



Pensions Act 1995

1995 CHAPTER 26

PART III

CERTIFICATION OF PENSION SCHEMES AND EFFECTS ON MEMBERS' STATE SCHEME RIGHTS AND DUTIES

Reduction in State scheme contributions, payment of rebates and reduction in State scheme benefits

137 State scheme contributions and rebates.

(1) In section 40 of the ^{M1}Pension Schemes Act 1993 (scope of Chapter II of Part III), in paragraph (b), after “members of” there is inserted “ money purchase contracted-out schemes and members of”.

^{F1}(2)

(3) In section 42 of that Act (review and alteration of rates of contributions applicable under section 41), for subsection (1)(a) there is substituted—

“(a) a report by the Government Actuary or the Deputy Government Actuary on—

(i) the percentages for the time being applying under section 41(1A)(a) and (b), and

(ii) any changes since the preparation of the last report under this paragraph in the factors in his opinion affecting the cost of providing benefits of an actuarial value equivalent to that of the benefits which, under section 48A, are foregone by or in respect of members of salary related contracted-out schemes”.

(4) In relation to the first report under section 42(1)(a) of that Act laid after the passing of this Act, that section shall have effect as if—

Status: Point in time view as at 01/01/2014. This version of this provision has been superseded.

Changes to legislation: Pensions Act 1995, Section 137 is up to date with all changes known to be in force on or before 16 July 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)

- (a) in subsection (1)(a), sub-paragraph (i) and, in sub-paragraph (ii), “ any changes since the preparation of the last report under this paragraph in ” were omitted,
 - (b) for subsection (1)(b) there were substituted—
 - “(b) a report by the Secretary of State stating what, in view of the report under paragraph (a), he considers the percentages under section 41(1A)(a) should be”,
 - (c) for subsections (3) and (4) there were substituted—
 - “(3) The Secretary of State shall prepare and lay before each House of Parliament with the report the draft of an order specifying the percentages; and if the draft is approved by resolution of each House the Secretary of State shall make the order in the form of the draft.
 - (4) An order under subsection (3) shall have effect from the beginning of the tax year which begins with the principal appointed day, not being a tax year earlier than the second after that in which the order is made”,
 - (d) in subsection (5), for “alteration” there were substituted “ determination ”, and
 - (e) in subsection (6), for “an order making alterations in either or both of those percentages” there were substituted “ such an order ”.
- (5) ^{F2}After that section there is inserted—

“ Reduced rates of contributions, and rebates, for members of money purchase contracted-out schemes

Reduced rates of Class 1 contributions, and rebates.

- (1) Subsections (2) and (3) apply where—
 - (a) the earnings paid to or for the benefit of an earner in any tax week are in respect of an employment which is contracted-out employment at the time of the payment, and
 - (b) the earner’s service in the employment is service which qualifies him for a pension provided by a money purchase contracted-out scheme.
- (2) The amount of a Class 1 contribution in respect of so much of the earnings paid in that week in respect of that employment as exceeds the current lower earnings limit but not the current upper earnings limit for that week (or the prescribed equivalents if he is paid otherwise than weekly) shall be reduced by an amount equal to the appropriate flat-rate percentage of that part of those earnings.
- (3) The Secretary of State shall except in prescribed circumstances or in respect of prescribed periods pay in respect of that earner and that tax week to the trustees or managers of the scheme or, in prescribed circumstances, to a prescribed person the amount by which—
 - (a) the appropriate age-related percentage of that part of those earnings, exceeds
 - (b) the appropriate flat-rate percentage of that part of those earnings.
- (4) Regulations may make provision—

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- (a) as to the manner in which and time at which or period within which payments under subsection (3) are to be made,
 - (b) for the adjustment of the amount which would otherwise be payable under that subsection so as to avoid the payment of trivial or fractional amounts,
 - (c) for earnings to be calculated or estimated in such manner and on such basis as may be prescribed for the purpose of determining whether any, and if so what, payments under subsection (3) are to be made.
- (5) If the Secretary of State pays an amount under subsection (3) which he is not required to pay or is not required to pay to the person to whom, or in respect of whom, he pays it, he may recover it from any person to whom, or in respect of whom, he paid it.
- (6) Where—
- (a) an earner has ceased to be employed in an employment, and
 - (b) earnings are paid to him or for his benefit within the period of six weeks, or such other period as may be prescribed, from the day on which he so ceased,
- that employment shall be treated for the purposes of this section as contracted-out employment at the time when the earnings are paid if it was contracted-out employment in relation to the earner when he was last employed in it.
- (7) Subsection (3) of section 41 applies for the purposes of this section as it applies for the purposes of that.

Determination and alteration of rates of contributions, and rebates, applicable under section 42A.

- (1) The Secretary of State shall at intervals of not more than five years lay before each House of Parliament—
- (a) a report by the Government Actuary or the Deputy Government Actuary on the percentages which, in his opinion, are required to be specified in an order under this section so as to reflect the cost of providing benefits of an actuarial value equivalent to that of the benefits which, under section 48A, are foregone by or in respect of members of money purchase contracted-out schemes,
 - (b) a report by the Secretary of State stating what, in view of the report under paragraph (a), he considers those percentages should be, and
 - (c) a draft of an order under subsection (2).
- (2) An order under this subsection shall have effect in relation to a period of tax years (not exceeding five) and may—
- (a) specify different percentages for primary and secondary Class 1 contributions, and
 - (b) for each of the tax years for which it has effect—
 - (i) specify a percentage in respect of all earners which is “the appropriate flat-rate percentage” for the purposes of section 42A, and
 - (ii) specify different percentages (not being less than the percentage specified by virtue of sub-paragraph (i)) in respect of earners by reference to their ages on the last day of the

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preceding year (the percentage for each group of earners being “the appropriate age-related percentage” in respect of earners in that group for the purposes of section 42A).

- (3) If the draft of an order under subsection (2) is approved by resolution of each House of Parliament, the Secretary of State shall make the order in the form of the draft.
- (4) An order under subsection (2) shall have effect from the beginning of such tax year as may be specified in the order, not being a tax year earlier than the second after that in which the order is made.
- (5) Subsection (2) is without prejudice to the generality of section 182”.]
- (6) [^{F2}In Schedule 4 to that Act (priority in bankruptcy, etc.), in paragraph 2(3)—
- (a) in paragraph (a), for “4.8 per cent.” there is substituted “ the percentage for non-contributing earners ”,
 - (b) in paragraph (b), for “3 per cent.” there is substituted “ the percentage for contributing earners ”.]
- (7) [^{F2}In paragraph 2(5) of that Schedule—
- (a) before the definition of “employer” there is inserted—

““appropriate flat-rate percentage” has the same meaning as in section 42A”, and
 - (b) after the definition there is inserted—

““the percentage for contributing earners” means—

 - (a) in relation to a salary related contracted-out scheme, 3 per cent, and
 - (b) in relation to a money purchase contracted-out scheme, the percentage which is the appropriate flat-rate percentage for secondary Class 1 contributions,

“the percentage for non-contributing earners” means—

 - (a) in relation to a salary related contracted-out scheme, 4.8 per cent, and
 - (b) in relation to a money purchase contracted-out scheme, a percentage equal to the sum of the appropriate flat-rate percentages for primary and secondary Class 1 contributions”.]

Textual Amendments

- F1** S. 137(2) repealed (6.4.1999) by [Social Security Act 1998 \(c. 14\)](#), s. 87(2), **Sch. 8**; S.I. 1999/418, art. 2(3)(c)(ii)
- F2** S. 137(5)(6)(7) repealed (6.4.2012 for specified purposes) by [Pensions Act 2007 \(c. 22\)](#), ss. 27(7), 30(2)(b), **Sch. 7 Pt. 7**; S.I. 2011/1267, art. 2(c) (as substituted (20.3.2012) by S.I. 2012/911, art. 2(b))

Commencement Information

- I1** S. 137 in force at 6.4.1996 for specified purposes by [S.I. 1996/778](#), art. 2(5)(a), **Sch. Pt. V**
- I2** S. 137 in force at 6.4.1997 in so far as not already in force by [S.I. 1997/664](#), art. 2(3), **Sch. Pt. 3**
- I3** S. 137(1)(5) in force at 13.3.1996 for specified purposes by [S.I. 1996/778](#), art. 2(1), **Sch. Pt. I**
- I4** S. 137(2)-(4) in force at 13.3.1996 for specified purposes by [S.I. 1996/778](#), art. 2(1), **Sch. Pt. I**

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Marginal Citations

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