

These notes provide guidance on how to elect to contract-out of the State Second Pension via a contracted-out pension scheme.

An employer may elect that some or all of its employees are contracted-out of the State Second Pension via a contracted-out occupational pension scheme. The scheme will then provide its members with an additional pension, which replaces the State Second Pension scheme element of the state pension scheme.

A scheme which is a personal pension scheme, as defined in Section 1 of the Pension Schemes Act 1993, may apply to be an Appropriate Personal Pension (APP) scheme. An APP scheme can provide those of its members who wish to contract-out of the State Second Pension with an additional pension replacing the State Second Pension scheme element of the state pension scheme.

You may also contract-out of the State Second Pension scheme via the two types of Stakeholder Pension schemes - Contracted-out Money Purchase Stakeholder Pension scheme (COMPSHP) or an Appropriate Personal Pension Stakeholder Pension scheme (APPSHP).

An existing Contracted-out Money Purchase scheme or Appropriate Personal Pension scheme may apply to convert to a stakeholder scheme. Whether such a scheme was already contracted-out prior to conversion or not, a new election to contract-out must be made to HM Revenue & Customs (HMRC).

A scheme wanting to become a stakeholder pension scheme must register with HMRC to operate relief at source and must also apply to the Pensions Regulator for stakeholder registration.

### How to notify HMRC

You must make an election to contract-out by completing the form APSS101 and sending it to:

**HM Revenue & Customs**  
Pension Schemes Services  
Yorke House  
Castle Meadow Road  
Nottingham  
NG2 1BG

### Completing the form

You must complete all of the boxes in the relevant part(s) of the form that apply to your scheme. An election to contract-out will not be complete unless all the information requested is provided.

## Part 1 General

**1 What is the name and registration number of the scheme?**

**1.1 Enter the name by which the scheme is known**

**1.2 Enter the Pension Scheme Tax Reference (PSTR)**

The PSTR is the unique reference allocated to your scheme by HMRC.

**If the scheme was registered for tax relief and exemptions on or after 6 April 2006, or if you made a declaration that you were the Scheme Administrator of a deferred annuity contract made on or after 6 April 2006,** this is the reference notified to the Scheme Administrator by HMRC in an online message on successfully registering the pension scheme. If the Scheme Administrator opted out of receiving pension scheme notifications over the internet they will have been sent a letter including the PSTR, acknowledging the scheme has been registered for tax purposes or that the declaration has been received.

**If the scheme was set up before 6 April 2006 and the application for approval was processed before 31 March 2006,** the Scheme Administrator will have been sent an approval letter containing the Superannuation Fund (SF) reference number. The Pension Schemes Online service will allow the Scheme Administrator to use this to access the scheme record for the first time. The PSTR will be given to the Scheme Administrator and/or authorised practitioner the first time they access Pension Schemes Online on or after 6 April 2006.

**If the scheme was set up before 6 April 2006 but the application for approval was processed on or after 31 March 2006,** your Scheme Administrator will have been sent an approval letter including the PSTR.

**1.3 Enter the SF reference**

**If the scheme was set up before 6 April 2006 and the application for approval was processed before 31 March 2006,** the Scheme Administrator or practitioner will have been sent an approval letter containing the SF reference number.

**1.4 Existing Scheme Contracted-out Number (SCON) or Appropriate Scheme Contracted-out Number (ASCN)**

If the scheme already has a SCON or an ASCN enter it here.

**2 What type of contracting-out certificate are you applying for?**

Indicate the type of scheme for which you require a contracting-out certificate:

- Occupational Pension Money Purchase scheme (COMP).  
A scheme which provides the member with a pension based on the value of his or her fund at retirement.
- Occupational Pension Salary Related scheme (COSR).  
A scheme which provides members with a pension related to their earnings.

- Occupational Pension Mixed Benefit scheme (COMB). A scheme which provides members with a pension based on the value of their Contracted-out Money Purchase (COMP) fund on retirement and COSR benefits.
- Industry-wide Salary Related scheme (COSR). A scheme which provides members with a pension related to their earnings in which only employers in a specified industry are eligible to participate.
- Contracted-out Money Purchase Stakeholder Pension scheme (COMPSHP). A scheme which operates on the same basis as a COMP scheme but with stakeholder status.
- Converting an existing Contracted-out Money Purchase scheme to a Contracted-out Money Purchase Stakeholder Pension scheme (COMPSHP).
- Appropriate Personal Pension scheme (APP). A personal pension scheme which an individual may join as a means of contracting-out of the State Second Pension.
- Appropriate Personal Pension Stakeholder Pension scheme (APPSHP). A scheme which operates on the same basis as an APP scheme but with stakeholder status.
- Conversion of an existing Appropriate Personal Pension scheme to an Appropriate Personal Pension Stakeholder Pension scheme (APPSHP).

Self-invested Personal Pensions (SIPPs) are prohibited from becoming Stakeholder Pension schemes. They are also prohibited from becoming appropriate schemes for contracting-out purposes unless they meet the criteria as set out in Regulation 2 of the Personal Pension Schemes (Appropriate Schemes) Regulations 1997.

### **3 Effective date of contracting-out**

Enter the date from which you want contracting-out to start. Where the election is from an existing Contracted-out Money Purchase scheme or Appropriate Personal Pension scheme applying to convert to a stakeholder scheme, this date will be the date of conversion, not the original contracting-out start date.

Note if you are applying for an Appropriate Personal Pension (APP) Scheme Certificate the effective date of contracting-out must be in either the tax year in which this application is received, or any tax year after receipt of the application.

### **4 Which company is responsible for the day-to-day management of the scheme?**

Enter the name, address, phone number and email address of the company resident:

- in the United Kingdom (UK)
- in another European Union (EU) member state, or
- in another state in the European Economic Area (EEA) (Liechtenstein, Iceland or Norway)

having responsibility for the day-to-day management of the scheme for contracting-out purposes, for example, the Scheme Administrator or practitioner.

Enter the reference number that you wish us to quote when contacting you.

### **5 Main trustee of the scheme**

Enter the name, address, phone number and email address of the person or company appointed to carry out the provisions of the trust instrument, if applicable, under which benefits will be paid.

Enter the reference number, if applicable, that you wish us to quote when contacting you.

### **6 Is the scheme an occupational pension scheme?**

If the scheme is an occupational pension scheme go to part 2 of the form. If the scheme is an Appropriate Personal Pension scheme, go to part 3 of the form.

## **Part 2 Occupational pension schemes**

### **7 Which type of notice has been issued?**

**7.1** Where possible, you should make an election to contract-out before the date from which the contracting-out certificate is to have effect. This may avoid retrospective adjustment of NICs and claims for a refund.

Before making the election you must give either:

- a notice of intention to contract-out, or
- a notice of explanation.

#### **Notice of intention**

Where a notice of intention is applicable you cannot make an election before the date on which the notice of intention expires, but you must make it within three months of that date.

### **7.2 How was the notice issued?**

The notice to employees must be given in writing. Tick the appropriate box to confirm how the notice was issued.

### **7.3 Who have the copies of the notice been sent to?**

Tick the appropriate box(es) to confirm to whom the copies of the notice have been sent.

### **8 What is the nature of the scheme?**

**8.1** Tick the appropriate box(es) to indicate the type of scheme.

#### **Public service**

An occupational pension scheme established by, or under, Enactment, Royal Prerogative or Royal Charter as defined in Section 1 of the Pension Schemes Act 1993.

If you tick this box, go to box 10.

#### **Centralised**

A scheme which has a common fund through which all the members' benefits are paid and, as such, there is an element of cross-subsidy between employers.

If you tick this box, go to box 10.

#### **Overseas**

A scheme which is established under an irrevocable trust, or by such other means as HMRC may approve, and is administered wholly or primarily outside the UK.

If you tick this box, go to box 9.

### Industry-wide

A centralised or centrally administered scheme to which only employers in a specified industry are eligible to participate.

If you tick this box, go to box 10.

### Wholly insured

A trust scheme which has no investments other than policies of insurance, the effecting of which constitutes the carrying out of long term business falling within Class 1 or 3 of Schedule 1 of the Insurance Companies Act 1982.

If you tick this box, go to box 10.

### Centrally administered

A scheme which consists of a number of individual schemes which are administered on a central basis. There is no common fund and no element of cross-subsidy.

If you tick this box, go to box 10.

### Individual arrangement

If the scheme applies specifically to one person, normally public service schemes.

If you tick this box, go to box 10.

### None of the above

This will apply where the scheme is not a type that has special requirements as defined above.

If you tick this box, go to box 10.

## 9 Contact details (overseas schemes only)

### 9.1 Enter the name and address of the scheme auditor

### 9.2 Enter the name and address of the person or company resident:

- in the United Kingdom (UK)
- in another European Union (EU) member state, or
- in another state in the European Economic Area (EEA) (Liechtenstein, Iceland or Norway)

who has responsibility for the day-to-day management of the scheme.

## 10 What is the revaluation rate?

To be completed for Contracted-out Salary Related Schemes (COSR) and the COSR part of Contracted-out Mixed Benefit Schemes (COMB) only.

### 10.1 Tick the appropriate box to confirm which method of revaluation the scheme intends to use for any Guaranteed Minimum Pension (GMP) rights held in the scheme.

## 11 Employer details

### 11.1 Enter the employer's name and address

### 11.2 Enter the employer's Company Registration Number (CRN), if appropriate.

This number is obtained from Companies House.

### 11.3 Tick the appropriate box to indicate whether the employer currently has, or has ever had, an Employer Contracting-out Number (ECON).

If yes, enter the ECON.

If no, go to box 11.4

### 11.4 Tick the appropriate box to indicate whether the employer has ever been included on another employer's contracting-out certificate.

If yes, enter the name, address and ECON of the employer that held the contracting-out certificate and the SCON.

If no, go to box 11.5.

### 11.5 Tick the appropriate box to indicate whether the employer is a subsidiary of a company that has ever been contracted-out.

If yes, enter the name, address and ECON of that company.

If no, go to box 11.6.

### 11.6 Tick the appropriate box to indicate whether the employer named at box 11.1 is the principal employer for the scheme.

The principal employer is the company named in the trust deed which established the scheme, or in any amended trust deed which replaces it whether or not they are the holding company in the scheme or are contracted-out by reference to the scheme.

If yes, go to box 11.7.

If no, enter the name, address, CRN and the ECON for the principal employer.

### 11.7 Tick the appropriate box to indicate the employments to be covered by the contracting-out certificate including, where appropriate, any exceptions.

### 11.8 Tick the appropriate box to indicate whether any subsidiaries are to be included in and covered by the contracting-out certificate.

If yes, enter the name, CRN and their ECON. If you need to make more entries continue on a separate sheet.

## 12 Is the scheme entirely a Contracted-out Salary Related scheme (COSR)?

Tick the appropriate box.

If the scheme is wholly a COSR go to part 5 of the form. A Mixed Benefit Scheme (COMB) is not considered to be a wholly COSR.

If no, go to part 4 of the form.

### Part 3 Appropriate Personal Pension schemes/ Appropriate Personal Pension Stakeholder schemes

**13 What organisation established the scheme?**

Enter the name and address of the establisher of the scheme as shown in the scheme's governing documentation.

**14 What type of organisation is making the application?**

If the effective date of contracting-out entered at box 3 is before 1 October 2008, tick the appropriate box to confirm the type of organisation that is making the application.

**15 What is the nature of the scheme?**

If the effective date of contracting-out entered at box 3 is before 1 October 2008, tick the appropriate box to confirm the investment basis on which the scheme is established.

### Part 4 Rebate of National Insurance contributions (NICs)

**16 To be completed for APP schemes, COMP schemes, COMP part of COMB schemes and Stakeholder pension schemes only.**

Enter the following details to allow rebates of NICs to be paid to the scheme.

**16.1 Name of bank or building society**

**16.2 Address of bank or building society**

**16.3 Account details**

Enter bank or building society account name.

Enter bank or building society account number for payments of minimum contributions or age-related rebates.

Enter bank or building society sort code for payments of minimum contributions or age-related rebates.

**16.4 Enter the magnetic media number if you have one, otherwise leave blank.**

A magnetic media number is allocated to a Scheme Administrator or pension provider by the National Insurance Contributions Office. This enables them to receive payment and acknowledgement information on magnetic tape, disk or cartridge.

**16.5 Enter the contact name and address where payments information is to be sent.**

### Part 5

Where the scheme is an occupational pension scheme tick the box to confirm that the scheme meets all the conditions in Regulation 6 of the Contracting-out Regulations (SI 1996/1172) that are applicable to the scheme. This information can be found on our web pages. Go to [www.opsi.gov.uk](http://www.opsi.gov.uk)

The form must be completed by:

- the employer
- the person responsible for the day-to-day management of the scheme, or
- the main trustee.

The main trustee is considered to be the person or company appointed to carry out the provisions of the trust instrument, if applicable, under which the benefits will be paid.

#### Inserting the date

The date entered in this box **must** be a date on or after the expiry date of the Notice of Intention you described at box 7.1 of this form. If the date entered in this box is earlier than the expiry date of the Notice of Intention, this application will be rejected.

Where the scheme is an occupational pension scheme and this form is not being submitted by the employer electing to contract-out, both boxes must be ticked to confirm that the content of the form has been approved by the employer and that they have authorised the submission of the form on their behalf. **Please note if these declarations should be made but both boxes are not ticked, the form will be returned to you.**

#### Supporting documents

For a Contracted-out Salary Related scheme (COSR) you must include the following documents with your election:

- a reference scheme test certificate signed by the scheme actuary (or where appropriate an actuary appointed under Regulation 24 of the Contracting-out Regulations), confirming that the scheme-based contracting-out test is satisfied, and
- a statement from the actuary confirming that a schedule of contributions is in place which, in their opinion, is adequate for the scheme to be able to meet its contracted-out liabilities.

### What happens next

#### Occupational schemes

On receipt of an election form which contains all of the required information, HMRC will issue contracting-out certificates in respect of each employer. This will show an ECON, either the one that the employer already uses or a new one, and a SCON. These numbers are used to record and track NICs and pension liabilities and should be quoted on all correspondence concerning contracting-out.

HMRC will also send a copy of the contracting-out certificate to the person responsible for the day-to-day management of the scheme.

#### APP schemes

On receipt of an election which contains all of the required information, HMRC will issue an appropriate scheme certificate. This will allow individuals to contract-out via the scheme. The certificate will show the ASCN, which should be quoted on all future correspondence.

## Amending the election

The election can be amended at any time before HMRC issues the contracting-out certificate, if the amendment does not alter the categories or descriptions of the earners to which the election relates. This might include amendment to any details given on the election which are subject to notice and consultation, provided that the correct information was shown on the notice or any minor amendment to details not subject to consultation and notice requirements.

If, however, an amendment would alter the categories or descriptions of earners, or incorrect information was shown on the original notice, the employer must issue fresh notices to all concerned, with the notice period running from when the new notice was issued.

## How we use your information

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

We may get information about you from others, or we may give information to them. If we do, it will only be as the law permits to:

- check the 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 or agencies and overseas tax and customs authorities. We will not give information to anyone outside HM Revenue & Customs unless the law permits us to do so.

For more information go to [www.hmrc.gov.uk](http://www.hmrc.gov.uk) and look for *Data Protection Act* within the *Search* facility.