISPI Newsletter)

2011-12 promises to be a demanding year for us all. As well as our business as usual concerns, we face up to the twin challenges of implementing the Abolition of the Contracted Out option for DC Schemes, whilst at the same time analysing the potential impacts of the Green Paper outlining the governments plans for 'A state pension for the 21st century'. Our track record of working collaboratively for our mutual advantage stands us in good stead. Already detailed discussions have taken place with Pension Industry colleagues to identify and overcome potential problems associated with DC Abolition. In addition, NISPI's Scheme Cessation unit's structure and processes have been reengineered to generate greater efficiencies and an increased focus on the discontinued DC schemes, again with the active involvement of industry colleagues. The introduction of a Single Tier state pension, if it comes to fruition, and the resultant Contracted Out shut down activities will undoubtedly be demanding of resources. It will be only by working together that we can minimise the administrative impacts and safeguard future pension entitlements for our customers.

**Michael Scott**  
Assistant Director  
Ni Services to the Pension Industry

## NISPI organisation chart



## Feedback and distribution details

We would welcome any comments about this edition of the NISPI Business Update. Also please let us know of any suggestions you have to improve future editions or details of any articles you would like to see included.

Email: [technical.nispi@hmrc.gsi.gov.uk](mailto:technical.nispi@hmrc.gsi.gov.uk)



## Requests for GMP Information

### Requests for GMP Information

We receive a large number of requests asking for GMP details when the individual has never been contracted-out or is not entitled to GMP. As these requests take our staff time away from responding to other enquiries, before you make a request for information, please check:

- That the person is not over state pension age (SPA) at 6 April 1978.
- The person's employment started before the end of the last full tax-year before SPA.
- Contracted-out contributions were paid between 06/04/78 and 05/04/97.
- Married woman's reduced rate contributions have not been paid.

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## Telephone Enquires to RPWB Business Unit

Several months ago we introduced a 'hunt-line' in the Retirement Pension/Widows Benefit area for Pension Scheme enquiries relating to pensioners/bereavement cases. However we are still receiving calls to other extensions.

Would you please use telephone number 084591 59988 – your call will go through to the next available person, reducing customer waiting time.

## Request for Contracted-out Earnings Information

During the year in RPWB we receive thousands of individual requests for contracted-out earnings, as schemes are unable to agree the GMP amount that has been provided.

If you are unable to agree GMP figures quoted on statements or other correspondence from HMRC please supply a copy of the contributions/earnings, contracted-out period, revaluation rate and GMP amount held by you. This reduces the time it takes to then check this information against our records.

Providing this information frees up resources which helps reduce waiting

time for all enquiries and also allows us to resolve more cases first time.

You should also consider using the free service COCIS (Contracted-out Contribution Information Service), which will give you the contracted-out contributions for the employer/scheme. You should hold this information on your records so that you do not need to request this information from us on an individual basis.

Please see the separate article on NISPI Magnetic Media Services.



## NISPI Magnetic Media Services

The following magnetic media services are available to NISPI customers free of charge.

- National Insurance/Date of Birth Checking Service (NINO/DOB).
- Accrued GMP Liability Service (AGLS).
- Contracted-out Contribution/Earnings Information Service (COCIS).
- Contracted-out Data Transactions using Magnetic Media (COMMS).

If you need to know about using any of these services for the first time please contact

**Robert Cooper Payments Team**  
Phone: 0191 2250168  
E-Mail: [robert.cooper@hmrc.gsi.gov.uk](mailto:robert.cooper@hmrc.gsi.gov.uk)

**Melissa Brooks Payments Team**  
Phone: 0191 2250168  
E-Mail: [melissa.brooks@hmrc.gsi.gov.uk](mailto:melissa.brooks@hmrc.gsi.gov.uk)

The format will be checked and the data sent for processing. Your output will be returned direct using current HMRC data security/secure courier procedures.



# Re-Structure of Scheme Cessation

In conjunction with The Pensions Regulator, Scheme Cessation recently undertook a review of its business structure and processes with a view to continuously improve all aspects of its operational delivery.

The review identified a need to change the business's structure along with streamlining some of the processes.

## Structural Change

To assist Scheme Cessation to provide a consistent professional service to all its customers they implemented a structural change which saw Scheme Cessation adopt a specialist approach to the varying workloads.

The main drivers for these structural changes were:

- To ensure that the Scheme Cessation process is carried out effectively and efficiently.
- To ensure that the business unit is in a position to fully embrace the abolition of contracting-out on a Defined Contribution basis in 2012.

## Process Changes

During our communications with our external customers we sent out the following details to the Pension Industry administrators about some of the main process changes that could impact them:

- Scheme Cessation has an obligation to keep customer data safe and secure, therefore Scheme

Administrators will be asked to acknowledge receipt of the scheme enquiry listings. In addition requests for copies will only be provided in exceptional circumstances.

- Scheme Cessation provides GMP calculations to all ceased pension schemes when the scheme initially ceases to contract out. To help us provide this service timeously, please refrain from requesting GMP figures prior to receiving the scheme listings.
- GMP calculations are provided by Scheme Cessation as part of our scheme listings service. Calculations are re-valued to the Scheme Cessation date, to provide details of the full scheme liability at the point of Scheme Cessation. If you require GMP calculations at date of leaving or state pension age you should calculate these by using the Scheme Cessation GMP and either working back or forward as appropriate. GMP calculations to date of leaving or state pension age will not be provided by Scheme Cessation.
- National Insurance Services to the Pensions Industry (NISPI) offer services which can help you reconcile your records with HMRC data. If you require contracted-out contributions or earnings information for 20 or more members, use our Contracted-out Contribution/Earnings Information Service (COCIS). NISPI provide this service free of charge. Further

information regarding this service can be obtained at the following website [www.hmrc.gov.uk/nic/enquiry-service.htm](http://www.hmrc.gov.uk/nic/enquiry-service.htm)

- GMP and membership queries and discrepancies should be fully investigated by Scheme Administrators. Where discrepancies or queries are identified Scheme Administrators should provide full details of where the discrepancy is and provide evidence to support why HMRC's records are incorrect.
- In cases where Scheme Administrators have advised no trace due to the member transferring out and are unable to provide details of the receiving scheme, the liability will remain with the ceased scheme on HMRC records. It is the Scheme Administrator's responsibility to maintain full and accurate records and to notify HMRC of all transfers.
- NISPI have dedicated forms that should be used to provide us with methods of preservation (MOPs), these forms enable the NI accounts to be updated quickly and accurately by our internal data input team. This is the only method by which Scheme Cessation are able to accept MOPs, notification in letter format will not be accepted. Further information regarding these forms can be obtained at the following website [www.hmrc.gov.uk/nic/forms/ni-services-form.htm](http://www.hmrc.gov.uk/nic/forms/ni-services-form.htm)

Contact: [david.wells@hmrc.gsi.gov.uk](mailto:david.wells@hmrc.gsi.gov.uk)

# Personal Pensions Process Review

In the lead up to abolition of defined contribution schemes in April 2012, we have been looking at the Personal Pensions (PP) business area to see if there are any steps within the process that could be improved. We have held a series of workshops with staff to identify the areas causing problems and suggest improvements. We have also involved some of the pensions industry in discussions around the suggested changes.

The following changes have been implemented and are intended to speed up the action taken by PP and schemes, but also to ensure that the customer's record is kept up to date.

## Telephone calls

We will be encouraging staff to do more business over the telephone and ask that you supply a list of names and numbers where we can speak to staff directly.

We have increased the number of hand-sets to help with this but will need to restrict each call to 5 individual queries to keep the lines accessible to all throughout the day.

## Correspondence

Where an enquiry is not clear or information is missing, we will try to contact the scheme by telephone. If unsuccessful, we will return the correspondence accompanied by a letter to advise what other information we need. This letter will not be followed up with a reminder, it will be the responsibility of the scheme to progress the query.

## Transfer Forms

Queries associated with transfers accounts for up to 65% of our work and we appreciate that it can be time consuming to resolve queries when following the current rules for transfers. Therefore, in the majority of cases we will be relaxing the rules around transfer notices, but please bear in mind that there may be exceptions where we will need to request further information from you.

We will be:

- Removing date restrictions/requesting evidence for transfer forms.

- Constructing forms where evidence is supplied, rather than insisting on the actual forms being submitted.
- Allowing forms to be amended if the correct information is known.
- In a multiple transfer case, processing only the first and final transfer entries as long as the start scheme in the transfer chain is known.

## Recovery of payments

With the relaxation of transfer notice rules, we realise that this may mean that schemes hold money from outside the PP period. Historically we have always asked schemes to wait for a bill before returning it.

We now ask that you return money from outside the PP period when you submit the transfer form. This can be either through BACS or a cheque.

## Returning money via BACS

The BACS account details can be supplied on request. Please contact [nicola.bradford@hmrc.gsi.gov.uk](mailto:nicola.bradford@hmrc.gsi.gov.uk)

When making a payment via BACS, please send in:

- The BACS payment.
- The transfer notice – please make a note on the top of the form 'payment made via BACS'.
- Either attach a letter to the transfer form or send a fax separately to the PP business unit on 0191 2258826, detailing the ASCN, name, NINO, tax year(s), amount and the reason for returning the money.

## Returning money via cheque

Please send in

- The cheque.
- Attach the transfer notice – please make a note on the top of the form 'payment made via cheque'.
- Also attach a letter to the transfer form/cheque detailing the ASCN, name, NINO, tax year(s), amount and the reason for returning the money.

## Changes to the Unallocated Payments Process

Schemes will be aware of the information outlined in the CA16A;

minimum contributions must be invested for benefit of the member with in 3 months of receipt. Schemes report to HMRC any payments they have been unable to allocate one month after the 3 month period.

- Schemes are no longer required to send a nil report.
- Where a member has attained Pensionable age, crystallised benefits or deceased the report should be sent to RPWB section.
- Where a recovery can not be reconciled the amount should be shown as a minus figure.

The report should include the following information: Scheme Name, Appropriate Scheme Number (ASCN) and the Month payments received.

We propose that the report should be set out using the following headings:

Member

Ni No

Policy No

Reason for non Allocation

Proposal for Resolution

Amount £

For further information please contact:

Nicola Bradford

Technical Team

BP1101

Tel: 0191 2258418

[nicola.bradford@hmrc.gsi.gov.uk](mailto:nicola.bradford@hmrc.gsi.gov.uk)

Sharon Richley

Personal Pensions

BP3101

Tel: 0191 2250185

[sharon.richley@hmrc.gsi.gov.uk](mailto:sharon.richley@hmrc.gsi.gov.uk)



## Scheme Change of address

To ensure information from HM Revenue and Customs reaches pension schemes at the correct address can you please ensure all appropriate parties in your organisations are made aware of the following procedures:

For information regarding payments/recoveries being made or the issue of CA2308's written notification should be sent to **Personal Pensions at HM Revenue and Customs, Personal Pensions, Benton Park View, Longbenton, Newcastle upon Tyne, NE98 1ZZ** to allow us to update our records.

For general correspondence you should notify in writing the **Elections Team Pension Schemes Services, Fitzroy House, Castle Meadow Road, Nottingham, NG2 1BD** of the new address and contact details.

If you require any further information regarding this please contact:

[lindsay.macgregor@hmrc.gsi.gov.uk](mailto:lindsay.macgregor@hmrc.gsi.gov.uk)  
or telephone 0191 2250211

## Closer Working with DWP Pension Centres



During the last 12 months we have been working with our colleagues in DWP Pension Centres to provide a better customer service.

In the past we received hundreds of phone calls from the Pension centres asking us to close down 'open' periods of contracted-out employment so that they could calculate the correct Guaranteed Minimum Pensions for people who had claimed their State Pension.

The phone calls were spread throughout the Retirement Pension/Widows Benefit (RP/WB) and were quite disruptive. We decided to introduce an electronic Inbox so that the telephone calls would reduce and we would have better control over this workload.

We then refined the requirements so that the requests are held in pension claim date order. This allows us to focus on the people nearest to State Pension age.

Overall the project has proved to be a success,

- we have less interruptions from phone calls.
- we can focus resources to action the workload in a controlled manner.
- we deal with individuals at the right time.
- we receive information in the correct format to allow us to clear the case first time.

This also allows us to allocate more resources to answer enquiries from Pension Administrators and Schemes.

**Susan McCormack**  
[susan.mccormack@hmrc.gsi.gov.uk](mailto:susan.mccormack@hmrc.gsi.gov.uk)

## Submitting form CA1886

### Concurrent Employments

We are aware that a number of employees have concurrent contracted-out employments, particularly in Local Authority Schemes.

Where a scheme member has concurrent employments and the Scheme does not require each period to be recorded separately, form CA1886 should be submitted quoting the earliest start date (including any transfers-in) and the latest end date, ie one period of membership to cover all employments.

Where a scheme member has concurrent employments and the Scheme does require each period to be recorded separately, they should write to NISPI giving full details of each period of employment including the contracted out earnings relating to each period.

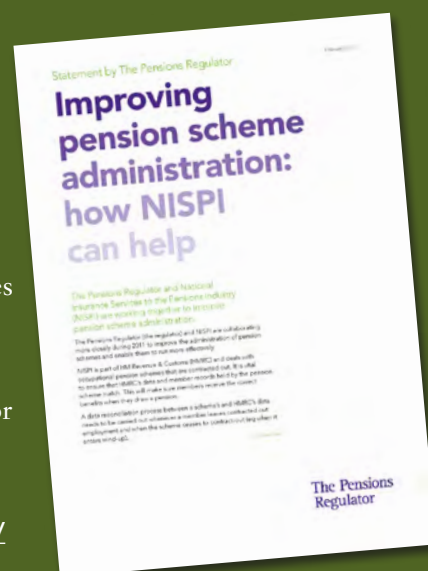
## Closer working with the Pensions Regulator (tPR)

NISPI and the Pensions Regulator are collaborating more closely during 2011 to drive improvements in pension scheme administration and enable schemes to run more effectively.

To help us achieve this we have devised the following joint objectives:

- To work collaboratively to ensure that trustees and scheme administrators fulfil their obligations.
- To support DWP in establishing primacy of NISPI's data and possible tolerance levels.
- To publish information and educate trustees and scheme Administrators in relation to their roles, responsibilities and accountabilities.
- To work collaboratively in relation to DC Abolition to ensure that the Pensions Industry are fully prepared for the changes.

Our joint statement can be viewed at:  
<http://www.thepensionsregulator.gov.uk/press/pn11-07.aspx>





# Shared Workspace for Scheme Cessation Customers

When a contracted-out scheme ceases to contract out, Scheme Administrators work with NISPI to reconcile scheme membership and Guaranteed Minimum Pension (GMP) amounts (where applicable).

Traditionally this reconciliation process is carried out clerically on paper, which can be time consuming and labour intensive.

However, NISPI do offer a secure web based system known as Shared Workspace which allows Scheme Administrators and NISPI to work collaboratively to carry out the reconciliation process electronically.

## Shared Workspace:

- Enables data to be 'shared' in a secure environment.
- Removes the need to issue paper listings and subsequent postal enquiries.
- Automatically reconciles records where the information supplied by scheme administrators matches the information held on NISPI's records.
- Identifies cases where the information on scheme

administrator's records does not match the information held on NISPI's records and highlights them for further investigation.

- Provides a transparent view of progress and an audit trail of all action taken.
- Is free to set up and training is provided.

The Pensions Regulator has been working closely with HMRC, National Insurance Services to the Pensions Industry (NISPI) to promote collaboration and the adoption of the most effective working practices amongst all parties involved in the administration of contracted-out pension schemes.

NISPI and The Pensions Regulator believe that the use of Shared Workspace can greatly speed up the reconciliation process when contracted-out pension schemes cease to contract-out.

Shared Workspace has been in use in NISPI since 2006 and statistics show that the reconciliation process can be completed up to 30% more quickly than via the traditional paper process.

NISPI statistics also show that the average reconciliation exercise takes approximately 7 years to complete. If the reconciliation is completed 30% more quickly on Shared Workspace this could reduce the reconciliation process by around 2 years.

Scheme Administrators who are considering using or would like more information on Shared Workspace should contact:

**Mark Swanston/Paul Clydesdale**  
NIC&EO NISPI  
Scheme Cessation  
Benton Park View – BP3001  
Newcastle upon Tyne  
NE98 1ZZ

Telephone: 0191 2250080

E-mail:  
[Mark.Swanston@hmrc.gsi.gov.uk](mailto:Mark.Swanston@hmrc.gsi.gov.uk)  
[Paul.Clydesdale@hmrc.gsi.gov.uk](mailto:Paul.Clydesdale@hmrc.gsi.gov.uk)

# Secure Electronic Transfer (SET) for bulk data transfers

In the April 2009 Newsletter we briefly mentioned HMRC's new strategic facility for the secure transfer of large volumes of information to and from our business customers which is known as Secure Electronic Transfer (SET).

## SET Overview

Incorporating customer feedback and built to open standards, SET is validated by the Government authority for technical IT security. SET follows the latest Government guidance for secure information transfers and provides several layers of security, including:

- Signature – Digital signatures providing assurance of origin and integrity;
- Encryption – Information 'parcels' are encrypted so the receiver is the only person able to read the information;
- Secure Transfer – Electronic transfer of information using a secure encrypted Internet-connection;
- Proof of receipt – Signed notification messages at each stage of the transfer.

## The Benefits

SET delivers a broad range of sustainable benefits to the many HMRC customers who are already users, including:

- Risk Mitigation – Eliminates the uncertainties associated with courier delivery;
- Protection of Customer Information – Ensures that the transfer of information is completed using the safest and most secure method available;
- Improved Efficiency – Standardised and repeatable information transfer process;
- Instant Traceability – Auditability, visibility and traceability of transferred and stored information.

## Information sent via SET

SET facilitates the transfer of bulk information 'parcels' between business customers and HMRC via the Government Gateway:

- Bulk Information – SET provides electronic exchange of bulk information currently being transferred by physical media such as CDs, DVDs, tapes and cartridges;
- Large File Sizes – Transfers large volumes of information (currently 1.98GB up to 10GB in the future);
- Supported return types – We support an extensive range of return types, including PP/COMP Monthly Payment Run, with ongoing review to expand the range.

SET is not for:

- Individuals – HMRC provides several online services for citizens through its portal.
- Ad hoc transfers – SET is better suited for regular and repeatable transfers.
- Interactive communications – SET is a file transfer facility. It does not pass messages between people or organisations in real time nor does it provide any sort of collaborative working capability.

We are working with PP/COMP Monthly Payment Run customers to implement SET and a number of providers are already using the service.

## To find out more

If you are interested in using SET or would like to find out more, please visit our website: [www.hmrc.gov.uk/SET](http://www.hmrc.gov.uk/SET)

Or, email us at [SET.security@hmrc.gsi.gov.uk](mailto:SET.security@hmrc.gsi.gov.uk)



# Pension Scheme Providers – Procedure for the return of Electronic Media

Please ensure all appropriate parties in your organisations are made aware of these procedures.

Where pension scheme providers receive the breakdown of the Monthly ARR payment/recoveries via electronic media the following procedure should be followed.

Prior to returning any media, in all instances please contact Mark Humphreys (contact details below), who will try to resolve any issues and make arrangements for the media to be returned.

## CD-Rom and Diskette only

If, for any reason you need to return this type of media to HMRC please send them using recorded delivery to

the address below, informing Mark of the return.

## Cartridge and Tape Recipients Only

As use of these types of media is gradually reducing, we require these items to be returned so that they can be reused. To avoid any risk of data being accessed by a third party when you return the media, we would ask that you "de gauss" the tape or cartridge thus deleting its contents. Please return the media via recorded delivery to the address below, informing Mark of the return.

If you are unable to de gauss the data please contact Mark who will arrange collection of the media and supply secure packages for media

to be returned. In the meantime, please retain the media in a secure environment.

## Contact details

[mark.humphreys@hmrc.gsi.gov.uk](mailto:mark.humphreys@hmrc.gsi.gov.uk)  
or telephone 0191 2258767

The return address is shown below as well as being located on the invoice that was sent with the media.

## Return address

Aspire  
Room BP8104  
Tynemouth House  
Benton Park View  
Benton Park Road  
Newcastle upon Tyne  
NE98 1ZZ

# National Insurance and Pay As You Earn Service (NPS) Processing Dates 2011-12

The timetable for the various NPS processing runs is contained in the following paragraphs:

## 1. The Personal Pensions (PP) Payment Run

The table below contains the proposed PP Payment run dates:

Month	BACS Processing date	PP Payment dates	BACS Payment dates
Apr 11	09/04/2011	28/04/2011	03/05/2011
May 11	21/05/2011	31/05/2011	01/06/2011
Jun 11	18/06/2011	30/06/2011	01/07/2011
Jul 11	16/07/2011	29/07/2011	01/08/2011
Aug 11	13/08/2011	31/08/2011	01/09/2011
Sept 11	17/09/2011	30/09/2011	03/10/2011
Oct 11	15/10/2011	31/10/2011	01/11/2011
Nov 11	12/11/2011	30/11/2011	01/12/2011
Dec 11	10/12/2011	30/12/2011	03/01/2012
Jan 12	14/01/2012	31/01/2012	01/02/2012
Feb 12	11/02/2012	29/02/2012	01/03/2012
Mar 12	17/03/2012	30/03/2012	02/04/2012

## 2. PP Reconciliation Exercise

The reconciliation exercise to identify, and then reconcile Age Related Rebate (ARR) payments/recoveries for all relevant contributions for a given tax year, will once again be run twice during 2011-12. Both are in respect of reconciliation of ARR's for tax year 2009-10.

In May 2010 we told you we had identified a number of ARRs calculated between 6 April 2010 and 13 May 2010 that were incorrect. This was because earnings in excess of the Upper Accrual Point (UAP) were taken into account in the ARR calculation. As a result of this, some overpayments had occurred. (This only affected individuals who had earnings which at some point within the tax year exceeded the UAP (£770.00 a week or £3,337 a month)). As you will already know, we corrected the majority of these cases and the overpaid amounts of ARR were recovered in the June 2010 payment run. However, the reconciliation exercise that took place on 23 April will identify a small residue of additional cases. This will result in further recoveries in the May 2011 payment run. We apologise for any inconvenience caused by this.

### Processing Date

23 April 2011: any ARR's identified will be paid/recovered on:  
1 June 2011

29 October 2011: any ARR's identified will be paid/recovered on:  
1 December 2011

## 3. PP Reasons for Non-payment Run

### Processing Date

30 April 2011: in respect of the reasons for non-payment for tax year 2009-10

26 November 2011: sweep-up exercise for tax year 2009-10

## 4. The Annual Date of Effect Scan

Also included in the non-payment information to be provided in November will be details of those APP scheme members where effect has not been given to the protected rights and the member has, in the previous calendar year, reached state pension age (SPA), reached age 75 or died.

Also, you may already know from the Abolition Countdown Bulletin published on the HMRC website in February that this will be the final Date of Effect scan. The following link provides further information: <http://www.hmrc.gov.uk/nic/countdown-bulletins.htm>

It is important, therefore, that APP Providers and COMP Scheme Administrators submit relevant documentation to NISPI to ensure that member's records are updated accordingly.

The following forms, depending on how effect is to be given, should be used:

### APP/APPSHP Providers

- Form CA1550: Protected Rights – Provision of Pension Benefits to member or surviving spouse/civil partner.
- Form CA1552: APP/SHP Scheme using Protected Rights to provide a lump sum or pension annuity to nominated beneficiary.

### COMP Schemes

- Form CA1584: Deceased members Protected Rights being used to provide a lump sum or annuity for a nominated person.
- Form CA1594: Protected Rights – Provision of Pension Rights to member or surviving spouse/civil partner.

### Processing Date

26 November 2011

NB: for Providers and Schemes not receiving their information on magnetic media, paper forms CA1885 are issued instead.

Should you need any additional information, please contact:

**Norman Haggin**  
Service Development Group (NISPI Technical)  
Telephone: 0191 2258580  
[norman.haggin@hmrc.gsi.gov.uk](mailto:norman.haggin@hmrc.gsi.gov.uk)

# Information for COSR schemes and COSR sections of COMB schemes

## GMP Increase Order for 2011

The Guaranteed Minimum Pension Increase Order that came into effect on 6 April 2011 is based on CPI figures for the year to 30 September 2010. As the general increase in prices was 3.1% schemes are required to inflation-proof any post 1988 GMP entitlement by 3.0%.

## Section 148 Revaluation Order for 2011

The Social Security Revaluation of Earnings Factors Order 2011 came into force on 6 April 2011. The details, along with the equivalent revaluation factor, are as follows:

Tax Year	Percentage	Revaluation Factor
1978-79	705.0	8050
1979-80	610.5	7105
1980-81	493.6	5936
1981-82	397.1	4971
1982-83	351.5	4515
1983-84	319.2	4192
1984-85	288.2	3882
1985-86	264.2	3642
1986-87	234.4	3344
1987-88	211.3	3113
1988-89	186.4	2864
1989-90	158.5	2585
1990-91	140.9	2409
1991-92	118.8	2188
1992-93	105.5	2055
1993-94	95.7	1957
1994-95	89.8	1898
1995-96	81.8	1818
1996-97	76.8	1768
1997-98	68.4	1684
1998-99	61.0	1610
1999-00	54.5	1545
2000-01	45.4	1454
2001-02	39.8	1398
2002-03	34.0	1340
2003-04	29.4	1294
2004-05	24.6	1246
2005-06	19.7	1197
2006-07	15.8	1158
2007-08	11.2	1112
2008-09	6.7	1067
2009-10	3.5	1035
2010-11	2.3	1023

## Quinquennial Review of Contracted-out Rebate Rates

The Social Security (Reduced Rates of Class 1 Contributions, Rebates and Minimum Contributions) Order 2011/1036, which sets out the contracted-out rebate rates that will apply from 2012, has been published. The new rebate rates that will apply to employers and employees in defined benefit contracted out occupational pension schemes are:

- 3.4% for employers (secondary Class 1 contributions) and
- 1.4% for employees (primary Class 1 contributions).

Links to the Government Actuary's reports on their Review of Contracted Out Rebates and the Secretary of State's response to those reports (Occupational Pension Schemes – Review of Certain Contracting out terms); and the Rebate Order itself (The Social Security (Reduced Rates of Class 1 Contributions, Rebates and Minimum Contributions) Order 2011) can be found at:

<http://www.dwp.gov.uk/publications/policy-publications/#pensions>

and: <http://www.legislation.gov.uk/ukdsi/2011/9780111506257/contents>

Contact: SDG Technical (NISPI)

Room: BP1101

Tel: 0191 2256163

Email: [technical.nispi@hmrc.gsi.gov.uk](mailto:technical.nispi@hmrc.gsi.gov.uk)



# Age-related rebate percentages for COMP schemes and COMP sections of COMB schemes

Age-related rebates payable for earnings in the 2010-2011 tax year will be based on the percentages shown in the table below.

Age on 5.4.2010 – last day of preceding tax year	Appropriate age-related percentage for tax year 2010-2011
15	3.0
16	3.0
17	3.1
18	3.2
19	3.3
20	3.4
21	3.4
22	3.5
23	3.6
24	3.7
25	3.8
26	3.9
27	4.0
28	4.1
29	4.2
30	4.3
31	4.4
32	4.5
33	4.6
34	4.7
35	4.8
36	5.0
37	5.1
38	5.3
39	5.5
40	5.6
41	5.8
42	6.0
43	6.1
44	6.3
45	6.5
46	6.6
47	6.8
48	7.1
49	7.4
50	7.4
51	7.4

Age on 5.4.2010 – last day of preceding tax year	Appropriate age-related percentage for tax year 2010-2011
52	7.4
53	7.4
54	7.4
55	7.4
56	7.4
57	7.4
58	7.4
59	7.4
60	7.4
61	7.4
62	7.4
63	7.4

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# Changes to Minimum Contributions

As advised in our April 2010 Newsletter, in line with changes to State Second Pension, Minimum Contributions for tax years 2010-2011 and 2011-12 will only be paid on two bands of earnings. These are:

- earnings exceeding the lower earnings limit but not the low earnings threshold; and
- earnings exceeding the low earnings threshold but not exceeding the upper accrual point;

Minimum Contributions for the 2010-2011 and 2011-12 tax years will be based on the percentages and earnings bands shown in the tables below.

Age on 5.4.2010 – last day of preceding tax year	Band 1 Earnings £5044 to £14,100	Band 2 Earnings £14,100 to £40,810
15	9.4	2.35
16	9.4	2.35
17	9.6	2.4
18	9.8	2.45
19	9.8	2.45
20	10.0	2.5
21	10.2	2.55
22	10.4	2.6
23	10.4	2.6
24	10.6	2.65
25	10.8	2.7
26	11.0	2.75
27	11.2	2.8
28	11.2	2.8
29	11.4	2.85
30	11.6	2.9
31	11.8	2.95
32	12.0	3.0
33	12.2	3.05
34	12.2	3.05
35	12.6	3.15
36	12.8	3.2
37	13.2	3.3
38	13.4	3.35
39	13.6	3.4
40	14.0	3.5
41	14.2	3.55
42	14.6	3.65
43	14.8	3.7
44	14.8	3.7
45	14.8	3.7
46	14.8	3.7
47	14.8	3.7
48	14.8	3.7
49	14.8	3.7
50	14.8	3.7
51	14.8	3.7
52	14.8	3.7
53	14.8	3.7
54	14.8	3.7
55	14.8	3.7
56	14.8	3.7
57	14.8	3.7
58	14.8	3.7
59	14.8	3.7
60	14.8	3.7
61	14.8	3.7
62	14.8	3.7
63	14.8	3.7

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Age on 5.4.2011 – last day of preceding tax year	Band 1 Earnings £5304 to £14,400	Band 2 Earnings £14,400 to £40,810
15	9.4	2.35
16	9.4	2.35
17	9.6	2.4
18	9.8	2.45
19	10.0	2.5
20	10.0	2.5
21	10.2	2.55
22	10.4	2.6
23	10.4	2.6
24	10.6	2.65
25	10.8	2.7
26	11.0	2.75
27	11.2	2.8
28	11.2	2.8
29	11.4	2.85
30	11.6	2.9
31	11.8	2.95
32	12.0	3.0
33	12.2	3.05
34	12.2	3.05
35	12.6	3.15
36	12.8	3.2
37	13.2	3.3
38	13.4	3.35
39	13.8	3.45
40	14.0	3.5
41	14.2	3.55
42	14.6	3.65
43	14.8	3.7
44	14.8	3.7
45	14.8	3.7
46	14.8	3.7
47	14.8	3.7
48	14.8	3.7
49	14.8	3.7
50	14.8	3.7
51	14.8	3.7
52	14.8	3.7
53	14.8	3.7
54	14.8	3.7
55	14.8	3.7
56	14.8	3.7
57	14.8	3.7
58	14.8	3.7
59	14.8	3.7
60	14.8	3.7
61	14.8	3.7
62	14.8	3.7
63	14.8	3.7

# Abolition of contracting-out for Defined Contribution Schemes

The Pensions Acts 2007 and 2008 introduced legislation to abolish contracting-out on a defined contribution basis (DC) from 6 April 2012. This affects Contracted-out Money Purchase scheme (COMP) and Appropriate Personal Pension (APP) schemes (including Stakeholder

schemes) as well as the COMP sections of Contracted-out Mixed Benefit (COMB) schemes.

To keep you updated about activities linked to this we will be issuing a bi-monthly newsletter 'Countdown Bulletin'. You can find the

first issues at <http://www.hmrc.gov.uk/nic/coeg.htm>

If you wish to receive future issues by email please send your contact details to [technical.nispi@hmrc.gsi.gov.uk](mailto:technical.nispi@hmrc.gsi.gov.uk)

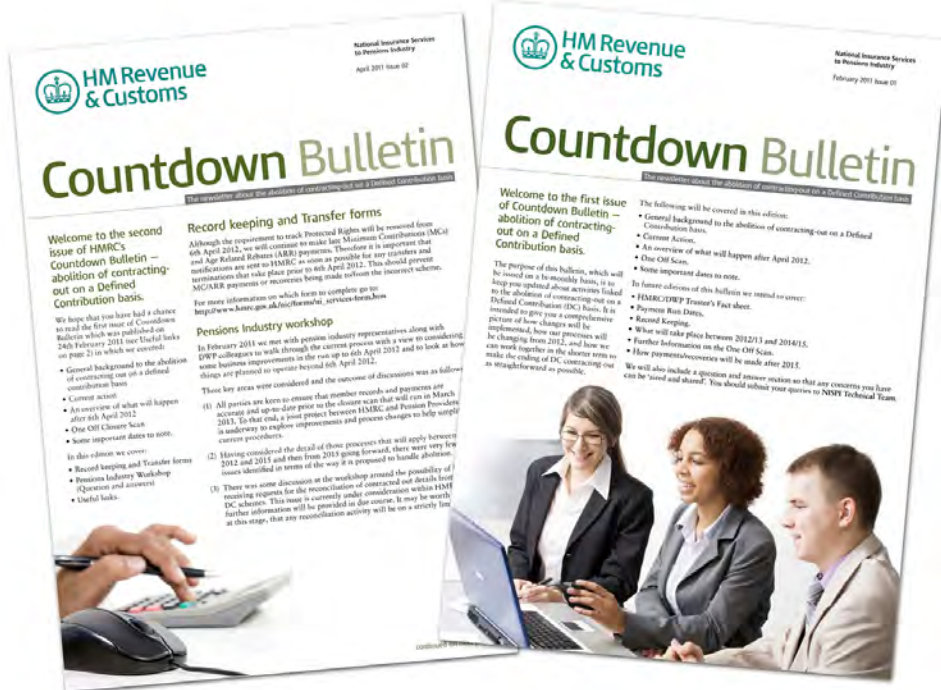
Transfer of contracted-out DB rights, post-abolition, to non-contracted-out schemes.

Legislation is being amended to allow transfers from DB contracted-out schemes to non-contracted-out schemes post abolition. Safeguards will be introduced to ensure that members are aware of the implications of transferring, in particular that there will no longer be a requirement to provide for survivor benefit after transferring.

We will amend our CA1888 and CA1889 notifications to cater for these transfers. The revised forms will be available from April 2012.

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# Equalisation of State Pension Age (SPA) for Women

Following the changes to State Pension Age (SPA) for women, pension schemes should continue to make the GMP available from age 60. The GMP amount which should be made available at age 60 is the GMP at date of leaving revalued up to age 60. Any post 1988 GMP entitlement should then be inflation proofed each year after that, as is the case now.

We can no longer issue CA1629 statements for women at age 60 because these statements are not triggered until an individual approaches SPA. You will continue to receive CA1625 notifications showing the GMP amount at date of leaving, this should enable you to revalue the GMP to age 60. However, if you do require confirmation of the GMP amount at age 60, you can request a GMP calculation by using our calculation services:

<http://www.hmrc.gov.uk/nic/gmp-cod.htm>

<http://www.hmrc.gov.uk/nic/enquiry-service.htm>

If a woman continues in contracted-out employment until their new SPA

the scheme will still be responsible for calculating and paying any GMP increments applicable if employment continues after age 60 as now. For example, if deferment is for 7 weeks or more the scheme must increase the GMP by 1/7% for each complete week in the deferment period.

The GMP value shown on the CA1629 statements will include the relevant inflation-proofing increases but will not include any GMP increments.

## Termination of Contracted-out Employment

If a female leaves Contracted-out Employment prior to SPA, for example where the scheme pension age is 60, a termination notice will still be required at that point.

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