

Pensions Update

No 138

17th March 2003

Please pass a copy of this Update to everyone in your organisation who needs to see it. The category of schemes covered by this Update is shown below. Italicised terms are explained in the glossary at the end.

Category:	Stakeholder pension schemes.
Action:	Please note that the revisions to <i>IR76</i> mentioned below have been incorporated into the website version of the guidance from the date of this Update. Subscribers to the paper version should replace the appropriate pages with the relevant new pages attached.
Current Position:	<i>IR76</i> was originally published with PSO Update 75 on 8 September 2000. Amendments were made by PSO Update 81 on 18 December 2000, PSO Update 89 on 23/30 March 2001, Pensions Update 96 on May 2001 and Pensions Update 116 on 18 February 2002.
Summary:	Pensions Update 119 (published on 25 February 2002) announced that contrary to the published guidance in <i>IR76</i> , all stakeholder pension schemes had to be contracted out of the additional state pension (known as the State Earnings-Related Pension Scheme (SERPS) or from 6 April 2002 the <i>State Second Pension</i>). This Pensions Update provides revised guidance taking this into account.
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U 138: IR 76 Revisions on Stakeholders and Contracting Out

1. The changes to our published guidance on stakeholder pension schemes which were announced in Pensions Update No 119 on 25 February 2002 have now been published.
2. Changes have been made in the following areas of the *IR76* guidance:
 - Part 1.4 As Part 22 has been re-written (see below), this paragraph has also been amended. The amendment also takes into account the re-organisation of the National Insurance Contributions Office and the new name for the Contracted-out Employers Group (COEG). The new name (Inland Revenue NI Services to Pensions Industry) has been substituted for COEG in the rest of the guidance.
 - Part 1.6 Reference to *DWP* regulations for occupational pension schemes has been

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included.

- Part 2.14 and 2.15 Clarification of the position of part schemes and of the non-stakeholder schemes established by non-financial institutions, as regards the designation of types of pension scheme under the *Pensions Acts*.
- Part 3.11a Because an occupational pension scheme as categorised in the *Pensions Acts* must offer benefits only in relation to employments, all members must be in employment by reference to the employers in the scheme.
- Part 3.13, 3.19, 3.21 Changes reflecting the new name for the additional state pension formerly known as SERPS, now the *State Second Pension*.
- Part 4.37 Change to reflect the new name for the additional state pension formerly known as SERPS, now the *State Second Pension*. Headings changed for formatting purposes. The first bullet has been deleted as we have been advised that it is covered by the other two bullets.
- Part 4.38 and 4.39 New name for COEG shown.
- Part 4.39a Changes to the rates of minimum contributions attributable to employer and employee contributions.
- Part 9.4 and 10.14 Where to obtain the NI Services to Pensions Industry manuals.
- Part 13 The entire Part has been overhauled. None of the newly published Part has been highlighted, in the interests of legibility.
- We have referred in paragraphs 13.5, 13.6 and 13.16 to the model rules IMR 2003. These model rules are not available yet, but are due to be published on the Inland Revenue website soon.
- Part 14.30 The manuals referred to are now available on the Inland Revenue website.
- Part 20.2, 20.7 Cessation of contracted-out status triggers the winding up of a stakeholder pension scheme.
- Part 20.7a and 20.7b Expanded guidance on winding up a stakeholder pension scheme.
- Part 20.8 Cessation of contracted-out status triggers the winding up of a stakeholder pension scheme.
- Part 22 The entire Part has been overhauled. It has been split into two sections, Part 22A covering Appropriate Personal Pension Stakeholder Pension Schemes and Part 22B covering Contracted-out Money Purchase Stakeholder Pension Schemes. None of the newly published Part has been highlighted, in the interests of legibility.
- Part 23.3 The new names for SERPS and COEG are included, together with a reminder that all stakeholder pension schemes must be contracted out.
- Part 23.4 An explanation of the contracting-out requirements on conversion to Chapter IV approval has been included.
- Part 23.10c Guidance has been moved from Part 23.16c to 23.10c as it is more appropriate to mention this point in relation to all conversions.
- Part 23.12 Clarification that a stakeholder pension scheme must be contracted out.

- Part 23.14a Correction of a typing error.
- Part 23.16 The declaration at (aa) is no longer required as the forms have now been revised. The condition at (j) has been amended to clarify the position for schemes converting to Chapter IV approval and applying for stakeholder status.
- Part 23.22, 23.25, 23.26 and 23.27 Clarification regarding stakeholder pension schemes contracting out.
- Part 23.30 and 23.31 Cross references to specific paragraphs in Part 12 have been included.
- Part 24 Changes have been made to reflect that contracting out by a stakeholder pension scheme is compulsory, and to reflect amendments to the *Stakeholder Regulations*.
- Appendix 1 New definition included for *State Second Pension* (formerly SERPS).
- Appendix 22 New name for COEG included.

Glossary

DWP : means the Department for Work and Pensions, formerly the Department of Social Security.

IR76 : This means the Inland Revenue Guidance Notes on Personal Pension Schemes (including Stakeholder Pension Schemes), published as IR76 (2000).

Pensions Acts : This means the Pension Schemes Act 1993, the Pensions Act 1995 and the Welfare Reform and Pension Schemes Act 1999, and any regulations made under them.

Stakeholder Regulations : This means The Stakeholder Pension Scheme Regulations 2000 [SI 2000 no 1403], as amended.

State Second Pension : This means the additional state pension, now known as the State Second Pension. Before 6 April 2002, the additional state pension was commonly known as the State Earnings-Related Pension Scheme or SERPS.

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