



Cessation of

Contracted-out Stakeholder Pension Schemes

Manual



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Abbreviations

AP	Additional Pension
APP	Appropriate Personal Pension
APPSHP	Appropriate Personal Pension Stakeholder Pension
ARR	Age-Related Rebate
ASCN	Appropriate Scheme Number
ATV	Actual Transfer Value
COD	Contracted-out Deduction
COMB	Contracted-out Mixed Benefit
COMP	Contracted-out Money Purchase
COMPSPH	Contracted-out Money Purchase Stakeholder Pension Scheme
COSR	Contracted-out Salary Related
DWP	Department for Work and Pensions
ECON	Employer's Contracting-out Number
EYS	End of Year Summary
ERI	Employer Related Investment
FSTV	Fully Solvent Transfer Value
GB	Great Britain
GMP	Guaranteed Minimum Pension
IFA	Institute and Faculty of Actuaries
IR	Inland Revenue
LEL	Lower Earnings Limit
LPI	Limited Price Index
MCs	Minimum Contributions
MLI	Market Level Indicator
NI	National Insurance
NICs	National Insurance contributions
NINO	National Insurance number
NIRS	National Insurance Recording System

NPA	Normal Pension Age
OPB	Occupational Pensions Board
OPRA	Occupational Pensions Regulatory Authority
PA 1995	Pensions Act 1995
PAYE	Pay As You Earn
PCB	Pensions Compensation Board
PSA 1993	Pension Schemes Act 1993
RPA	Responsible Paying Authority
RPI	Retail Price Index
S148	Section 148 of the Social Security Administration Act 1992
SCON	Scheme Contracted-out Number
SERPS	State Earnings Related Pension Scheme
SHPs	Stakeholder Pension schemes
SMP	Statutory Maternity Pay
S of S	Secretary of State
SPA	State Pension age
TA	Technical Amount
TP	Transfer Premium
UEL	Upper Earnings Limit
UK	United Kingdom

Glossary of terms

Accrued rights An employee's entitlement to benefit from a Contracted-out Money Purchase (COMP) scheme, Contracted-out Money Purchase Stakeholder Pension (COMPSHP) scheme or COMP part of a COMB scheme, or protected rights.

Actual Transfer Value (ATV) The amount of scheme rights available in respect of the member.

Actuary The actuary appointed for the scheme under section 47(1) of the Pensions Act 1995, or the actuary otherwise authorised by virtue of the Contracting-out Regulations 1996, to provide certification in accordance with section 12A(6) of the Pensions Schemes Act 1993.

Additional Pension (AP) The Additional Pension (AP) is the earnings related part of the State Pension. It is also known as the State Earnings related Pension Scheme (SERPS) or State Second Pension as from 6 April 2002. It is based on earnings on which National Insurance contributions (NICs) have been paid since April 1978. Employees are automatically in the SERPS, or State Second Pension from 6 April 2002, unless they contract-out via an occupational scheme, an Appropriate Personal Pension (APP) or a Stakeholder Pension scheme. Anyone who is, or has been, a member of a contracted-out scheme will have their AP reduced accordingly.

Age Related Rebate (ARR) The Inland Revenue National Insurance contributions Office makes payments into (APPs) Appropriate Personal Pension/(COMPs) Contracted-out Money Purchase for tax years from 1997/98 and (APPSHPs) Appropriate Personal Pension Stakeholder Pension/(COMPSHPs) Contracted-out Money Purchase Stakeholder Pension from 2001/02. They will increase with the age of the member and will reflect the different amounts of rebate needed at different ages to generate the same benefits as SERPS or State Second Pension from 6 April 2002.

Annuity A pension bought-out by a pension scheme from an insurance company, for either immediate or deferred payment.

Appropriate Personal Pension (APP) scheme A personal pension scheme which an individual may join as a means of contracting out of State Second Pension, previously known as SERPS. To obtain an appropriate scheme certificate from the Secretary of State for DWP, the personal pensions scheme needs to satisfy certain conditions about the provision of protected rights.

Appropriate Personal Pension Stakeholder Pension (APPSHP) scheme Appropriate Personal Pension scheme which operates on the same basis as an APP scheme but with stakeholder status.

Buying back Restoral of SERPS.

Contracted-out Earnings Those earnings which fall between the Lower Earnings Limit (LEL) and the Upper Earnings Limit (UEL).

Contracted-out Mixed Benefit (COMB) scheme An occupational pension scheme which holds both COMP and COSR rights. COSR rights may be GMPs for service before 6 April 1997 or post '97 COSR rights after that date.

Contracted-out Money Purchase (COMP) scheme A contracted-out occupational pension scheme where the employer pays minimum payments which, along with any other contributions from the employer and/or member, provide the member with a pension based on the value of his or her fund at retirement.

Contracted-out Money Purchase Stakeholder Pension (COMPSHP) scheme A contracted-out occupational pension scheme which operates on the same basis as a COMP scheme but with stakeholder status.

Contracted-out Salary Related (COSR) scheme A contracted-out occupational pension scheme which provides members with a pension related to their earnings.

Contract-out To leave the additional state pension and join a contracted-out occupational pension scheme and enter employment covered by a contracted-out certificate **or** take out an APP/APPSHP.

Contracted-out Rebate Employers who operate contracted-out pension schemes pay NICs at a reduced (contracted-out) rate. The difference between the full not contracted-out rate and the reduced rate is known as 'contracted-out rebate'.

Current member A member in contracted-out employment, at the date the scheme ceased to contract-out, with the employer(s) participating in the scheme or a member contributing to an APPSHP at the date it ceased to be appropriate.

Early leaver A member who has left the scheme before the date of scheme cessation and has protected rights preserved under the Scheme Contracted-out Number (SCON) or Appropriate Scheme Number (ASCN).

Former Spouse A person who may acquire accrued pension rights under a pension share.

Fully Solvent Transfer Value (FSTV) The amount of scheme rights available to the member, had the scheme wound up 100% funded and the compensatable event not occurred.

Guaranteed Minimum Pension (GMP) rights The minimum scheme benefit entitlement of a member contracted-out on a salary related basis before 6 April 1997. This broadly equates to what their SERPS would have been if they had not been contracted-out.

Insurance company An insurance company authorised to carry on long term business, as defined by the Insurance Companies Act 1982.

Lower Earnings Limit (LEL) The minimum amount set at the beginning of each tax year, which must be earned in a pay period to qualify for the Basic State Pension.

Minimum contributions (MCs) Money paid by the Inland Revenue National Insurance Contributions Office into an APPSHP/APP used in place of the additional State Pension.

Minimum Payments Amounts equal to the employer's and employee's contracted-out rebate, which an employer must pay into a scheme which is contracted-out on a money purchase basis for the benefit of each employee who is contracted-out by reference to that scheme.

Overseas arrangement A scheme or arrangement other than an occupational pension scheme, which will provide benefits on termination of employment, or on death or retirement. It is not an APP or APPSHP scheme and is administered wholly or primarily outside the United Kingdom (UK).

Overseas scheme An occupational pension scheme established under irrevocable trust, or by such other means as the Commissioners of Inland Revenue may approve, and which is administered wholly or primarily outside of the UK as defined in Regulation 1 of the Occupational Pension Schemes (Contracting-out) Regulations 1996.

Pension Sharing on Divorce A term used where the courts agree or order that, on divorce or nullity, pension rights are to be shared.

Pensioner A member who has reached state pensionable age before the scheme ceased to contract-out and who has protected rights entitlement under the SCON or ASCN.

Post '97 COSR Rights A member's rights derived from being a contracted-out member of a scheme contracted-out on a salary related basis, on or after 6 April 1997 and any post '97 COSR rights or post '97 protected rights which have been transferred to the scheme from a COSR scheme, COMP/COMPSP scheme, COMB scheme or APP/APPSHP scheme, but excluding any rights derived from additional voluntary contributions paid for the member, ie Section 9 (2B) rights as defined in Regulation 1 of the Occupational Pension Schemes (Contracting-out) Regulations 1996.

Protected rights Protected rights are the member's total rights to money purchase benefits under the scheme, unless the scheme rules make separate provision. If the scheme rules to separately provide, then the following have to be included in the scheme rules as protected rights:

- minimum payments
- age-related payments including any made as a result of a transfer from a COMP/COMPSPH scheme or the active COMP part of a COMB scheme
- incentive payments including any made as a result of a transfer from a COMP scheme
- protected rights transferred in from another COMP/COMPSPH scheme or the active COMP part of a COMB scheme or from an APP/APPSPH scheme
- GMP or post '97 COSR rights transferred in from a COSR scheme or the active COSR part of a COMB scheme.

Responsible Paying Authority (RPA) An occupational pension scheme or other body, for example an insurance company, responsible for paying a GMP or protected rights.

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

Scheme administrator The person or persons resident in the UK having responsibility for the management of the scheme or, in the case of an overseas scheme, the person resident in the UK appointed in accordance with section 590(2) of the Income and Corporation Taxes Act 1988 (ICTA).

Scheme authorities The Employer, Scheme Administrator, Trustee(s), Actuary or Auditor of a scheme.

Section 53 schemes Formerly contracted-out schemes still under the supervision of National Insurance Services to Pensions Industry.

Section 148 The rate of revaluation set out in an order made under Section 148 of the Social Security Administration Act 1992.

Stakeholder Pension scheme A pension scheme that has been registered under section 2 of the Welfare Reform Pensions Act 1999 and satisfies the conditions in section 1 of that Act.

State Earnings Related Pension Scheme (SERPS) A term used to describe the AP provision of the State Pension scheme accrued up to 5 April 2002 - see 'Additional Pension'.

State Pension age (SPA) The minimum prescribed age which a person must be before they can be paid a State Pension.

State Second Pension A term used to describe the AP provision of the State Pension scheme accrued from 6 April 2002 - see 'Additional Pension'.

Technical Amount (TA) The amount required to restore state scheme rights to a level they would have been, had the member been contracted-in.

Transfer payment A payment of GMP, post '97 COSR rights or protected rights made by a COSR COMP/COMPSPH, COMB or APP/APPSPH scheme to either:

- another occupational pension scheme, or
- an APP/APPSPH scheme.

Transfer value Value of the benefit to which a member is entitled on transferring to another occupational or personal pension scheme.

Trustee A person or company appointed to carry out the purposes of a trust in accordance with the provisions of the trust instrument and general principals of trust law, or in relation to a scheme which is not set up or established under a trust, the managers or administrators of the scheme.

Unapproved schemes Schemes which have not been given, or are awaiting, approval under section 592(1) of ICTA, unless they are a relevant statutory scheme within the meaning of section 611a of ICTA.

Upper Earnings Limit (UEL) NICs do not have to be paid by employees on earnings over a certain amount. This maximum amount is set at the beginning of each tax year and is about seven times the amount of the LEL. There is no UEL for employers.

Widow or widower pensioner A member who has died and has a widow or widower, and who has protected rights entitlement.

1 Introduction to this manual and the Inland Revenue National Insurance Contributions Office

Stakeholder Pension schemes (SHPs) can be used as a new vehicle for contracting out of the State Earnings Related Pension Scheme (SERPS). From 6 April 2002 SERPS was reformed by the State Second Pension. Two types of contracted out Stakeholder Pension schemes are available, Contracted-out Money Purchase Stakeholder Pension schemes (COMPSHP) and Appropriate Personal Pension Stakeholder Pension schemes (APPSHP). Stakeholder Pension schemes apply for tax approval under Chapter IV of Part XIV of the Income & Corporation Taxes ACT 1988 and for tax purposes are treated as personal pension schemes, even COMPSHPs. However, for contracting-out purposes COMPSHPs are treated as occupational pension schemes and their contracting-out status are unaffected by their tax approval status.

Under these new tax rules, some employers may still allow individuals to contribute to their occupational pension scheme although they have left that particular employment. Additionally APPSHP holders may continue to pay contributions into their scheme even though the contributions are not being made from earnings, however no rebate will be paid in either case.

SHP schemes operate under the same rules as the existing non-Stakeholder Pension Contracted-out Money Purchase (COMP) and Additional Personal Pension (APP) schemes.

For the first time where a pension scheme seeks approval to operate as a SHP scheme they must be registered by the Occupational Pensions Regulatory Authority (OPRA) and the whole process of tax and contracting-out approval will be controlled by Inland Revenue (Savings, Pensions, Share Schemes).

The rules for Stakeholder Pensions are included in:

- The Welfare Reform and Pensions Act 1999
- The Welfare Reform and Pensions (Northern Ireland) Order 1999
- The Stakeholder Pension Scheme Regulations 2000 (Statutory Instrument 1403) and
- The Stakeholder Pension Schemes Regulations (Northern Ireland) 2000.

About this manual

1.1 This manual

- gives guidance for scheme administrator(s) on the action to be taken when
 - a Contracted-out Money Purchase Stakeholder Pension (COMPSHP) scheme ceases to contract-out, or
 - an Appropriate Personal Pension Stakeholder Pension (APPSHP) scheme is no longer appropriate.
- advises the conditions which must be satisfied before a scheme can cease to contract-out
- describes what happens to protected rights when a COMPSHP scheme ceases to contract-out or an APPSHP scheme is no longer appropriate
- contains guidance on the procedures that you and Services to Pensions Industry follow upon cessation
- details action on schedules and lists for
 - current members

- past early leavers
 - pensioners
 - widows and widowers of scheme members.
- 1.2 Guidance for scheme administrator(s) on the action to be taken when a COMP, COSR or a Contracted-out Mixed Benefit (COMB) scheme ceases. See manual CA15 *Cessation of Contracted-out Pension Schemes* for more details.
- 1.3 Guidance for scheme administrators when an Appropriate Personal Pension (APP) scheme is no longer appropriate is available in manual CA16 *Appropriate Personal Pension Scheme Manual - Procedural Guidance*.

Statutory provisions

- 1.4 The statutory procedural provisions for contracting-out are contained in the Pension Schemes Act 1993 and the Pensions Act 1995 and associated Regulations. The appropriate references to the Acts and Regulations are noted in the margins of this guide and the following abbreviations have been used:

C-out Regs	The Occupational Pension Schemes (Contracting-out) Regulations 1996 SI 1996/1172
Dis regs	Occupational Pension Schemes (Disclosure of Information) Regulations 1986 SI 1986/1046
Discharge Regs	The Occupational Pension Schemes (Discharge of Protected Rights on Winding Up) Regulations 1996 SI 1996/775
Preservation Regs	Occupational Pension Schemes (Preservation of Benefit) Regulations 1991 SI 1991/167
PR Regs	The Personal and Occupational Pension Schemes (Protected Rights) Regulations 1996 SI 1996/1537
PR Transfer Regs	The Protected Rights (Transfer Payment) Regulations 1996 SI 1996/1461
C-out Transfer Regs	The Contracting-out (Transfer and Transfer Payment) Regulations 1996 SI 1996/1462
PA 1995	Pensions Act 1995
PSA 1993	Pension Schemes Act 1993
Restoring State Scheme Rights Regs	The Occupational Pension Schemes (contracting-out) (Amount Required for Restoring State Scheme Rights and Miscellaneous Amendment) Regulations 1998
Sharing Regs	The Pension Sharing (Safeguarded Rights) Regulations 2000 S.I. 2000/1055
Stakeholder Regs	The Stakeholder Pension Scheme Regulations 2000 S.I. 2000/1403
WRAP Act 1999	Welfare Reform and Pensions Act 1999.

- 1.5 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.

Responsibilities and contacts

Inland Revenue – National Insurance Contributions Office

1.6 Inland Revenue National Insurance Contributions Office

- is an Executive office of the Inland Revenue
- has a Director who is responsible to the Director General of Operations in Inland Revenue
- operates the National Insurance scheme, the second largest source of Government revenue after Income Tax, by
 - ensuring compliance with the law relating to National Insurance
 - maintaining over 60 million contributors' National Insurance records
 - providing an information and advisory service to the business community and members of the public
 - providing National Insurance information to benefit paying Agencies
 - administering the contracting-out arrangements.


Services to Pensions Industry

1.7 Services to Pensions Industry is part of the Inland Revenue National Insurance Contributions Office, and

- considers elections from employers who wish to contract-out of State Earnings Related Pension Scheme (SERPS) or State Second Pension from 6 April 2002 and issues contracting-out certificates if the election is accepted for Contracted-out Salary Related (COSR), Contracted-out Money Purchase (COMP) and Contracted-out Mixed Benefit (COMB) schemes
- considers applications for APP scheme certificates and issues certificates if applications are accepted
- issues revised certificates where elections to vary a contracted-out certificate are made for a COSR, COMP, COMB and APP schemes
- allocates Employer's Contracting-out Numbers (ECONs), Scheme Contracted-out Numbers (SCONs) for COSR, COMP and COMB schemes
- allocates Appropriate Scheme Numbers (ASCONs) for APP schemes
- supplies contracted-out employers/schemes who operate COSR, COMP and COMB schemes with:
 - an information pack when the contracting-out certificate is first issued
 - National Insurance Contributions tables for contracted-out employers who operate all contracted-out schemes
- approves and supervises COSR, COMP and COMB schemes to ensure:
 - their resources meet their contracted-out liabilities
 - their resources meet their safeguarded rights liabilities

- they continue to satisfy the conditions for contracting-out
- supervises APP schemes to ensure that monies paid to them by the Inland Revenue are allocated to members accounts within specified time limits
- has the authority to cancel or vary contracting-out certificates for COSR, COMP, COMB and APP schemes on behalf of the Commissioners of Inland Revenue
- approves and supervises a scheme's arrangements of COSR, COMP, COMPSHP and COMB schemes if they cease to contract-out
- has the power to withdraw/refuse approval of arrangements for COSR, COMP, COMPSHP and COMB schemes on behalf of the Commissioners of Inland Revenue
- has the power to issue certificate of non-approval and direction to discharge liabilities for COSR, COMP, COMPSHP and COMB schemes on behalf of the Commissioners of Inland Revenue
- registers and terminates contracted-out employment for earners
- ensures that all necessary arrangements are made to secure an individual's Pension entitlement when a scheme has contracted-out
- supplies forms mentioned in this guide
- deals with procedures for registration and payment of Age Related Rebates (ARRs) for COMP, COMPSHP, COMB, APP and APPSHP schemes.

1.8 Any enquiries about the procedures performed within Services to Pensions Industry should be forwarded to

 Inland Revenue
National Insurance Contributions Office
Services to Pensions Industry
Benton Park View
Newcastle upon Tyne
NE98 1ZZ

 0845 9 150 150

All notifications should be sent to the address quoted on the appropriate form.

Or you can also visit Services to Pensions Industry website at:

www.inlandrevenue.gov.uk/coeg

Inland Revenue (Savings, Pensions, Share Schemes) office

- 1.9 Inland Revenue (Savings, Pensions, Share Schemes) (Nottingham) is part of the Inland Revenue, and
- considers elections from employers who wish to contract-out of the additional State Pension, commonly known as the State Earnings Related Pension Scheme (SERPS) or State Second Pension, and issues contracting-out certificates if the election is accepted for COMPSHP schemes
 - considers applications for APPSHP scheme certificates and issues certificates if applications are accepted

- allocates Employer's Contracting-out Numbers (ECONS) and Scheme Contracted-out Numbers (SCONs) for COMPSHP schemes and Appropriate Scheme Numbers (ASCNs) for APPSHP schemes
 - supplies contracted-out employers who operate COMPSHP schemes with
 - an information pack when the contracting-out certificate is first issued
 - National Insurance contributions table
 - issues revised certificates where elections to vary a contracted-out certificate are made for COMPSHP and APPSHP schemes
 - has the authority to cancel or vary contracting-out certificates for COMPSHP and APPSHP schemes on behalf of the Commissioners of Inland Revenue.
- 1.10 Any enquiries about the procedures performed within Inland Revenue (Savings, Pensions, Share Schemes) should be forwarded to

✉ Inland Revenue (Savings, Pensions, Share Schemes)
 Yorke House
 PO Box 62
 Castle Meadow Road
 Nottingham
 NG2 1BG

Or you can also visit their website at
www.inlandrevenue.gov.uk under 'pension schemes'

Department for Work and Pensions


- 1.11 Department for Work and Pensions (DWP) Headquarters deals with matters of policy relating to contracted-out schemes
- 1.12 Send all enquiries in writing to

✉ Department for Work and Pensions
 PP1
 The Adelphi
 1-11 John Adam Street
 London
 WC2N 6HT

Occupational Pensions Regulatory Authority (OPRA)

- 1.13 OPRA
- is an executive non departmental public body accountable to Parliament
 - regulates occupational pensions and APPSHP schemes
 - has the authority to investigate schemes and take action to uphold the law
 - has the responsibility for running the Pensions Schemes Registry
 - does not deal with personal pension schemes
 - only has jurisdiction over some parts of overseas occupational pensions schemes.


Send any enquiries to

 Occupational Pensions Regulatory Authority
Invicta House
Trafalgar Place
Brighton
East Sussex
BN1 4BY

Or you can visit OPRA's website at www.stakeholder.opra.gov.uk

Further Information


1.14 If you require any further information about this manual please contact


 Inland Revenue
National Insurance Contributions Office
Services to Pensions Industry
Room BP4102
Benton Park View
Newcastle upon Tyne
NE98 1ZZ

If you require further information about pensions you can order a copy of the following

Leaflet	Title
PM1	A guide to your pension options
PM2	State pensions - Your guide
PM3	Occupational Pensions - Your guide
PM4	Personal pensions - Your guide
PM5	Pensions for the self-employed - Your guide
PM6	Pensions for women - Your guide
PM7	Contracted-out pensions - Your guide
PM8	Stakeholder Pensions - Your guide
PP4	A guide to the Financial Services Act for employers

These leaflets can be obtained by contacting

 Pension Guide
Freepost
Bristol
BS38 7WA

 08457 313 233
A textphone number is available on 08456 040 210
Lines are open 24 hours.


You can also order these free pension guides online from the following website
www.pensionguide.gov.uk

The information and instructions in this manual apply in Great Britain and Northern Ireland only and **do not** apply in the Isle of Man.


Helplines

1.15 There are a number of helplines available as contact points for general queries:


Inland Revenue Services to Pensions Industry Helpline

 08459 150 150
Lines are open 8am to 5pm Monday to Friday.
This helpline can answer questions on contracted-out procedures.

Inland Revenue (Savings, Pensions, Share Schemes) Helpline


 0115 974 1777
Lines are open 9am to 5pm Monday to Friday.
This helpline can answer your questions on tax rules for all personal pension stakeholder arrangements including Stakeholder Pension schemes that contract-out of the additional State Pension, commonly known as SERPS or State Second Pension.

Inland Revenue (Savings, Pensions, Share Schemes) stationery orderline

 0115 974 1670
Lines are open 9am to 5pm Monday to Friday.
This telephone number will enable you to get a copy of a stakeholder pension scheme application pack, or a copy of the booklet "Guidance notes on approval of personal pension schemes (including stakeholder pension schemes) (IR76)". Additionally, you can download and print forms from the website.

Inland Revenue Employer's Helpline

If you have any questions about providing access to a Stakeholder Pensions scheme you can call:

 08457 143 143
Lines are open 8am to 8pm Monday to Friday
8am to 5pm Saturday and Sunday.

A textphone number is available on 0845 602 1380.

Occupational Pensions Regulatory Authority (OPRA)



01273 627 600

Lines are open 9am to 5pm Monday to Friday.

This helpline can answer your questions on the regulations on occupational pension and appropriate personal pension schemes.

Financial Services Authority

If you have any questions about the rules for authorising Stakeholder Pension scheme managers, or about marketing or promotion of any stakeholder scheme, you can contact them on:



0207 676 5226

Lines are open 9am to 5pm Monday to Friday.

Or you can visit the FSA's website at www.fsa.gov.uk

Additional Information

1.16 Comments on our Service

We welcome any comments you have on how to improve our service to all customers, including your future requirements and expectations. You can give these details by writing to, or telephoning the Customer Support Team at



Inland Revenue
National Insurance Contributions Office
Services to Pensions Industry
Room BP4102
Benton Park View
Newcastle upon Tyne
NE98 1ZZ



08459 150 250

Fax: 08459 150 285.

We would also like to hear from you if you think you have received a particularly good service. If however you have a complaint we will do our best to settle your complaint quickly and to your satisfaction.

We have a range of services for people with disabilities, including leaflets in Braille, audio and large print. For details, please contact the section you have been dealing with.

Decision Making and Appeals (DMA)

- 1.17 Following the implementation of the Social Security Act 1998, procedures for Decision Making and Appeals must be followed. This means that when a formal decision is issued there is a right of appeal against that decision to an independent Appeal Tribunal. Further information is available in manual CA14F *Technical Guidance on Contracted-out Decision Making*.

Data Protection

- 1.18 The Inland Revenue is a Data Controller under the Data Protection Act. We hold information for the purposes specified in our notification made to the Data Protection Commissioner, 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, 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 authorities. We will not give information about you to anyone outside the Inland Revenue unless the law permits us to do so.

Pensions Compensation Board (PCB)

- 1.19 **PCB:**

- is an executive non departmental public body accountable to Parliament
- will administer a scheme that can provide compensation where the value of an occupational pension scheme's assets have been reduced as a result of dishonesty and the sponsoring employer is insolvent.

- 1.20 The compensation scheme will be funded by a levy on occupational schemes.

- 1.21 The PCB will administer the compensation scheme and decide whether compensation can be paid, and how much. Compensation will be limited to the lower of either:

- 90 per cent of the loss, or
- the amount needed to restore the scheme to 90 per cent funding.

- 1.22 Send any enquiries to

 Pensions Compensation Board
5th Floor
11 Belgrave Road
London
SW1V 1RB

Additional Information and Services

1.23 Additional information about schemes in contracted-out employment can be found in:


Manual	Title
CA14	Termination of Contracted-out Employment – Manual for Salary Related Pension Schemes and Salary Related Parts of Mixed Benefit Schemes
CA14A	Termination of Contracted-out Employment – Manual for Money Purchase Pension Schemes and Money Purchase Parts of Mixed Benefit Schemes
CA14C	Contracted-out Guidance for Salary Related Pension Schemes and Salary Related Overseas Schemes
CA14D	Contracted-out Guidance for Money Purchase Pension Schemes and Money Purchase Overseas Schemes
CA14E	Contracted-out Guidance for Mixed Benefit Pension Schemes and Mixed Benefit Overseas Schemes
CA14F	Technical guidance on Contracted-out Decision Making and Appeals
CA15	Cessation of Contracted-out Pension Schemes Manual
CA16	Appropriate Personal Pension Scheme Manual – Procedural Guidance
CA16A	Appropriate Personal Pension Scheme Manual – Technical Guidance for Scheme Manager
CA17	Employee's Guide to Minimum Contributions
CA19	Using the Accrued GMP Liability Service
CA20	Using the Contracted-out Contributions/Earnings Information Service
CA21	Using the National Insurance Number/Date of Birth Checking Service
CA22	Submitting Contracted-out Data Transactions using Magnetic Media
CA39	Contracted-out Contributions for Employers with Contracted-out Salary Related Schemes
CA43	Contracted-out Contributions and Minimum Payments for Employer's with Contracted-out Money Purchase Schemes
CA70	Magnetic Tape Transmission of Data to Appropriate Personal Pension and Contracted-out Occupational Schemes
CA84	Stakeholder Pension Scheme Manual
CWG2	The Employers Further Guide to Pay As You Earn and National Insurance contributions

2 Money Purchase Stakeholder Pension schemes (including overseas schemes) which cease to be contracted-out

Conditions for a scheme ceasing to contract-out

- 2.1 A Contracted-out Money Purchase Stakeholder Pension scheme (COMPSP) can cease to contract-out if the scheme
- is amalgamated with or replaced by another scheme operated by the same employer and the protected rights are transferred
 - is 'winding up'
 - no longer satisfies the contracting-out requirements required by the Commissioners of Inland Revenue.

- 2.2 When the scheme ceases to contract-out you must notify in writing

 Inland Revenue (Savings, Pensions, Share Schemes)
Yorke House
P.O. Box 62
Castle Meadow Road
Nottingham
NG2 1BG

- 2.3 Following cancellation or surrender action Inland Revenue (Savings, Pensions, Share Schemes) will write to the employer and trustee/insurer and confirm the cessation date. The certificate is no longer valid from the end of the day specified in the acceptance of the surrender or the notice of determination to cancel the certificate. If the certificate is the only or the last one valid by reference to the scheme, then this date is the last day on which there can be contracted-out employment by reference to the scheme, and the **liability to pay National Insurance contributions (NICs) at the full not contracted-out rate arises from the following day.**

What happens to protected rights built up in the scheme?

- 2.4 Once a scheme has ceased to be contracted-out, Inland Revenue (Savings, Pensions, Share Schemes) will notify Services to Pensions Industry who will obtain, by searching through their computer records the following information:
- lists of possible current members
 - Contracted-out Deduction (COD) calculations for past early leavers based on contracted-out earnings up to and including 5 April 1997, and/or reinput schedules for those with post-97 protected rights
 - COD calculations for pensioners and widow(er) pensioners based on contracted-out earnings up to and including 5 April 1997 and/or reinput schedules for those with post-97 protected rights.
- 2.5 When a COMPSP scheme ceases to be contracted-out, trustees must make arrangements to secure all contracted-out rights that have accrued in respect of members, or former members of the scheme. These rights will either be
- pre-97 protected rights accrued up to 5 April 1997, **or**

- post-97 protected rights accrued from 6 April 1997, **or**
 - a combination of both pre-97 protected rights and post-97 protected rights, **or**
 - safeguarded rights. See Chapter 5 Pension Sharing on Divorce for further details regarding safeguarded rights.
- 2.6 Inland Revenue (Savings, Pensions, Share Schemes) will issue leaflet SHP426 to the trustees, giving general guidelines on securing the liabilities, and the options that are available.
- 2.7 It is not necessary to secure every member's protected rights by the same method. Trustees must provide members with information about their rights and options and should tell Services to Pensions Industry, once a decision has been taken, what arrangements have been made.

DIS Regs:
Reg 6 (4D)

Time limits

- 2.8 On cessation of contracting-out, schemes have a period of 1 year in which the protected rights of individual members must be discharged to an appropriate home.
- 2.9 The 1 year period will begin when calculations and/or membership lists are issued by the Inland Revenue National Insurance Contributions Office to the life office/administrator. If arrangements cannot be submitted for approval within this time limit, a request for an extension must be made in writing providing full details of the circumstances. An extension to the 1 year time limit can only be granted in very exceptional circumstances.
- 2.10 If rights are not discharged the Inland Revenue National Insurance Contributions Office on behalf of the Commissioners of Inland Revenue, will issue a certificate of non-approval to the trustees, including a written direction to discharge the liabilities to an appropriate home within 6 months, see paragraphs 2.23 to 2.26.

C-out Regs:

C-out Regs:
Reg 46(1) & (3)6

Securing the liabilities

- 2.11 The trustees or insurer of a scheme must notify the Inland Revenue National Insurance Contributions Office within 5 weeks of effect being given to protected rights.
- 2.12 Please advise us as soon as all the contracted-out rights for every member of the scheme have been secured by discharging to an appropriate home by one of the following methods:
- transfer, see paragraphs 2.14 to 2.16, or
 - the purchase of an annuity, see paragraphs 2.17 to 2.19.

C-out Regs:
Reg 45(5)

Ceasing Stakeholder Pension schemes must 'wind-up', therefore preservation of protected rights or provision of a pension within the scheme, is not allowed.

- 2.13 We will then carry out a search of our records as explained in paragraph 2.4. If we are able to confirm that nothing is outstanding, approval will be granted automatically by the issue of a letter by the Inland Revenue National Insurance Contributions Office.

Transfers

2.14 When the rights are transferred, the member is entitled to at least the cash equivalent of accrued rights that have not been surrendered, commuted or forfeited. The cash equivalent will be determined from guidance given in Guidance Note (GN11), issued jointly by the Institute of Actuaries and the Faculty of Actuaries.

2.15 A transfer can be made where the receiving scheme is one of the following:

- a Contracted-out Money Purchase (COMP) scheme. Pre-97 protected rights and/or post-97 protected rights transferred must remain as either pre-97 protected rights or post-97 protected rights respectively
 - including as from 6 April 2002, a section 53 (formerly Contracted-out) Money Purchase scheme
- a Contracted-out Money Purchase Stakeholder (COMPSP) scheme. Pre-97 protected rights and/or post-97 protected rights transferred must remain as either pre-97 protected rights or post-97 protected rights respectively
 - including as from 6 April 2002, a section 53 (formerly Contracted-out) Money Purchase scheme
- a Contracted-out Salary-Related (COSR) scheme. Pre-97 protected rights and/or post-97 protected rights transferred are converted to become either Guaranteed Minimum Pensions (GMPs) or post '97 COSR rights, respectively
 - including as from 6 April 2002, a section 53 (formerly Contracted-out) Salary-related scheme
- an Appropriate Personal Pension (APP) scheme. Pre-97 protected rights and/or post-97 protected rights transferred must remain as either pre-97 protected rights or post-97 protected rights respectively
- an Appropriate Personal Pension Stakeholder Pension (APPSHP) scheme. Pre-97 protected rights and/or post-97 protected rights transferred must remain as either pre-97 protected rights or post-97 protected rights respectively
- an overseas occupational pension scheme or an overseas arrangement not contracted-out as above
- a Contracted-out Mixed Benefit (COMB) scheme. Where the transfer is to either
 - the salary-related part. Pre-97 protected rights and/or post-97 protected rights transferred are converted to become either GMPs or post '97 COSR rights, respectively, or
 - the money purchase part. Pre-97 protected rights and/or post-97 protected rights transferred must remain as either pre-97 protected rights or post-97 protected rights respectively.

PR Transfer Regs:

Reg 3:

Reg 3:

Reg 3:

Reg 5:

Members consent

2.16 Members consent to the transfer of protected rights will normally be required in every case. However, the trustees of the scheme can make a transfer payment to another Stakeholder Pension scheme without the member's consent where

- the member has not responded to the notice of the trustees' proposals to make a transfer payment, or
- the trustees cannot trace the member and he has made no contribution to the scheme in the 2 years before the scheme commenced winding-up.

Stakeholder Regs

Purchase of annuities

- 2.17 An annuity must not commence earlier than the date on which the scheme member reaches age 60, and not later than the date on which he/she reaches age 65 (unless he/she has agreed to a later date, in which case it must have commenced by the date on which the member reaches age 75). A single life annuity can be purchased with both pre and post '97 protected rights where the member is unmarried at the time the annuity is purchased. PSA 1993: S29(3)(a)
- 2.18 Where a member dies before effect has been given to his/her protected rights, an annuity may be purchased for a widow or widower. In these circumstances the annuity should be provided as soon as practicable. PSA Regs: Reg 3
- 2.19 Where we give approval to an annuity arrangement, the life office providing the annuity becomes the Responsible Paying Authority (RPA).

Trustees

- 2.20 From 6 April 1997, where the trustees cannot be contacted or where they are unable or unwilling to act, the Occupational Pensions Regulatory Authority (OPRA) have the power to appoint a suitable person to act to wind the scheme up.

Commutation of trivial benefits

- 2.21 **Commutation is not an option at scheme cessation**, however the member may have commuted their protected rights on the ground of triviality prior to the scheme ceasing. These members will still be shown on our lists. In these cases the reinput schedules should be completed as outlined at paragraphs 2.71 or 2.77.

Restoration of state scheme rights

- 2.22 Schemes may be able to restore members' protected rights to the state scheme in certain circumstances. Where the scheme winds up with insufficient assets to discharge its contracted-out liabilities in full, the deemed buy-back provisions may apply. The scheme must be winding up because of a compensatable event, i.e. fraud, theft or misappropriation of funds. C-out Regs:
Reg 49

Certificate of non-approval of arrangements to secure contracted-out rights and written direction to discharge liabilities

- 2.23 If protected rights are not secured to an appropriate home within the specified period, see paragraph 2.10, Inland Revenue National Insurance Contributions Office on behalf of the Commissioners of Inland Revenue, will issue a certificate of non-approval to the trustees. We will include a written direction that liabilities must be discharged to an appropriate home, see paragraph 2.12, within 6 months of the issue of the certificate of non-approval. If liabilities cannot be discharged within this time limit, a request for an extension must be made in writing providing full details of the circumstances. An extension to the 6 month period can only be granted in very exceptional circumstances.
- 2.24 Where Inland Revenue National Insurance Contributions Office issue a direction to discharge contracted-out liabilities, trustees must **within** the 6 month period allowed for discharge:
- notify all active and deferred members with any entitlement to protected rights under the scheme, of the issue of the certificate of non-approval and the reasons for it, **and**
 - allow a period of 3 months from the date of the notification to give the member time to elect to transfer their rights before they are discharged.

- 2.25 Where trustees have not received any request from the member to transfer their rights, they will be able to transfer the benefits without the individual's consent to another Stakeholder Pension, see paragraph 2.19.
- 2.26 If trustees have been directed by the Commissioners of Inland Revenue to discharge contracted-out liabilities and they fail to comply with the direction, the Commissioners of Inland Revenue may institute civil proceedings.

Initial action by Services to Pensions Industry Scheme Cessation Section to identify scheme members

- 2.27 When the date of cessation of contracting-out following an election to surrender a contracting-out certificate, is confirmed or Inland Revenue (Savings, Pensions, Share Schemes) have cancelled or withdrawn a contracting-out certificate, Services to Pensions Industry will:

Step	Action
1	take action to identify <ul style="list-style-type: none"> • all possible current members • any early leavers from the scheme • pensioners • members who have died and have a qualifying widow or widower
2	send you <ul style="list-style-type: none"> • lists of possible current members or current member calculations (if appropriate) and reinput schedules • calculations for: <ul style="list-style-type: none"> - early leavers - pensioners - widow or widower pensioners if appropriate • reinput schedules for: <ul style="list-style-type: none"> - early leavers - pensioners - widow or widower pensioners

- 2.28 If the period of contracted-out employment is entirely post 5 April 1997 no calculations will be applicable. The individual will be shown on the reinput schedule only.

Calculation service for COMP schemes

- 2.29 To assist you in deciding on the method of discharging the members' protected rights, Services to Pensions Industry will provide COD calculations based on information from the employee's End of Year Summary (EYS) (P14) and/or information provided by the employer on the notice of termination of contracted-out employment.
- 2.30 The calculations will only be issued for those members whose period of contracted-out employment includes protected rights accrued on earnings up to and including the 1996/97 tax year.

Married women and widows paying reduced rate NICs

- 2.31 The Government has repealed the provisions in the Social Security Act 1990 relating to protected rights for married women and widows who retain the right to pay NICs at the reduced rate.
- 2.32 As a result it is not necessary to submit termination notices for members paying reduced rate NICs.
- 2.33 The scheme cessation routines will not identify and list members who have retained the right to pay reduced rate NICs.

How to preserve protected rights - current members

- 2.34 When the scheme ceases to contract-out, Services to Pensions Industry will issue either
- 'Scheme Cessation Enquiry Service' lists which show the scheme's **current members** which may require you to enter additional information, see paragraph 2.39, or
 - the appropriate calculations and reinput schedules for each individual current member if we already have all the earnings/contributions details, see paragraph 2.41. The calculations will only be provided where the members' period of contracted-out employment spans 6 April 1997.
- 2.35 The current member lists give details of all employees recorded as being in contracted-out employment with the employer(s) participating in the scheme. The details include the employee's
- NINO
 - surname and initials
 - date of birth
 - sex
 - tax year of commencement of contracted-out employment.
- 2.36 If the employer has more than one scheme, Services to Pensions Industry cannot identify the particular scheme an individual employee belongs to. This is because the EYSs are recorded under a common ECON. **It is therefore important that we receive the scheme administrator(s) assistance in identifying the members of a scheme that has ceased to contract-out.**
- 2.37 The details shown on the lists are taken from the EYS (P14), sent to the Inland Revenue National Insurance Contributions Office by the employer. **P14s must be completed accurately. Any queries may delay our action.**
- 2.38 Notify Services to Pensions Industry if you
- do not require any calculations
 - disagree with any of the calculations. This notification must be accompanied by details of the:
 - employee(s)' name and NINO
 - earnings/contributions used
 - employee(s)' date of birth.

Completing current members' lists

What to do

2.39 If Services to Pensions Industry issue Scheme Cessation Enquiry Service lists:

Step	Action
1	delete any employee who is not a member of the scheme, for example those who were in contracted-out employment but were members of a different scheme operated by the same employer
2	add any member who has joined the scheme in the last two tax years but is not listed. If there are no new members, write 'No new members' at the end of the list
3	if an employee listed is someone who actually left the scheme before the date of cessation, note the entry accordingly and send any termination notice.

2.40 When you have completed the lists, return them to us, see paragraph 2.79 for the address, with a covering letter quoting the Scheme Contracted-out Number (SCON).

2.41 If Services to Pensions Industry have all the relevant information to enable calculations to be made, where appropriate, the calculations and or/reinput schedules will be supplied as in the following paragraphs.
However, you must confirm that all current members have been identified.

Action when no current members' lists or calculations are supplied by Services to Pensions Industry

2.42 If Services to Pensions Industry do not issue a current members' list or calculations as in paragraph 2.35, this is because the search of our computer records has not identified any member as being in contracted-out employment by reference to the scheme. If this

- is correct we will ask you to confirm that there are no current members
- is not the case, notify us of:
 - the employee(s)' NINO
 - the employee(s)' surname and initials
 - the ECON
 - the tax year of commencement of contracted-out employment.

This information is used by Inland Revenue National Insurance Contributions Office to calculate the protected rights liability, where appropriate. See paragraphs 2.29 to 2.30.

Action when Services to Pensions Industry have obtained all the necessary information

2.43 When Services to Pensions Industry have all the information necessary, they will issue

- COD calculations, if appropriate, for each member identified
- a reinput schedule for you to record the method of preservation. This schedule is headed 'Reinput Schedule Scheme Cessation Current Members' (CA1560).

- 2.44 If the member's period of contracted-out employment commenced 6 April 1997 or later, they will only appear on the reinput schedule.
- 2.45 These schedules are used to notify that protected rights are to be:
- transferred to another contracted-out scheme
 - bought out by the purchase of an annuity.

Completing reinput schedules for current members

- 2.46 When you have decided on the method of preservation, please complete and return the reinput schedule(s). Ensure that an entry is made in the appropriate box for each member listed on the schedule(s).

Transfer to a COMP scheme, a COMPSHP scheme or the COMP part of a COMB scheme

What to do

- 2.47 If a transfer is being made to an employer in the same group of companies and the ECON is unchanged, do not complete the reinput schedules. However, please let Services to Pensions Industry know that this is the chosen method of preservation.
- 2.48 If the method of discharging members' rights is to transfer them to a COMP scheme, a COMPSHP scheme or the COMP part of a COMB scheme:

Step Action

1	enter '3' in column 2
2	enter the ECON of the new contracted-out employment in column 8
3	enter the SCON of the new contracted-out employment in column 9
4	enter the commencement date of the new contracted-out employment in column 11
5	enter the date the transfer takes place in column 13.

Transfer to a APP scheme or a APPSHP scheme

What to do

- 2.49 If the method of discharging members' rights is to transfer them to a APP scheme or an APPSHP scheme:

Step Action

1	enter '4' in column 2
2	enter the Appropriate Scheme Number (ASCN) in column 10
3	enter the date the transfer takes place in column 13.

Transfer to a COSR scheme or the COSR part of a COMB scheme

What to do

- 2.50 If a transfer is being made to an employer in the same group of companies and the ECON is unchanged, do not complete the reinput schedules. However, please let Services to Pensions Industry know that this is the chosen method of preservation.
- 2.51 If the method of discharging members' rights is to transfer them to a COSR scheme or the COSR part of a COMB scheme:

Step	Action
1	enter '5' in column 2
2	enter the ECON of the new contracted-out employment in column 8
3	enter the SCON of the new contracted-out employment in column 9
4	enter the commencement date of the new contracted-out employment in column 11
5	enter the code for the revaluation rate used by the COSR scheme in column 12: <ul style="list-style-type: none">'1' for Section 148 (previously Section 21)'3' for fixed rate This will only be necessary where the period of contracted-out employment spans 6 April 1997, or if the period is wholly pre 6 April, 1997.

Transfer to an overseas occupational pension scheme, or overseas arrangement other than one which is, or was contracted-out

What to do

- 2.52 If an employee's protected rights are transferred to an overseas scheme, or overseas arrangement which is not or has not been contracted-out, delete the member from the reinput schedule and fill in form CA1895. See paragraphs 6.43 to 6.51 of manual CA84 *Stakeholder Pension Scheme Manual*.

Change of RPA to a COMP scheme, a COMPSHP scheme, the COMP part of a COMB scheme or a section 53 (formerly Contracted-out) Money Purchase scheme

What to do

- 2.53 If the method of discharging members rights is a change of RPA to a COMP scheme, a COMPSHP scheme, the COMP part of a COMB scheme or a section 53 (formerly Contracted-out) Money Purchase scheme:

Step	Action
1	enter '7' in column 2
2	enter the SCON of the new contracted-out employment in column 9
3	enter the date the change of RPA takes place in column 13.

Change of RPA to an APP scheme or an APPSHP scheme

What to do

- 2.54 If the method of discharging members' rights is a change of RPA to an APP scheme or an APPSHP scheme:

Step	Action
1	enter '8' in column 2
2	enter the ASCN of the new contracted-out employment in column 10
3	enter the date the change of RPA takes place in column 13.

- 2.55 Do not complete the commencement date with the new scheme or the onward rate of revaluation.

Change of RPA to a COSR scheme, the COSR part of a COMB scheme or a section 53 (formerly Contracted-out) Salary Related scheme

What to do

- 2.56 If the method of discharging members rights is a change of RPA to a COSR scheme, the COSR part of a COMB scheme or a section 53 (formerly Contracted-out) Salary Related scheme:

Step	Action
1	enter '9' in column 2
2	enter the SCON of the new contracted-out employment in column 9
3	enter the code for the revaluation rate used by the COSR scheme in column 12: <ul style="list-style-type: none">• 1 for Section 148 (previously Section 21)• 3 for fixed rate This will only be necessary where the period of contracted-out employment spans 6 April 1997, or if the period is wholly pre 6 April 1997.

Purchase of an annuity

What to do

- 2.57 Protected rights can be used to purchase an annuity for the member at any time between their 60th and 75th birthday. If the protected rights are to be secured by a purchase of an annuity:

Step	Action
1	enter '11' in column 2
2	enter the new SCON in column 9
3	enter the date effect is given to the protected rights, ie the date entitlement to the annuity commences in column 13.

Past early leavers, pensioners and widows or widowers

- 2.58 Services to Pensions Industry provides lists headed 'Scheme Cessation Enquiry Service' and make COD calculations for:
- members who have left the scheme and have protected rights under the SCON
 - members who reached State Pension age (SPA) before the scheme ceased
 - widows or widowers. In the case of a deceased member, the widow or widower may not have been identified. If this is the case, advise Services to Pensions Industry immediately so that the appropriate calculations can be sent.
- 2.59 There may be pensioners on Services to Pensions Industry lists who have earned increments since 6 April 1989 and are not recorded on the schedules. In these cases fill in form CA1594 to obtain revised calculations.
- 2.60 The calculations are based on information from the employee's EYS (P14) and from information provided by the employer on the notice of termination up to and including the 1996/97 tax year.

Completing reinput schedules for past early leavers, pensioners and widows or widowers

- 2.61 When you have decided how to secure the member's protected rights, please fill in and return the completed reinput schedule(s) to us. The appropriate schedules are:

Schedule	Forms
Early leaver	CA1572
Pensioners	CA1574
Widow pensioners	CA1575
Widower Pensioners	CA1576.

- 2.62 Ensure that an entry is made in the appropriate box for each person on the schedule except those deleted from the list.

Purchase of an annuity

What to do

- 2.63 Protected rights can be used to purchase an annuity for the member at any time between their 60th and 75th birthday. If the protected rights are to be secured by a purchase of an annuity:

Step	Action
1	enter '3' in column 2
2	enter the new SCON in column 3
3	enter the date effect is given to protected rights, ie the date entitlement to the annuity commences in column 9.

Transfer to an overseas occupational pension scheme, or overseas arrangement other than one which is, or was contracted-out

What to do

- 2.64 If an employee's protected rights are transferred to an overseas scheme, or overseas arrangement which is not or has not been contracted-out, delete the member from the reinput schedule and complete form CA1895. See paragraphs 6.43 to 6.51 of manual CA84, *Stakeholder Pension Scheme Manual*.

Change of RPA to a COMP scheme, a COMPSHP scheme, the COMP part of a COMB scheme or a section 53 (formerly Contracted-out) Money Purchase scheme

What to do

- 2.65 If the method of discharging members rights is a change of RPA to a COMP scheme, a COMPSHP scheme or the active COMP part of a COMB scheme or a section 53 (formerly Contracted-out) Money Purchase scheme:

Step	Action
1	enter '5' in column 2
2	enter the SCON of the new contracted-out employment in column 3
3	enter the date the change of RPA takes place in column 9.

- 2.66 There is no provision on the reinput schedule to record a transfer to a COMP scheme, a COMPSHP scheme or the COMP part of a COMB scheme. In these cases delete the member from the schedule, fill in form CA1590 or form CA1892 and advise Services to Pensions Industry the date the transfer takes place.

Change of RPA to an APP scheme or an APPSHP scheme

What to do

- 2.67 If the method of discharging members rights is a change of RPA to an APP scheme or an APPSHP scheme:

Step	Action
1	enter '6' in column 2
2	enter the ASCN of the new contracted-out employment in column 3
3	enter the date the change of RPA takes place in column 9.

- 2.68 There is no provision on the reinput schedule to record a transfer to APP scheme, or APPSHP scheme. In these cases delete the member from the schedule, complete form CA1591 or form CA1892 and advise Services to Pensions Industry the date the transfer takes place.

Change of RPA to a COSR scheme, the COSR part of a COMB scheme or a section 53 (formerly Contracted-out) Salary Related scheme

What to do

- 2.69 If the method of discharging members' rights is a change of RPA to a COSR scheme, the COSR part of a COMB scheme or a section 53 (formerly Contracted-out) Salary Related scheme:

Step	Action
1	enter '7' in column 2
2	enter the SCON of the new contracted-out employment in column 3
3	enter the code for the revaluation rate used by the COSR scheme in column 10: <ul style="list-style-type: none">• 1 for section 148 (previously Section 21)• 3 for fixed rate This will only be necessary where the period of contracted-out employment spans 6 April 1997, or if the period is wholly pre 6 April 1997.

- 2.70 There is no provision on the reinput schedule to record a transfer to a COSR scheme or the COSR part of a COMB scheme. In these cases fill in form CA1592 or form CA1892 and delete the member from the schedule.

Commutation on the grounds of triviality

What to do

- 2.71 If any of the members shown on the early leaver or pensioner reinput schedules (where effect has been given to protected rights) have commuted their protected rights prior to the scheme ceasing:

Step	Action
1	enter '9' in column 2
2	enter the date commutation took place in column 9

Widow or widower pensioner

Purchase of an annuity

What to do

- 2.72 If the protected rights are discharged by a purchase of an annuity:

Step	Action
1	enter '3' in column 2
2	enter the new SCON in column 3
3	enter the date effect is given to protected rights, ie the date entitlement to the annuity commences in column 9.

Transfer to an overseas occupational pension scheme, or overseas arrangement other than one which is, or was, contracted-out

What to do

- 2.73 If an employee's protected rights are transferred to an overseas scheme which is not or has not been contracted-out, delete the member from the reinput schedule and fill in form CA1895. See paragraphs 6.43 to 6.51 of manual CA84 *Stakeholder Pension Scheme Manual*.

Change of RPA to a COMP scheme, a COMPSHP scheme, the COMP part of a COMB scheme or a section 53 (formerly Contracted-out) Money Purchase scheme

What to do

- 2.74 If the method of discharging members rights is a change of RPA to a COMP scheme or a section 53 (formerly Contracted-out) Money Purchase scheme:

Step	Action
1	enter '5' in column 2
2	enter the SCON of the new contracted-out employment in column 3
3	enter the date the change of RPA takes place in column 9.

Change of RPA to an APP scheme or an APPSHP scheme

What to do

- 2.75 If the method of discharging members' rights is a change of RPA to an APP scheme or an APPSHP scheme:

Step	Action
1	enter '6' in column 2
2	enter the ASCN of the new contracted-out employment in column 3
3	enter the date the change of RPA takes place in column 9.

Change of RPA to a COSR scheme, the COSR part of a COMB scheme or a section 53 (formerly Contracted-out) Salary Related scheme

What to do

- 2.76 If the method of discharging members' rights is a change of RPA to a COSR scheme, the COSR part of a COMB scheme or a section 53 (formerly Contracted-out) Salary Related scheme:

Step	Action
1	enter '7' in column 2
2	enter the SCON of the new contracted-out employment in column 3
3	enter the code for the revaluation rate used by the COSR scheme in column 10: <ul style="list-style-type: none">'1' for section 148 (previously section 21)'3' for fixed rate This will only be necessary where the period of contracted-out employment spans 6 April 1997, or if the period is wholly pre 6 April 1997.

Commutation on the grounds of triviality

What to do

2.77 If the members rights have been commuted prior to the scheme ceasing:

Step	Action
1	enter '8' in column 2
2	enter the date communication took place in column 9.

Action when a current member only list is received

2.78 If Services to Pensions Industry do not issue early leaver, pensioner or widow or widower pensioner schedules, there are none of these recorded as entitled to protected rights under the scheme. If this is not the case, notify Services to Pensions Industry the employee(s)':

- NINO
- surname and initials
- period of contracted-out employment and ECON
- earnings/contributions up to and including the 1996/97, if appropriate, **and**
 - supply a copy of the original termination notice if available.

Action when the schedules are completed

2.79 When you have completed all the relevant schedules return them to

 Inland Revenue
National Insurance Contributions Office
Services to Pensions Industry
Scheme Cessation Section (appropriate section number)
Benton Park View
Newcastle upon Tyne
NE98 1ZZ

2.80 Approval of the arrangements will be granted automatically by the issue of a letter, providing we can confirm all of the information is correct.

3 Deemed Buyback procedures - Contracted-out Money Purchase Stakeholder Pension (COMPSHP) schemes

Background

- 3.1 In order to provide a safety net for members of a scheme which winds up insolvent, the 1995 Act allows for Deemed Buyback to apply in certain circumstances. Deemed buyback is not an option for members who have safeguarded rights, if safeguarded rights are held they must be secured by some other means.
- 3.2 Deemed buyback will, in effect, restore or partially restore the members state scheme rights to SERPS/State Second Pension.
- 3.3 Where the necessary conditions are satisfied, the option of Deemed Buyback will be one of a number available to the member for securing their protected rights. The final decision on which option for securing their protected rights should be adopted will be taken by the member, not the scheme.

Conditions for Deemed Buyback

- 3.4 The following conditions will need to be satisfied before a scheme member has the option of securing their rights within the state scheme:
 - the scheme must be in wind up, and the employer must be insolvent
 - the employer must be insolvent and unable to provide sufficient additional funds to the scheme
 - the funds available to the scheme in respect of the member must be less than the amount required to restore their state scheme rights for the period of contracted-out employment
 - **the scheme must have lost monies as a result of a compensatable event**
 - the amount available in the scheme in respect of the member must be less than the amount which would have been available had the compensatable event not occurred.

Restoring state scheme rights

- 3.5 The maximum amount which can be used to restore state scheme rights in respect of a COMPSHP scheme is limited to the lower of the following:
 - the amount required to restore state scheme rights to a level which they would have been had the member been contracted-in, ie the Technical Amount (TA)
 - the amount of accrued rights had the compensatable event not occurred, ie the Fully Solvent Transfer Value (FSTV).
- 3.6 Where there is due, or has been, a payment from the compensation fund to the scheme this must be taken into account in determining the amount of accrued rights available from the scheme in respect of the member. See paragraphs 1.19 to 1.22.
- 3.7 In order to determine whether it is appropriate to apply the deeming provisions in respect of a member, three calculations will be carried out:
 - the scheme will calculate the amount of scheme rights available in respect of the member, i.e. the Actual Transfer Value (ATV)

- the scheme will calculate the amount of scheme rights which would have been available had the compensatable event not occurred, i.e. the FSTV
- Services to Pensions Industry calculate the amount required to restore state scheme rights to a level they would have been had the member been contracted-in, i.e. the TA.

Restoring State
Scheme Rights
Regs (Reg 3)

To enable us to calculate the correct TA, schemes should bring to Services to Pensions Industry attention any members whose contracted-out rights are subject to pension sharing on divorce.

- 3.8 Calculations will be calculated based upon an 'effective date.' The calculations provided by Services to Pensions Industry will include a forecast of the weekly SERPS, or State Second Pension amount available to the member at State Pension age (SPA). This information should be made available to the members to assist them in deciding on the option for securing their protected rights.
- 3.9 **Only where the ATV is less than the FSTV and the TA**, will the member be given the option of securing their rights within the state scheme.
- 3.10 Where the FSTV is less than the TA then the amount of SERPS or State Second Pension restored will be proportionately reduced.
- 3.11 All of the ATV amount held for each individual must be paid to the state where deemed buyback is the chosen method of preservation. Any payments must be sent with the completed reinput schedules.
- 3.12 The TA and a forecast of the weekly SERPS, or State Second Pension, amount available to the member at SPA will be recalculated by the Department on return of the completed reinput schedules. A comparison will be made between the ATV, the TA and the FSTV, to ensure that Deemed Buyback is still appropriate.
- 3.13 If, after recalculation, Deemed Buyback is no longer appropriate the scheme will be notified, and asked to advise a different method of preservation for the member(s) concerned. The ATV will be refunded.
- 3.14 If after recalculation the amounts originally notified have changed, but deeming is still appropriate, the scheme will be notified of the revised TA and revised weekly SERPS, or State Second Pension, amount available to the member at SPA.
- 3.15 **Once a member has chosen to have their state scheme rights restored it will not be possible for them to subsequently opt for an alternative method of preservation, except in situations outlined at paragraph 3.13.**
- 3.16 The member should be made aware of this before making their decision on which option should be adopted in order to secure their protected rights.

Restoring State
Scheme Rights
Regs (Reg 1(2))

Initial action by Services to Pensions Industry Scheme Cessation Section to identify scheme members

- 3.17 When we receive confirmation of a scheme ceasing to contract-out and are aware that Deemed Buyback calculations are appropriate Services to Pensions Industry will:

Step	Action
1	take action to identify <ul style="list-style-type: none">• all possible current members• any early leavers from the scheme• pensioners• members who have died and have a qualifying widow or widower.
2	send you <ul style="list-style-type: none">• lists of possible current members or current member calculations (where all earnings information is available from our records) and reinput schedules• calculations for<ul style="list-style-type: none">- early leavers- pensioners- widow or widower pensioners• reinput schedules for<ul style="list-style-type: none">- early leavers- pensioners- widow or widower pensioners.

Calculation service for COMP schemes

- 3.18 This service will provide calculations of

- the TA and
- the Contracted-Out Deduction (COD), where appropriate, and
- a forecast of the weekly SERPS, or State Second Pension, amount available to the member at SPA.

- 3.19 The calculations are based on information from the employee's End of Year Summary (EYS) (P14) and/or information provided by the employer on the current member list.

Note: The total contracted-out earnings factors, not the contracted-out earnings factors, are used in the calculation of the TA.

- 3.20 COD calculations will only be issued for those members whose period of contracted-out employment includes protected rights accrued on earnings up to and including the 1996/97 tax year.

Married women and widows paying reduced rate National Insurance contributions (NICs)

- 3.21 The Government has repealed the provisions in the Social Security Act 1990 relating to protected rights for married women and widows who retain the right to pay NICs at the reduced rate.
- 3.22 It is not necessary to submit termination notices for members paying reduced rate NICs.
- 3.23 The scheme cessation routines will not identify and list members who have retained the right to pay reduced rate NICs.

How to preserve pre and post '97 protected rights -current members

- 3.24 When the scheme ceases to contract-out, Services to Pensions Industry sends either
- 'Scheme Cessation Enquiry Service' lists which show the scheme's current members which may require you to enter additional information, see paragraph 3.30, or
 - the appropriate calculations and reinput schedules for each individual current member if Services to Pensions Industry already have all the earnings/contributions details, see paragraph 3.33.

- 3.25 The current member lists give details of all employees recorded as being in contracted-out employment with the employer(s) participating in the scheme.

The details include the employee's:

- National Insurance number
 - surname and initials
 - date of birth
 - sex
 - **total contracted-out earnings, if recorded, for the**
 - tax year of scheme cessation
 - preceding tax year
 - tax year of commencement of contracted-out employment.
- 3.26 The final and penultimate year **total** contracted-out earnings held for each employee under the Employer's Contracting-out Number (ECON) are shown on each list. However, in some cases the most recent earnings may not yet have been recorded.
- 3.27 If the employer has more than one scheme, Services to Pensions Industry cannot identify the particular scheme an individual employee belongs to, this is because the EYs (P14s) are recorded under a common ECON. **It is therefore important that we receive the scheme administrator(s) assistance in identifying the members of a scheme that has ceased to contract-out.**
- 3.28 The details shown on the lists are taken from the EYS (P14), sent to the Inland Revenue National Insurance Contributions office by the employer. **P14s must be completed accurately. Any queries may delay Services to Pensions Industry action.**
- 3.29 Notify Services to Pensions Industry if you disagree with any of the COD calculations. This notification must be accompanied by details of the
- **employee(s)' name and NINO**
 - contracted-out earnings/contributions used
 - employee(s)' date of birth.

Completing current members' lists

What to do

3.30 If Services to Pensions Industry issue 'Scheme Cessation Enquiry Service' lists:

Step	Action
1	delete any employee who is not a member of the scheme, for example those who were in contracted-out employment but were members of a different scheme operated by the same employer
2	add any member who has joined the scheme in the last two tax years but is not listed. If there are no new members, write ' No new members ' at the end of the list
3	give details of total contracted-out earnings paid in to the tax year in which the scheme ceased and the previous tax year if these are not included
4	if an employee listed is someone who actually left the scheme before the date of cessation, note the entry accordingly and send any applicable termination notice.

3.31 When you have completed the lists, return them to us, see paragraph 3.85 for the address, with a covering letter quoting the Scheme Contracted-out Number (SCON).

Action when no current members' lists or calculations are supplied by Services to Pensions Industry

3.32 If Services to Pensions Industry do not send a current member list or calculations as in paragraph 3.30, this is because the search of Services to Pensions Industry computer records has not identified any member recorded as being in contracted-out employment by reference to the scheme. If this

- is correct, we will ask you to confirm that there are no current members
- is not the case, notify us of
 - **the employee(s) NINO**
 - the employee(s) surname and initials
 - the employee(s) total contracted-out earnings/contributions up to the date of scheme cessation.

This information is used by Services to Pensions Industry to calculate the COD liability where appropriate, the TA and a forecast of the weekly SERPS or State Second Pension amount available to the individual at SPA.

Action when Services to Pensions Industry have obtained all the necessary information

3.33 When Services to Pensions Industry have all the information necessary, we will issue

- COD (where appropriate) and TA calculations for each member identified and a forecast of the weekly SERPS, or State Second Pension, amount available to the member at SPA
- a reinput schedule for you to record the method of preservation. This is headed 'Reinput Schedule Scheme Cessation Current Members' CA1908.

- 3.34 On receipt of these calculations the scheme should compare the TA with their calculations of the FSTV and the ATV.
- 3.35 The reinput schedules are used to notify that pre and/or post '97 protected rights are to be
- discharged by Deemed Buyback
 - transferred/change of Responsible Paying Authority (RPA) to another contracted-out
 - bought out by the purchase of an annuity.
- 3.36 If Deemed Buyback is chosen, the reinput schedule should be completed as in paragraph 3.38. If it is decided that Deemed Buyback is not to apply, see paragraphs 3.39 to 3.49, 3.59 to 3.68, 3.70 to 3.76 and 3.78 to 3.83, as appropriate.

Completing reinput schedules for current members

- 3.37 Please fill in and return the reinput schedule form CA1908. Make sure that an entry is made in the appropriate box for each member listed on the schedule.

Deemed Buyback

What to do

- 3.38 If Deemed Buyback is chosen:

Step	Action
1	enter '1' in column 2
2	enter the ATV in column 15, the amount should be sent with the schedule
3	enter the FSTV in column 16.

Purchase of an annuity

What to do

- 3.39 Protected rights can be used to purchase an annuity for the member at any time between their 60th and 75th birthday. If the protected rights are used to purchase an annuity:

Step	Action
1	enter '2' in column 2
2	enter the new SCON in column 9
3	enter the date effect is given to the protected rights, ie the date entitlement to the annuity commences in column 13.

Transfer to a COMP scheme, a COMSHP scheme or the COMP part of a Contracted-out Mixed Benefit (COMB) scheme

- 3.40 If a transfer is being made to an employer in the same group of companies and the ECON is unchanged, do not complete the reinput schedules. However, please let Services to Pensions Industry know that this is the chosen method of preservation.
- 3.41 If the method of discharging members' rights is to transfer them to a COMP scheme, a COMPSHP scheme or the COMP part of a COMB scheme:

Step	Action
1	enter '3' in column 2
2	enter the ECON of the new contracted-out employment in column 8
3	enter the SCON of the new contracted-out employment in column 9
4	enter the date of commencement with the new scheme in column 11
5	enter the date the transfer takes place in column 13.

Transfer to a Contracted-out Salary Related (COSR) scheme or the active COSR part of a COMB scheme

What to do

- 3.42 If a transfer is being made to an employer in the same group of companies and the ECON is unchanged, do not complete the reinput schedules. However, let Services to Pensions Industry know that this is the chosen method of preservation.
- 3.43 If the method of discharging members' rights is to transfer them to a COSR scheme or the COSR part of a COMB scheme:

Step	Action
1	enter '4' in column 2
2	enter the ECON of the new contracted-out employment in column 8
3	enter the SCON of the new contracted-out employment in column 9
4	enter the date of commencement with the new scheme in column 11
5	<ul style="list-style-type: none">enter the code for the onward rate of revaluation in column 12:'1' for Section 148 (previously Section 21)'3' for fixed rate.

This will only be necessary where the period of contracted-out employment spans 6 April 1997, or if the period is wholly pre 6 April 1997.

Transfer to an APP scheme or an APPSHP scheme

What to do

3.44 If the method of discharging members' rights is to transfer them to an APP/APPSHP scheme:

Step Action

- | | |
|----------|---|
| 1 | enter '5' in column 2 |
| 2 | enter the Appropriate Scheme Number (ASCN) in column 10 |
| 3 | the date the transfer takes place in column 13. |

Change of RPA to a COMP scheme, a COMPSHP scheme or the COMP part of a COMB Scheme

What to do

3.45 If the method of discharging members' rights is a change of RPA to a COMP scheme, a COMPSHP or the COMP part of a COMB scheme:

Step Action

- | | |
|----------|---|
| 1 | enter '6' in column 2 |
| 2 | enter the SCON of the new contracted-out employment in column 9 |
| 3 | enter the date the Change of RPA takes place in column 13. |

Change of RPA to a COSR scheme or the COSR part of a COMB scheme

What to do

3.46 If the method of discharging members' rights is a change of RPA to a COSR scheme or the COSR part of a COMB scheme:

Step Action

- | | |
|----------|---|
| 1 | enter '7' in column 2 |
| 2 | enter the SCON of the new contracted-out employment in column 9 |
| 3 | enter the code for the onward revaluation used by the COSR scheme in column 12: <ul style="list-style-type: none">• '1' for Section 148 (previously Section 21)• '3' for fixed rate. |

This will only be necessary where the period of contracted-out employment spans April 1997, or if the period is wholly pre 6 April 1997.

Change of RPA to an APP scheme or an APPSHP scheme

What to do

- 3.47 If the method of discharging members' rights is a change of RPA to a APP scheme or an APPSHP scheme:

Step	Action
1	enter '8' in column 2
2	enter the ASCN of the new contracted-out employment in column 10
3	enter the date the change of RPA takes place in column 13.

Transfer to an overseas occupational pension scheme or overseas arrangement, other than one which is or was, contracted-out

- 3.48 If an employee's protected rights are transferred to an overseas scheme, or overseas arrangement which is not or has not been contracted-out, delete the member from the reinput schedule and fill in form CA1895. See paragraphs 6.43 to 6.51 of manual CA84 *Stakeholder Pension Scheme Manual*.

Past early leavers, pensioners and widows or widowers

- 3.49 Services to Pensions Industry provide lists headed 'Scheme Cessation Enquiry Service' and make calculations for
- members who have left the scheme and have protected rights preserved under the SCON
 - members who reached SPA before the scheme ceased
 - widow or widower pensioners. In the case of a deceased member, the widow or widower may not have been identified. If this is the case, advise Services to Pensions Industry immediately so that the appropriate calculations can be sent.
- 3.50 There may be pensioners on Services to Pensions Industry lists who have earned increments since 6 April 1989 and are not recorded on the schedules. In these cases fill in form CA1594 to obtain revised calculations.
- 3.51 The calculations are based on information from the employee's EYS (P14).
- 3.52 The calculations will include details of
- the TA, **and**
 - the COD, where appropriate, **and**
 - a forecast of the weekly SERPS or State Second Pension, amount available to the member at SPA.
- 3.53 The COD calculations will only be issued in respect of those members whose period of contracted-out employment includes protected rights accrued on earnings up to and including the 1996/97 tax year.

3.54 If you disagree with any of the COD calculations, please send details of the

- **employee(s) name and NINO**
- contracted-out earnings/contributions you have used
- date(s) of birth of the person(s) concerned.

Completing reinput schedules for past early leavers, pensioners and widows or widowers

3.55 Please complete and return the schedule(s) to Services to Pensions Industry. The appropriate schedules are:

Schedule	Forms
Early leaver	CA1909
Pensioners	CA1910
Widow pensioners	CA1911
Widower pensioners	CA1912.

3.56 Ensure that an entry is made in the appropriate box for each person on the schedule except those deleted from the list.

Early leaver

Deemed Buyback

What to do

3.57 If Deemed Buyback is chosen:

Step	Action
1	enter '1' in column 2
2	enter the ATV in column 12, the amount should be sent with the schedule
3	enter the FSTV in column 13.

Purchase of an annuity

What to do

3.58 Protected rights can be used to purchase an annuity for the member at any time between their 60th and 75th birthday. If the protected rights are used to purchase an annuity:

Step	Action
1	enter '2' in column 2
2	enter the date effect is given to the protected rights, ie the date entitlement to the annuity commences in column 9.

Change of RPA to a COSR scheme or the COSR part of a COMB scheme

What to do

- 3.59 If the method of discharging members' rights is a change of RPA to a COSR scheme or the COSR part of a COMB scheme:

Step	Action
-------------	---------------

1	enter '3' in column 2
----------	-----------------------

2	enter the SCON of the new contracted-out employment in column 3
----------	---

3	enter the code for the onward revaluation used by the COSR scheme in column 10: <ul style="list-style-type: none">• '1' for Section 148 (previously Section 21)• '3' for fixed rate.
----------	---

This will only be necessary where the period of contracted-out employment spans April 1997, or if the period is wholly pre April 1997.

- 3.60 There is no provision on the reinput schedule to record a transfer to a COSR scheme or the COSR part of a COMB scheme. In these cases delete the member from the schedule **and fill in form CA1592 or form CA1892.**

Change of RPA to a COMP scheme, a COMPSHP scheme or the COMP part of a COMB Scheme

What to do

- 3.61 If the method of discharging members' rights is a change of RPA to a COMP scheme, a COMPSHP scheme or the COMP part of a COMB scheme:

Step	Action
-------------	---------------

1	enter '4' in column 2
----------	-----------------------

2	enter the SCON of the new contracted-out employment in column 3
----------	---

3	enter the date the change of RPA takes place in column 9.
----------	---

- 3.62 There is no provision on the reinput schedule to record a transfer to a COMP scheme, a COMPSHP scheme or the COMP part of a COMB scheme. In these cases delete the member from the schedule, **fill in form CA1892 and advise Services to Pensions Industry the date the transfer takes place.**

Change of RPA to an APP scheme or an APPSHP scheme

What to do

- 3.63 If the method of discharging members' rights is a change of RPA to an APP scheme or an APPSHP scheme:

Step	Action
1	enter '5' in column 2
2	enter the ASCN of the new contracted-out employment in column 3
3	enter the date the change of RPA takes place in column 9.

- 3.64 There is no provision on the termination schedule to record a transfer to an APP scheme or an APPSHP scheme. In these cases delete the member from the schedule, **fill in form CA1892 and advise Services to Pensions Industry the date the transfer takes place.**

Commutation on the grounds of triviality

What to do

- 3.65 If any of the members shown on the early leaver reinput schedules (where effect has been given to protected rights) have commuted their protected rights prior to the scheme ceasing:

Step	Action
1	enter '7' in column 2
2	enter the date commutation took place in column 9.

Transfer to an overseas occupational pension scheme or overseas arrangement other than one which is or was contracted-out

- 3.66 If an employee's protected rights are transferred to an overseas scheme or arrangement which is not or has not been contracted-out, delete the member from the reinput schedule and complete form CA1895. See paragraphs 6.43 to 6.51 of the CA84, *Stakeholder Pension Scheme Manual*.

Pensioners

Deemed Buyback

What to do

- 3.67 If deemed buyback is chosen:

Step	Action
1	enter '1' in column 2
2	enter '1' in column 11 if the member was deferring retirement when the scheme ceased
3	enter the ATV in column 13, the amount should be sent with the schedule
4	enter the FSTV in column 14.

Purchase of an annuity

What to do

3.68 If the protected rights are secured by a purchase of an annuity:

Step	Action
1	enter '2' in column 2
2	enter the new SCON in column 3
3	enter the date effect is given to protected rights, ie the date entitlement to the annuity commences in column 9.

Change of RPA to a COSR scheme or the COSR part of a COMB scheme

What to do

3.69 If the method of discharging members' rights is a change of RPA to a COSR scheme or the COSR part of a COMB scheme:

Step	Action
1	enter '3' in column 2
2	enter the SCON of the new contracted-out employment in column 3
3	enter the code for the onward revaluation used by the COSR scheme in column 10: <ul style="list-style-type: none">'1' for Section 148 (previously Section 21)'3' for fixed rate.

This will only be necessary where the period of contracted-out employment spans April 1997, or if the period is wholly pre 6 April 1997.

Change of RPA to a COMP scheme, a COMPSHP scheme or the COMP part of a COMB Scheme

What to do

3.70 If the method of discharging members' rights is a change of RPA to a COMP scheme, a COMPSHP scheme or the COMP part of a COMB scheme:

Step	Action
1	enter '4' in column 2
2	enter the SCON of the new contracted-out employment in column 3
3	enter the date the change of RPA takes place in column 9.

Change of RPA to an APP scheme or an APPSHP scheme

What to do

- 3.71 If the method of discharging members' rights is a change of RPA to an APP scheme or an APPSHP scheme:

Step	Action
1	enter '5' in column 2
2	enter the ASCN of the new contracted-out employment in column 3
3	enter the date the change of RPA takes place in column 9.

Commutation on the grounds of triviality

What to do

- 3.72 If any of the members shown on the pensioner reinput schedules (where effect has been given to protected rights) have commuted their protected rights prior to the scheme ceasing:

Step	Action
1	enter '6' in column 2
2	enter the date commutation took place in column 9.

Transfer to an overseas occupational pension scheme or overseas arrangement other than one which is or was contracted-out

- 3.73 If an employee's protected rights are transferred to an overseas scheme, or overseas arrangement which is not or has not been contracted-out, delete the member from the reinput schedule and fill in form CA1895. See paragraphs 6.43 to 6.51 of manual CA84 *Stakeholder Pension Scheme Manual*.

Widow or widower pensioner

Deemed Buyback

What to do

- 3.74 If deemed buyback is chosen:

Step	Action
1	enter '1' in column 2
2	enter the widows or widowers date of birth in column 12
3	enter '1' in column 11 if the member was deferring retirement when the scheme ceased
4	enter the ATV in column 14, the amount should be sent with the schedule
5	enter the FSTV in column 15.

Purchase of an annuity

What to do

3.75 If the protected rights are secured by a purchase of an annuity:

Step	Action
1	enter '2' in column 2
2	enter the new SCON in column 3
3	enter the date effect is given to protected rights, ie the date entitlement to the annuity commences in column 9.

Change of RPA to a COSR scheme or the COSR part of a COMB scheme

What to do

3.76 If the method of discharging members' rights is a change of RPA to a COSR scheme or the COSR part of a COMB scheme:

Step	Action
1	enter '3' in column 2
2	enter the SCON of the new contracted-out employment in column 3
3	enter the code for the onward revaluation used by the COSR scheme in column 10: <ul style="list-style-type: none">• '1' for Section 148 (previously Section 21)• '3' for fixed rate.

This will only be necessary where the period of contracted-out employment spans April 1997 or if the period is wholly pre 6 April 1997.

Change of RPA to a COMP scheme, a COMPSHP scheme or the COMP part of a COMB scheme

What to do

3.77 If the method of discharging members' rights is a change of RPA to a COMP scheme, a COMPSHP scheme or the COMP part of a COMB scheme:

Step	Action
1	enter '4' in column 2
2	enter the SCON of the new contracted-out employment in column 3
3	enter the date the change of RPA takes place in column 9.

Change of RPA to an APP scheme or an APPSHP scheme

What to do

- 3.78 If the method of discharging members' rights is a change of RPA to an APP scheme or an APPSHP scheme:

Step	Action
1	enter '5' in column 2
2	enter the ASCN of the new contracted-out employment in column 3
3	enter the date the change of RPA takes place in column 9.

Commutation on the grounds of triviality

What to do

- 3.79 If any of the members shown on the widow or widower pensioner schedules (where effect has been given to protected rights) have commuted their protected rights prior to the scheme ceasing:

Step	Action
1	enter '6' in column 2
2	enter the date commutation took place in column 13.

Transfer to an overseas occupational pension scheme, or overseas arrangement other than one which is or was contracted-out

- 3.80 If an employee's protected rights are transferred to an overseas scheme, or overseas arrangement which is not or has not been contracted-out, delete the member from the reinput schedule and fill in form CA1895. See paragraphs 6.43 to 6.51 of manual CA84 *Stakeholder Pension Scheme Manual*.

Action when a 'current member only' list is received

- 3.81 If Services to Pensions Industry do not issue early leaver, pensioner or widow or widower pensioner schedules, there are none of these recorded as entitled to protected rights under the scheme. If this is not the case, notify Services to Pensions Industry of the employee(s)

- **NINO**
- surname and initials
- period of contracted-out employment and ECON
- **total** contracted-out earnings/contributions up to the date of scheme cessation, **and**
- supply a copy of the original termination notice if appropriate.

Action when the schedules are completed

3.82 When you have completed all the relevant schedules please return them to



Inland Revenue
National Insurance Contributions Office
Services to Pensions Industry
Scheme Cessation Section (appropriate section number)
Benton Park View
Newcastle upon Tyne
NE98 1ZZ

3.83 Approval of the arrangements will be granted automatically by the issue of a letter providing we can confirm all of the information is correct.

4 Appropriate Personal Pension Stakeholder Schemes (including overseas schemes) which are no longer appropriate


Conditions for an APPSHP scheme ceasing to be appropriate

4.1 An Appropriate Personal Pension Stakeholder Pension (APPSHP) scheme can cease to be appropriate if the scheme:

- surrenders the Appropriate scheme certificate
- no longer satisfies the contracting-out requirements of the Commissioners of Inland Revenue.

Ceasing Stakeholder Pension schemes must 'wind-up' once they cease to be contracted-out.

4.2 When the scheme ceases to be appropriate you must notify in writing

 Inland Revenue (Savings, Pensions, Share Schemes)
Yorke House
P.O. Box 62
Castle Meadow Road
Nottingham
NG2 1BG

4.3 Following cancellation or surrender action Inland Revenue (Savings, Pensions, Share Schemes) will write to the provider and confirm the cessation date.

What happens to protected rights built up in the scheme?

4.4 When an APPSHP ceases to be appropriate, the provider must make arrangements to secure all rights that have accrued in respect of members or former members of the scheme. These rights will either be

- Pre-97 protected rights accrued up to 5 April 1997, **or**
- Post-97 protected rights accrued from 6 April 1997, **or**
- A combination of both pre-97 protected rights and post-97 protected rights, **or**
- Safeguarded rights. See Chapter 5 Pension Sharing on Divorce for further details about safeguarded rights.

4.5 Once an Appropriate Personal Pension Stakeholder Pension scheme ceases to be Appropriate, Inland Revenue (Savings, Pensions, Share Schemes) will notify Services to Pensions Industry, who after searching through their computer records will send the scheme

- Contracted-out Deduction (COD) calculations for any current members, early leavers, pensioners or widow(er) pensioners who have pre 1997 protected rights, **and**
- Re-input schedules for all current members, early leavers, pensioners or widow(er) pensioners with pre and/or post 1997 protected rights.

4.6 Services to Pensions Industry will also send form CA1721 to each scheme member explaining that the scheme is no longer Appropriate and outlining the options available to them to secure their protected rights.

4.7 It is not necessary to secure every member's protected rights by the same method. Trustees must provide members with information about their rights and options. When members have decided how to secure their protected rights, you should tell Services to Pensions Industry what arrangements have been made.

Time Limits

- 4.8 On cessation of contracting-out, schemes have a period of 1 year in which the protected rights of individual members must be discharged to an appropriate home. The 1 year period will begin when calculations, and/or membership lists are issued by the Inland Revenue National Insurance Contributions Office to the life office/administrator. If arrangements cannot be submitted for approval within this time limit, a request for an extension must be made in writing providing full details of the circumstances. An extension to the 1 year time limit can only be granted in very exceptional circumstances.
- 4.9 If rights are not discharged, the Inland Revenue National Insurance Contributions Office on behalf of the Commissioners of Inland Revenue, will issue a certificate of non-approval to the trustees, including a written direction to discharge the liabilities to an appropriate home within 6 months, see paragraphs 4.21 to 4.24.

Securing the liabilities

- 4.10 The trustees or insurer of a scheme must notify Services to Pensions Industry within 5 weeks of effect being given to protected rights.

Please advise us as soon as all the protected rights for every member of the scheme have been secured by discharging to an appropriate home by one of the following methods:

- transfer to another contracted-out scheme, see paragraphs 4.12 to 4.14, **or**
- the purchase of an annuity, see paragraphs 4.15 to 4.17.

Ceasing Stakeholder Pension schemes must 'wind-up', therefore preservation of protected rights or provision within the scheme, is not allowed.

- 4.11 We will then carry out a further search of our records as explained in paragraph 4.5. If we are able to confirm that nothing is outstanding, approval of the arrangements will be granted automatically by the issue of a letter.

Transfers

- 4.12 When the rights are transferred, the member is entitled to at least the cash equivalent of accrued rights that not been surrendered, commuted or forfeited. The cash equivalent will be determined from guidance given in Guidance Note (GN11), issued jointly by the Institute of Actuaries and the Faculty of Actuaries.
- 4.13 A transfer can be made where the receiving scheme is one of the following:
- an Appropriate Personal Pension (APP) scheme. Pre-97 protected rights and/or post-97 protected rights transferred must remain as either pre-97 protected rights or post-97 protected rights respectively
 - an Appropriate Personal Pension Stakeholder Pension (APPSHP) scheme. Pre-97 protected rights and/or post-97 protected rights transferred must remain as either pre-97 protected rights or post-97 protected rights respectively
 - a Contracted-out Money Purchase (COMP) scheme, including the COMP part of a Contracted-out Mixed Benefit (COMB) scheme. Pre-97 protected rights and/or post-97 protected rights transferred must remain as either pre-97 protected rights or post-97 protected rights respectively
 - a Contracted-out Money Purchase Stakeholder Pension (COMPSHP) scheme. Pre-97 protected rights and/or post-97 protected rights transferred must remain as either pre-97 protected rights or post-97 protected rights respectively

- a Contracted-out Salary Related (COSR) scheme, including the COSR part of a Contracted-out Mixed Benefit (COMB) scheme. Pre-97 protected rights transferred are converted to become Guaranteed Minimum Pensions (GMPs). Post-97 protected rights transferred are converted to post-97 COSR rights
- an overseas occupational pension scheme or an overseas arrangement not contracted-out as above.

Members consent

- 4.14 Members consent to the transfer of protected rights will normally be required in every case. However, the trustees of the scheme can make a transfer payment to another Stakeholder Pension scheme without the members consent where
- the member has not responded to the notice of the trustee's proposals to make a transfer payment, or
 - the trustees cannot trace the member and he has made no contribution to the scheme in the 2 years before the scheme commenced winding-up.

Purchase of annuities

- 4.15 An annuity must not commence earlier than the date on which the scheme member reaches age 60, and not later than the date on which he or she reaches age 75. A single life annuity can be purchased with both pre and post-97 protected rights where the member is unmarried at the time the annuity is purchased.
- 4.16 Where a member dies before effect is given to his or her protected rights, an annuity may be purchased for their widow or widower. In these circumstances the annuity should be provided as soon as practicable.
- 4.17 Where we give approval to an annuity arrangement, the life office providing the annuity becomes the Responsible Paying Authority (RPA).

Income withdrawal

- 4.18 Income withdrawal allows a member to draw an income from the protected rights before using them to buy or provide a pension. Income withdrawal must not commence earlier than the date on which the scheme member reaches age 60, and not later than the date on which he or she reaches age 75.
- 4.19 Where a member dies before effect is given to his or her protected rights, their widow or widower can give effect to the protected rights by income withdrawal.
- 4.20 Income withdrawal from the scheme is only available if the scheme has not commenced winding up.

Certificate of non-approval of arrangements to secure contracted-out rights and written direction to discharge liabilities

- 4.21 If protected rights are not secured to an appropriate home within the specified period, see paragraph 4.8, Inland Revenue National Insurance Contributions Office on behalf of the Commissioners of Inland Revenue, will issue a certificate of non-approval to the trustees. We will include a written direction that liabilities must be discharged to an appropriate home, see paragraph 4.10, within 6 months of the issue of the certificate of non-approval. If liabilities cannot be discharged within this time limit, a request for an extension must be made in writing providing full details of the circumstances. An extension to the 6 month period can only be granted in very exceptional circumstances.

- 4.22 Where Inland Revenue National Insurance Contributions Office issue a direction to discharge contracted-out liabilities, trustees must within the 6 month period allowed for discharge:
- notify all active and deferred members with any entitlement to protected rights under the scheme, of the issue of the certificate of non-approval and the reasons for it, and
 - allow a period of 3 months from the date of the notification to give the member time to elect to transfer their rights before they are discharged.
- 4.23 Where trustees have not received any request from the member to transfer their rights, they will be able to transfer the benefits without the individual's consent to another Stakeholder Pension, see paragraph 4.14.
- 4.24 If trustees have been directed by the Commissioners of Inland Revenue to discharge contracted-out liabilities and they fail to comply with the direction, the Commissioners of Inland Revenue may institute civil proceedings.

Initial action by Services to Pensions Industry to identify scheme members

- 4.25 When we confirm the date of cessation of contracting-out following an election to surrender a contracting-out certificate, or Inland Revenue (Savings, Pensions, Share Schemes) have cancelled or withdrawn a contracting-out certificate, Services to Pensions Industry will:

Step	Action
1	take action to identify <ul style="list-style-type: none"> • current members • early leavers from the scheme • pensioners • members who have died and have a widow or widower
2	send you <ul style="list-style-type: none"> • calculations for: <ul style="list-style-type: none"> - current members - early leavers - pensioners - widow or widower pensioners if appropriate • reinput schedules for: <ul style="list-style-type: none"> - current members - early leavers - pensioners - widow or widower pensioners
3	issued a letter to each member of the scheme informing them that the scheme is no longer appropriate.

- 4.26 If the period of scheme membership is entirely post 5 April 1997 no calculation will be applicable. The individual will be shown on the re-input schedule only.

Calculation service for APPSHP schemes

- 4.27 To assist you in deciding on the method of securing the member's protected rights, Services to Pensions Industry will provide COD calculations based on information from the member's End of Year Summary (EYS) (P14) for tax years up to and including the 1996/97 tax year.
- 4.28 The earnings recorded on the EYS are deducted at the non contracted-out rate (A rate). The earnings figure used to calculate the COD is the "A" rate earnings minus the Lower Earnings Limit (LEL).

- 4.29 The calculations will only be issued for those members whose period of contracted-out employment includes protected rights accrued on earnings up to and including the 1996/97 tax year.
- 4.30 When the scheme ceases to be Appropriate, Services to Pension Industry will issue COD calculations for members who have pre-97 protected rights.
- 4.31 Please notify Services to Pensions Industry if you:
- do not require any calculations, **or**
 - disagree with any of the calculations. You should provide details of the:
 - scheme member's name and NINO
 - earnings used in your calculation
 - scheme member's date of birth.

Completing re-input schedules for current members

- 4.32 Services to Pensions Industry will issue you with re-input schedules for all current members of the scheme. The re-input schedule is for you to record the method of preservation (paragraphs 4.12 to 4.20).

This schedule is headed "Scheme Cessation – Current Member Reinput Schedule" CA1801.

- 4.33 When you have decided on the method of preservation, please fill in and return the reinput schedule(s). Ensure that an entry is made in the appropriate box for each member listed on the schedule(s).

Transfer to a APP scheme or an APPSHP scheme

What to do

- 4.34 If the method of discharging members' rights is to transfer them to a APP scheme or an APPSHP scheme:

Step	Action
1	enter '3' in column 2
2	enter the Appropriate Scheme Number (ASCN) in column 9
3	enter the date the transfer takes place in column 10.

Transfer to a COMP scheme, a COMPSHP scheme or the COMP part of a COMB Scheme

What to do

- 4.35 If the method of discharging members' rights is to transfer them to a COMP scheme, a COMPSHP scheme or the COMP part of a COMB scheme:

Step	Action
1	enter '4' in column 2
2	enter the ECON of the new contracted-out employment in column 7
3	enter the SCON of the new contracted-out employment in column 8
4	enter the date the transfer takes place in column 10.

Transfer to a COSR scheme or the COSR part of a COMB scheme

What to do

- 4.36 If the method of discharging members' rights is to transfer them to a COSR scheme or the COSR part of a COMB scheme:

Step	Action
1	enter '5' in column 2
2	enter the ECON of the new contracted-out employment in column 7
3	enter the SCON of the new contracted-out employment in column 8
4	enter the date of transfer in column 10
5	enter the code for the revaluation rate used by the COSR scheme in column 11: <ul style="list-style-type: none">'1' for Section 148 (previously Section 21)'3' for fixed rate This will only be necessary where the period of contracted-out employment spans April 1997, or if the period is wholly pre 6 April 1997.

Transfer to an overseas occupational pension scheme, or an overseas arrangement other than one which is or was contracted-out

What to do

- 4.37 If an employee's protected rights are transferred to an overseas scheme, or overseas arrangement which is not or has not been contracted-out, delete the member from the reinput schedule and fill in form CA1895. See paragraphs 15.22 to 15.25 of manual CA84 *Stakeholder Pension Scheme Manual*.

Purchase of an annuity

What to do

- 4.38 Protected rights can be used to purchase an annuity for the member at any time between their 60th and 75th birthday. If the protected rights are to be secured by a purchase of an annuity:

Step	Action
1	enter '6' in column 2
2	enter the new SCON in column 8
3	enter the date effect is given to the protected rights, ie the date entitlement to the annuity commences in column 12.

Change of RPA to a COMP scheme, a COMPSHP scheme or the COMP part of a COMB scheme

What to do

- 4.39 If the method of discharging members' rights is a change of RPA to a COMP scheme, a COMPSHP scheme or the COMP part of a COMB scheme:

Step	Action
1	enter '7' in column 2
2	enter the SCON of the new contracted-out employment in column 8
3	enter the date the change of RPA takes place in column 10.

- 4.40 Do not complete the commencement date with the new scheme or the onward rate of revaluation.

Change of RPA to a COSR scheme or the COSR part of a COMB scheme

What to do

- 4.41 If the method of discharging members' rights is a change of RPA to a COSR scheme or the COSR part of a COMB scheme:

Step	Action
1	enter '8' in column 2
2	enter the SCON of the new contracted-out employment in column 8
3	enter the code for the revaluation rate used by the COSR scheme in column 11: <ul style="list-style-type: none">'1' for Section 148 (previously Section 21)'3' for fixed rate This will only be necessary where the period of contracted-out employment spans April 1997, or if the period is wholly pre 6 April 1997.

Change of RPA to an APP or APPSHP scheme

What to do

- 4.42 If the method of discharging member's rights is a change of RPA to an APP scheme, follow the instructions provided in paragraph 4.34.

Completing reinput schedules for post early leavers, pensioners and widows or widowers

- 4.43 Services to Pensions Industry will issue you with reinput schedules for
- members who have left the scheme and have protected rights under the ASCN
 - members who reached State Pension age (SPA) before the scheme ceased
 - widows or widowers. In the case of a deceased member, the widow or widower may not have been identified. If this is the case, advise Services to Pensions Industry of the widows or widower details.
- 4.44 When you have decided how to secure the member's protected rights, please fill in and return the completed reinput schedule(s) to us. The appropriate schedules are:

Schedule	Forms
Early leaver	CA1802
Pensioners	CA1803
Widow pensioners	CA1805
Widower Pensioners	CA1808

- 4.45 Ensure that an entry is made in the appropriate box for each person on the schedule except those deleted from the list.

Completion of Form CA1802

Early leaver

Transfer to a APP scheme or an APPSHP scheme

What to do

- 4.46 If the method of discharging members' rights is to transfer them to a APP scheme or an APPSHP scheme:

Step	Action
1	enter '3' in column 2
2	enter the Appropriate Scheme Number (ASCN) in column 10
3	enter the date the transfer takes place in column 11.

Transfer to a COMP scheme, a COMPSHP scheme or the COMP part of a COMB scheme

What to do

- 4.47 If the method of discharging members' rights is to transfer them to a COMP scheme, a COMPSHP scheme or the COMP part of a COMB scheme:

Step Action

- | | |
|---|---|
| 1 | enter '4' in column 2 |
| 2 | enter the ECON of the new contracted-out employment in column 8 |
| 3 | enter the SCON of the new contracted-out employment in column 9 |
| 4 | enter the date the transfer takes place in column 11. |

Transfer to a COSR scheme or the COSR part of a COMB scheme

What to do

- 4.48 If the method of discharging members' rights is to transfer them to a COSR scheme or the COSR part of a COMB scheme:

Step Action

- | | |
|---|---|
| 1 | enter '5' in column 2 |
| 2 | enter the ECON of the new contracted-out employment in column 8 |
| 3 | enter the SCON of the new contracted-out employment in column 9 |
| 4 | enter the date of transfer in column 11 |
| 5 | enter the code for the revaluation rate used by the COSR scheme in column 12: <ul style="list-style-type: none">• '1' for Section 148 (previously Section 21)• '3' for fixed rate This will only be necessary where the period of contracted-out employment spans April 1997, or if the period is wholly pre 6 April 1997. |

Transfer to an overseas occupational pension scheme, or an overseas arrangement other than one which is or was contracted-out

What to do

- 4.49 If an employee's protected rights are transferred to an overseas scheme, or an overseas arrangement which is not or has not been contracted-out, delete the member from the reinput schedule and fill in form CA1881. See paragraphs 15.22 to 15.25 of manual CA84 *Stakeholder Pension Scheme Manual*.

Purchase of an annuity

What to do

- 4.50 Protected rights can be used to purchase an annuity for the member at any time between their 60th and 75th birthday. If the protected rights are to be secured by a purchase of an annuity:

Step	Action
1	enter '6' in column 2
2	enter the new SCON in column 10
3	enter the date effect is given to the protected rights, ie the date entitlement to the annuity commences in column 14.

Change of RPA to a COMP scheme, a COMPSHP scheme or the COMP part of a COMB scheme

What to do

- 4.51 If the method of discharging members' rights is a change of RPA to a COMP scheme, a COMPSHP scheme or the COMP part of a COMB scheme:

Step	Action
1	enter '8' in column 2
2	enter the SCON of the new contracted-out employment in column 3
3	enter the date the change of RPA takes place in column 11.

Do not complete the commencement date with the new scheme or the onward rate of revaluation.

Change of RPA to a COSR scheme or the active COSR part of a COMB scheme

What to do

- 4.52 If the method of discharging members' rights is a change of RPA to a COSR scheme or the COSR part of a COMB scheme:

Step	Action
1	enter '9' in column 2
2	enter the SCON of the new contracted-out employment in column 3
3	enter the date of transfer in column 11
4	enter the code for the revaluation rate used by the COSR scheme in column 12: <ul style="list-style-type: none">'1' for Section 148 (previously Section 21)'3' for fixed rate This will only be necessary where the period of contracted-out employment spans April 1997, or the period is wholly pre 6 April 1997.

Change of RPA to an APP or APPSHP scheme

What to do

- 4.53 If the method of discharging member's rights is a change of RPA to an APP scheme, follow the instructions provided in paragraph 4.46.

Completion of Form CA1803

Pensioner

Purchase of an annuity

What to do

- 4.54 Protected rights can be used to purchase an annuity for the member at any time between their 60th and 75th birthday. If the protected rights are to be secured by a purchase of an annuity:

Step	Action
1	enter '3' in column 2
2	enter the new SCON in column 3
3	enter the date effect is given to the protected rights, ie the date entitlement to the annuity commences in column 10.

Change of RPA to a APP scheme, or a APPSHP scheme

What to do

- 4.55 If the method of discharging members' rights is a change of RPA to a APP scheme or a APPSHP scheme:

Step	Action
1	enter '5' in column 2
2	enter the ASCN of the new contracted-out employment in column 3.

Do not complete the commencement date with the new scheme or the onward rate of revaluation.

Change of RPA to a COMP scheme, a COMPSHP scheme or the COMP part of a COMB scheme

What to do

- 4.56 If the method of discharging members' rights is a change of RPA to a COMP scheme , a COMPSHP scheme or the COMP part of a COMB scheme:

Step	Action
1	enter '6' in column 2
2	enter the SCON of the new contracted-out employment in column 3.

Change of RPA to a COSR scheme or the COSR part of a COMB scheme

What to do

- 4.57 If the method of discharging members' rights is a change of RPA to a COSR scheme or the COSR part of a COMB scheme:

Step	Action
1	enter '7' in column 2
2	enter the SCON of the new contracted-out employment in column 3
3	enter the code for the revaluation rate used by the COSR scheme in column 9: <ul style="list-style-type: none">• '1' for Section 148 (previously Section 21)• '3' for fixed rate This will only be necessary where the period of contracted-out employment spans April 1997, or if the period is wholly pre 6 April 1997.

Completion of forms CA1805 and CA1808

Widow or Widower Pensioner

Purchase of an annuity

What to do

- 4.58 Protected rights can be used to purchase an annuity for the member at any time between their 60th and 75th birthday. If the protected rights are to be secured by a purchase of an annuity:

Step	Action
1	enter '3' in column 2
2	enter the new SCON in column 3
3	enter the date effect is given to protected rights, ie the date entitlement to the annuity commences in column 11.

Transfer to an overseas occupational pension scheme, or an overseas arrangement other than one which is or was contracted-out

What to do

- 4.59 If an employee's protected rights are transferred to an overseas scheme, or an overseas arrangement which is not or has not been contracted-out, delete the member from the reinput schedule and fill in form CA1881. See paragraphs 15.22 to 15.25 of manual CA84 *Stakeholder Pension Scheme Manual*.

Change of RPA to an APP Scheme or an APPSHP scheme

What to do

- 4.60 If the method of discharging members' rights is a change of RPA to an APP scheme or an APPSHP scheme:

Step	Action
-------------	---------------

1	enter '5' in column 2
----------	-----------------------

2	enter the ASCN of the new contracted-out employment in column 3.
----------	--

- 4.61 There is no provision on the reinput schedule to record a transfer to APP scheme, or APPSHP scheme. In these cases delete the member from the schedule, fill in form CA1544 and advise Services to Pensions Industry the date the transfer takes place.

Change of RPA to a COMP scheme, a COMPSHP scheme or the COMP part of a COMB scheme

What to do

- 4.62 If the method of discharging members' rights is a change of RPA to a COMP scheme, a COMPSHP scheme or the COMP part of a COMB scheme:

Step	Action
-------------	---------------

1	enter '6' in column 2
----------	-----------------------

2	enter the SCON of the new contracted-out employment in column 3.
----------	--

- 4.63 There is no provision on the reinput schedule to record a transfer to a COMP scheme, a COMPSHP scheme or the COMP part of a COMB scheme. In these cases delete the member from the schedule, fill in form CA1545 and advise Services to Pensions Industry the date the transfer takes place.

Change of RPA to a COSR scheme or the COSR part of a COMB scheme

What to do

- 4.64 If the method of discharging members' rights is a change of RPA to a COSR scheme or the COSR part of a COMB scheme:

Step	Action
-------------	---------------

1	enter '7' in column 2
----------	-----------------------

2	enter the SCON of the new contracted-out employment in column 3
----------	---

3	enter the code for the revaluation rate used by the COSR scheme in column 9: <ul style="list-style-type: none">• '1' for Section 148 (previously Section 21)• '3' for fixed rate This will only be necessary where the period of contracted-out employment spans April 1997, or the period is wholly pre 6 April 1997.
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- 4.65 There is no provision on the reinput schedule to record a transfer to a COSR scheme or the COSR part of a COMB scheme. In these cases fill in form CA1548 and delete the member from the schedule.

Commutation on the grounds of triviality

What to do

- 4.66 If any of the members shown on the early leaver or pensioner reinput schedules (where effect has been given to protected rights) have commuted their protected rights prior to the scheme ceasing:

Step	Action
1	enter '12' in column 2
2	enter the date commutation took place in column 11.

Action when a current member only list is received

- 4.67 If Services to Pensions Industry do not issue early leaver, pensioner or widow or widower pensioner schedules, there are none of these recorded as entitled to protected rights under the scheme. If this is not the case, notify Services to Pensions Industry the scheme member(s)

- NINO
- surname and initials
- period of contracted-out employment and ECON
- earnings/contributions up to and including the 1996/97, if appropriate, **and**
- supply a copy of the original termination notice if available.

Action when the schedules are completed

- 4.68 When you have completed all the relevant schedules return them to

 Inland Revenue
National Insurance Contributions Office
Services to Pensions Industry
Scheme Cessation Section (appropriate section number)
Benton Park View
Newcastle upon Tyne
NE98 1ZZ

- 4.69 Approval of the arrangements will be granted automatically by the issue of a letter, providing we can confirm all of the information is correct.

Pension Sharing on Divorce

Background

- 5.1 Pension scheme rights can be an important part of the assets which need to be considered when a marriage ends. From 1 December 2000 legislation came into force which allows divorcing couples the option to share their pension assets as part of their overall divorce settlement. Apart from the basic State Pension and survivor's pensions, which is not shareable, it is possible to share most types of occupational and personal pensions including that available through the State Earnings Related Pension Scheme (SERPS) or State Second pension.
- 5.2 Pension sharing is available alongside existing methods of dealing with pension rights on divorce; offsetting and earmarking. The new measure helps to provide the courts with a comprehensive range of options with dealing with pensions at the time of divorce.

Pension sharing

- provides greater flexibility and choice for divorcing couples and the courts
 - allows pension rights to be treated in a way which provides for the fairest overall settlement of assets in each divorce case, and
 - increases the opportunity for divorcing couples to achieve complete financial independence through a "clean break" settlement.
- 5.3 Pension Sharing on Divorce was introduced as part of the Welfare Reform and Pensions Act 1999. Pension sharing is available in all divorce and nullity proceedings which begin on or after 1 December 2000. After this date it is possible for a court to issue a pension sharing order or agreement to the pension scheme provider.
 - 5.4 Once a couple decide to go ahead with divorce proceedings a court can order that pension sharing is to apply. The court (or for divorces obtained in Scotland, the party who will benefit from the pension sharing) will issue copies of the pension sharing order or agreement to the pension scheme provider.

Safeguarded Rights

- 5.5 Rights of a scheme member derived from the membership of a contracted-out occupational or personal pension scheme which are transferred to the former spouse on divorce are known as "safeguarded rights" and therefore will be distinguished from the contracted-out rights built up by a member of a contracted-out occupational or personal pension scheme.
- 5.6 Scheme rules can specify whether all of the accrued rights that are subject to a pension share become safeguarded rights, therefore safeguarded rights may include some non contracted-out rights. In addition, the safeguarded rights might include safeguarded rights from a previous divorce.
- 5.7 The requirements for safeguarded rights broadly reflect those for contracted-out rights. In particular the government wish to ensure that safeguarded rights (which are wholly or in part financed by rebates of National Insurance contributions) are securely protected and used for the purpose for which they are intended-to provide an income in retirement.
- 5.8 Safeguarded rights will not be tracked or monitored by the department. It is important, therefore, that schemes maintain accurate records when a former spouse's rights are preserved in the scheme, transferred or bought out through an insurance policy. Schemes should also keep details of the pension share order, as they will need to record the percentage of the share of the member's pension account.

- 5.9 The "safeguarded" rights will be ringfenced and will be subject to the same conditions that apply to post-1997 salary related contracted-out rights or protected rights. But note that schemes will not be required to provide survivors' benefits from the safeguarded rights nor will we track or monitor them.
- 5.10 A pension or annuity in respect of safeguarded rights is normally required to start being paid between the ages of 60 and 65, unless early payment is appropriate, for example, because of ill health, or the former spouse has agreed to payment on a date later than their 65th birthday up to age 75.
- 5.11 Schemes that opt to hold safeguarded rights after having elected to contract-out will not be required to advise Services to Pension Industry that they intend to start holding safeguarded rights. If required, schemes will need to confirm that they meet the safeguarded rights requirements.

Calculation Service

- 5.12 Occupational pension and APPSHP schemes are required to provide a valuation of accrued pension rights to enable the courts to decide on the fairest overall settlement of assets.
- 5.13 To assist schemes with this process, the calculation services currently available can be used to request a COD/GMP calculation at any time during the pension sharing on divorce procedures.
- 5.14 As with the existing Individual COD/GMP Calculation Service, calculations for pension sharing cases will be provided free of charge.

Pension Sharing on Divorce Notification

- 5.15 Where pension rights have been shared, the courts, (or in Scotland, the party who will benefit from the pension sharing) will formally notify the scheme which will in turn be required to notify Services to Pension Industry Schemes will have 4 months to implement the pension share order.
- 5.16 A new form "Pension Sharing on Divorce Notification" CA2202 has been introduced for completion by scheme administrators to notify Services to Pension Industry of the pension share. This should be submitted following the implementation of the pension sharing order, but no later than six months following the date of termination of contracted-out employment.
- 5.17 In respect of couples obtaining a divorce in Scotland, a monetary value or percentage rate will be awarded to the former spouse, however, the scheme will be required to notify Services to Pension Industry as a percentage.
- 5.18 On receipt of the notification Services to Pension Industry will update the NI records of both the member and the former spouse to show that a "Pension Share" has occurred.
- 5.19 Details from the CA2202 will be held on a stand-alone computer system, which in turn, may be interrogated to answer any specific enquiries about the pension share itself. Information from the database can be provided on request.

Contracted-out Deduction

- 5.20 When a members pension rights are shared with a former spouse, a full COD will always be deducted from the members Additional Pension under SERPS. The COD will not be reduced to take account of any contracted-out rights that are subject to a pension sharing order/agreement.

Ceasing to contract-out

- 5.21 When a scheme ceases to be contracted-out, trustees must make arrangements to secure all safeguarded rights held within the scheme.
- 5.22 Schemes will have a period of 1 year in which the safeguarded rights of individual members must be discharged to an appropriate home.
- 5.23 Where a certificate of non-approval is issued, a scheme will be required to discharge any safeguarded rights.
- 5.24 As safeguarded rights will not be tracked or monitored by Services to Pension Industry the membership lists and calculations issued by ourselves will not contain any details or former spouse members of their safeguarded rights entitlement. However, where the former spouse was an earner under the scheme any entitlement to contracted-out rights will be detailed in the normal way.
- 5.25 Where calculations are provided for members whose contracted-out rights are subject to a pension share, the amount quoted will not take account of any rights shared on divorce.
- 5.26 As we will not be tracking or monitoring safeguarded rights, the scheme trustees do not have to tell us about the destination of those rights when they are being discharged or transferred. However, overall approval for the discharge/transfer or preservation of safeguarded rights will be given.
- 5.27 Please advise us in writing, as soon as all of the safeguarded rights held by the scheme have been secured. Approval will be granted automatically by the issue of a letter.

Securing safeguarded rights Contracted-out Money Purchase Stakeholder Pension schemes

- 5.28 Safeguarded rights can be secured by
- transfer to a Contracted-out Money Purchase (COMP) scheme, a Contracted-out Money Purchase Stakeholder Pension (COMPSP) scheme or the COMP part of a COMB scheme
 - transfer to a Contracted-out Salary Related (COSR) scheme or the COSR part of a COMB scheme
 - transfer to an Appropriate Personal pension (APP) or an Appropriate Personal Pension Stakeholder Pension (APPSHP) scheme
 - purchase of an annuity.

Securing safeguarded rights-Appropriate Personal Pension Stakeholder Pension Schemes

- 5.29 Safeguarded rights can be secured by
- transfer to an Appropriate Personal Pension (APP) scheme/Appropriate Personal Pension Stakeholder Pension (APPSHP) scheme
 - transfer to a Contracted-out Money Purchase (COMP) scheme/Contracted-out Money Purchase Stakeholder Pension (COMPSP) scheme or the COMP part of a COMB scheme
 - transfer to a Contracted-out Salary Related (COSR) scheme or the COSR part of a COMB scheme
 - purchase of an annuity.

Appendix 1

Contracted-out Money Purchase Stakeholder Pension (COMPSHP) and Appropriate Personal Pension Stakeholder Pension (APPSHP) schemes forms

Form	Description
CA7993	Life office annuity certificate (COMPSHP)
CA2202	Pension Sharing on Divorce Notification
CA1721	PP Cessation Member Options Letter (APPSHP)

Contracted-out Money Purchase Stakeholder Pension (COMPSHP) reinput schedules

Form	Description
CA1572	Early Leaver (COMPSHP)
CA1574	Pensioner (COMPSHP)
CA1575	Widow Pensioner (COMPSHP)
CA1576	Widower Pensioner (COMPSHP)
CA1908	Current Member Deemed Buyback (COMPSHP)
CA1909	Early Leaver Deemed Buyback (COMPSHP)
CA1910	Pensioner Deemed Buyback (COMPSHP)
CA1911	Widow Pensioner Deemed Buyback (COMPSHP)
CA1912	Widower Pensioner Deemed Buyback (COMPSHP)

Appropriate Personal Pension Stakeholder Pension (APPSHP) reinput schedules

Form	Description
CA1801	Post-97 Current Member (APPSHP)
CA1802	Post-97 Early Leaver (APPSHP)
CA1803	Post-97 Pensioner (APPSHP)
CA1805A	Post-97 Widow Pensioner (APPSHP)
CA1808	Post-97 Widower Pensioner (APPSHP)

Send any enquiries about the forms to

✉ Inland Revenue
National Insurance Contributions Office
Services to Pensions Industry
Benton Park View
Newcastle upon Tyne
NE98 1ZZ

Appendix 2

Tables - Contracted-out Money Purchase Stakeholder Pension (COMPSHP) schemes

List of Tables

Table 1 Revaluation factors

Table 2 Composite divisors for tax years up to and including 1987/88

Table 3 Composite divisors for tax years from 1988/89

Table 2 - Composite divisors for tax years up to and including 1987/88

Use this table to obtain the divisor used to calculate the COD

Tax years in working	Divisor	Composite Divisor
1-20	80	4160
21	84	4368
22	88	4576
23	92	4784
24	96	4992
25	100	5200
26	104	5408
27	108	5616
28	112	5824
29	116	6032
30	120	6240
31	124	6448
32	128	6656
33	132	6864
34	136	7072
35	140	7280
36	144	7488
37	148	7696
38	152	7904
39	156	8112
40	160	8320
41	164	8528
42	168	8736
43	172	8944
44	176	9152
45	180	9360
46	184	9568
47	188	9776
48	192	9984
49	196	10192

Table 3 - Composite divisors for tax years from 1988/89

Use this table to obtain the divisor used to calculate the COD

Tax years in working life	Divisor	Composite Divisor
1-20	100	5200
21	105	5460
22	110	5720
23	115	5980
24	120	6240
25	125	6500
26	130	6760
27	135	7020
28	140	7280
29	145	7540
30	150	7800
31	155	8060
32	160	8320
33	165	8580
34	170	8840
35	175	9100
36	180	9360
37	185	9620
38	190	9880
39	195	10140
40	200	10400
41	205	10660
42	210	10920
43	215	11180
44	220	11440
45	225	11700
46	230	11960
47	235	12220
48	240	12480
49	245	12740

Appendix 3 - Examples of calculations for Contracted-out Money Purchase Stakeholder Pension (COMPSHP) schemes

Example 1 Early leaver COD - where the period of contracted-out employment spans 6 April 1997

- 1 To calculate the weekly Contracted-Out Deduction (COD) divide the total of the revalued earnings factor by the composite divisor appropriate to the employee's working life, see Appendix 4, Tables 2 and 3 then

Formula

- 2 divide by 1000
- 3 working life for this purpose is the period beginning with 6 April 1978, or, if later, the 6 April on or immediately before the employee's 16th birthday, and ending with the 5 April before the date of State Pension age (SPA)
- 4 the resulting amount must be rounded to the nearest 1p, 0.5p or more being rounded up to the next whole penny
- 5 if a COD spans 6 April 1988 (including periods of transferred in service), the calculation has to be split to take account of the different rate of accrual before and from 6 April 1988. The resulting amounts are rounded separately and then added together.

Note: If a period of contracted-out employment spans 6 April 1997 the earnings from and including the 1997/98 tax year are not included in the COD calculation.

Earnings Factors

- 6 The COD is calculated from contracted-out earnings factors, not actual earnings.

Tax years up to and including 1986/87

- 7 For tax years up to and including 1986/87, the earnings factors are obtained from the employee's contracted-out National Insurance contributions paid on earnings between the Lower and Upper Earnings Limits.
- 8 The contracted-out part of contributions before 6 April 1985 are rounded up to the next multiple of 10p, unless it is already a multiple of 10p. Any contributions paid in the 1985/86 and 1986/87 tax years are not rounded.
- 9 The earnings factor is calculated by dividing the contribution by the contracted-out percentage for that year. Since 6 October 1985, National Insurance contributions are payable at differing percentage rates depending on earnings. For the 1985/86 and 1986/87 tax years earnings factors are calculated as if contributions had all been paid at the maximum rate.
- 10 The result is rounded to the nearest penny, 0.5p is rounded up. The total earnings factor for each year is rounded to the nearest pound, 50p is rounded up.

Tax years from 1987/88 up to and including 1996/97

- 11 From the 1987/88 tax year up to and including the 1996/97 tax year, the earning factors used in the COD calculations are derived from the earnings on which employee's contracted-out National Insurance contributions have been paid between the Lower and Upper Earnings Limits. Column 1d of the contracted-out contribution tables shows the contracted-out earnings figure related to the employee's gross earnings. The figure is in whole pounds and must be recorded on the P11(87) working sheet and on the P14 End of Year Summary.
- 12 The earnings factor is the total of column 1d of form P11(87) or column 1d of the P14 End of Year Summary.
- 13 If you use the exact percentage method to work out contributions, the methods of working out and recording earnings figures are slightly different. The exact amounts, which may include pence, of gross earnings on which employee's contributions are payable and related contracted-out earnings must be used. At the end of the year, round down the totals to the nearest whole pound. The earnings factor is the total rounded contracted-out earnings figure.
- 14 An earnings factor held on the Inland Revenue National Insurance Contributions Office computer, in pence, for each tax year in which National Insurance contributions at the contracted-out rate have been paid by an employee. The COD calculations uses these earnings factors.

Revaluation of Earnings Factors

- 15 Revalued earnings factors must be calculated using the revaluation factors in Appendix 2, Table 1.
- 16 For early leavers, use the order made in the tax year in which contracted-out employment terminated to revalue the contracted-out earnings factors for all tax years before the tax year of leaving. The earnings factor for the tax year of leaving is taken at face value. For Contracted-Out Money Purchase (COMP) schemes the earnings factors used in the calculation should be revalued by the Section 148 order made in the tax year of scheme cessation.
- 17 In death or retirement cases
 - use the order made in the tax year before the tax year in which death occurred or SPA was reached
 - apply revaluation to the contracted-out earnings factor for all tax years before the tax year in which the order was made
 - take the earnings factor for the tax year in which the order was made at face value
 - do not take into account the earnings factor for the tax year of death or in which pension age was reached.

Example 2 - Early leaver COD - where the period of contracted-out employment spans 6 April 1997

Use

- the contracted-out contributions/earnings which relate to the period of employment for all tax years up to and including the 1996/97 tax year
- the Section 148 Order made in the tax year of scheme cessation to revalue the contracted-out earnings factor.

Sex:	Male
Date of birth:	29 March 1938
Years in working life:	24
Period of employment:	6 April 1995 – 30 January 2002
Scheme ceased:	30 March 2002

Tax year	Earnings Factor	Revaluation Factor	Revalued Earnings Factor
1995/96	21000x	1600*=	33600000
1996/97	22000x	1500*=	33000000
1997/98	23000x	1400*=	not taken into account
1998/99	23500x	1300*=	not taken into account
1999/00	24000x	1200*=	not taken into account
2000/01	24500	1100*=	not taken into account
2001/02	25000	1000*=	not taken into account
			Total 66600000

***Assumed revaluation factors for demonstrative purposes**

Weekly COD

Formula

Total Revalued Earnings Factor Composite divisor 1000

66600000 6240 1000

Weekly COD = £10.67

Note 1: Details of both the Revaluation Factors and composite divisors are shown in Appendix 2 (the revaluation factors used are assumed figures for the purposes of this calculation).

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

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