

Draft Order laid before Parliament under section 42B of the Pension Schemes Act 1993 for approval by resolution of each House of Parliament.

DRAFT STATUTORY INSTRUMENTS

2001 No.

PENSIONS

**The Social Security (Reduced Rates of
Class 1 Contributions, and Rebates) (Money
Purchase Contracted-out Schemes) Order 2001**

Made - - - - *2001*
Coming into force - - *6th April 2002*

Whereas the Secretary of State has, under section 42B of the Pension Schemes Act 1993, laid before each House of Parliament a report, stating what, in view of the report of the Government Actuary under that section, he considers the appropriate flat-rate and age-related percentages should be for the purposes of section 42A of that Act(1):

And whereas a draft of the following Order was, in accordance with section 42B of the Pension Schemes Act 1993, laid before, and approved by a resolution of, each House of Parliament:

Now, therefore, the Secretary of State for Social Security, in exercise of powers conferred on him by section 42B of the Pension Schemes Act 1993 and sections 38B and 181(9A) of the Pension Schemes (Northern Ireland) Act 1993(2), and of all other powers enabling him in that behalf, hereby makes the following Order:

Citation and commencement

1. This Order may be cited as the Social Security (Reduced Rates of Class 1 Contributions, and Rebates) (Money Purchase Contracted-out Schemes) Order 2001 and shall come into force on 6th April 2002.

(1) 1993 c. 48. Sections 42A and 42B were inserted by section 137(5) of the Pensions Act 1995 (c. 26). Section 42A was amended by paragraph 128 of Schedule 7 to the Social Security Act 1998 (c. 14), paragraph 46 of Schedule 1 to the Social Security Contributions (Transfer of Functions, etc.) Act 1999 (c. 2) and paragraph 7 of Schedule 9 to the Welfare Reform and Pensions Act 1999 (c. 30). Section 42B was amended by section 34 of the Child Support, Pensions and Social Security Act 2000 (c. 19).

(2) 1993 c. 49. Section 38B was inserted by Article 134(4) of the Pensions (Northern Ireland) Order 1995 (S.I.1995/3213 (N.I. 22)) and amended by paragraph 53 of Schedule 1 to the Social Security Contributions (Transfer of Functions, etc.) (Northern Ireland) Order 1999 (S.I. 1999/671). Section 181(9A) was inserted by paragraph 76 of Schedule 1 to the Social Security Contributions (Transfer of Functions, etc.) (Northern Ireland) Order 1999.

Draft Legislation: This is a draft item of legislation. This draft has since been made as a UK Statutory Instrument: *The Social Security (Reduced Rates of Class 1 Contributions, and Rebates) (Money Purchase Contracted-out Schemes) Order 2001 No. 1355*

Reduced rates of Class 1 contributions, and rebates

2. For the purposes of section 42A of the Pension Schemes Act 1993 and section 38A of the Pension Schemes (Northern Ireland) Act 1993⁽³⁾ (reduced rates of Class 1 contributions, and rebates)—

- (a) the appropriate flat-rate percentage in respect of earners for the tax years 2002–2003 to 2006–2007—
 - (i) in the case of a primary Class 1 contribution is 1.6 per cent, and
 - (ii) in the case of a secondary Class 1 contribution is 1 per cent;
- (b) the appropriate age-related percentages in respect of earners for each of the tax years 2002–2003 to 2006–2007 are the percentages specified in relation to that year in the Table set out in the Schedule to this Order, by reference to the earners' ages on the last day of the preceding tax year.

Signed by authority of the Secretary of State for Social Security.

Minister of State,
Department of Social Security

(3) Section 38A was inserted by Article 134(4) of the Pensions (Northern Ireland) Order 1995 and amended by paragraph 96 of Schedule 6 to the Social Security (Northern Ireland) Order 1998 (S.I. 1998/1506 (N.I. 10)), paragraph 52 of Schedule 1 to the Social Security Contributions (Transfer of Functions, etc.) (Northern Ireland) Order 1999 and paragraph 7 of Schedule 10 to the Welfare Reform and Pensions Act 1999.

SCHEDULE

Article 2

TABLE

Appropriate age-related percentages of earnings exceeding the lower earnings limit but not the upper earnings limit

| <i>Age on last day of preceding tax year</i> | <i>Appropriate age-related percentages for the tax year</i> | | | | |
|--|---|----------------|----------------|----------------|----------------|
| | <i>2002–03</i> | <i>2003–04</i> | <i>2004–05</i> | <i>2005–06</i> | <i>2006–07</i> |
| 15 | 2.6 | 2.6 | 2.6 | 2.6 | 2.6 |
| 16 | 2.6 | 2.6 | 2.6 | 2.6 | 2.6 |
| 17 | 2.7 | 2.7 | 2.7 | 2.7 | 2.7 |
| 18 | 2.7 | 2.7 | 2.7 | 2.7 | 2.7 |
| 19 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 |
| 20 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 |
| 21 | 2.9 | 2.9 | 2.9 | 2.9 | 2.9 |
| 22 | 2.9 | 2.9 | 2.9 | 2.9 | 3.0 |
| 23 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| 24 | 3.1 | 3.1 | 3.1 | 3.1 | 3.1 |
| 25 | 3.1 | 3.1 | 3.1 | 3.1 | 3.1 |
| 26 | 3.2 | 3.2 | 3.2 | 3.2 | 3.2 |
| 27 | 3.2 | 3.2 | 3.2 | 3.2 | 3.2 |
| 28 | 3.3 | 3.3 | 3.3 | 3.3 | 3.3 |
| 29 | 3.4 | 3.4 | 3.4 | 3.4 | 3.4 |
| 30 | 3.4 | 3.4 | 3.4 | 3.4 | 3.4 |
| 31 | 3.6 | 3.6 | 3.6 | 3.6 | 3.6 |
| 32 | 3.6 | 3.6 | 3.6 | 3.6 | 3.6 |
| 33 | 3.7 | 3.7 | 3.7 | 3.7 | 3.7 |
| 34 | 3.8 | 3.8 | 3.8 | 3.8 | 3.8 |
| 35 | 3.8 | 3.8 | 3.8 | 3.8 | 3.8 |
| 36 | 3.9 | 3.9 | 3.9 | 3.9 | 3.9 |
| 37 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 |
| 38 | 4.1 | 4.1 | 4.1 | 4.1 | 4.1 |
| 39 | 4.1 | 4.1 | 4.1 | 4.1 | 4.1 |
| 40 | 4.3 | 4.2 | 4.2 | 4.2 | 4.2 |

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| <i>Age on last day of preceding tax year</i> | <i>Appropriate age-related percentages for the tax year</i> | | | | |
|--|---|----------------|----------------|----------------|----------------|
| | <i>2002–03</i> | <i>2003–04</i> | <i>2004–05</i> | <i>2005–06</i> | <i>2006–07</i> |
| 41 | 4.4 | 4.4 | 4.3 | 4.3 | 4.3 |
| 42 | 4.6 | 4.5 | 4.4 | 4.4 | 4.4 |
| 43 | 4.8 | 4.7 | 4.6 | 4.5 | 4.4 |
| 44 | 5.0 | 4.9 | 4.8 | 4.7 | 4.6 |
| 45 | 5.3 | 5.1 | 5.0 | 4.9 | 4.8 |
| 46 | 5.5 | 5.4 | 5.3 | 5.1 | 5.0 |
| 47 | 6.0 | 5.6 | 5.5 | 5.4 | 5.3 |
| 48 | 6.8 | 6.1 | 5.7 | 5.6 | 5.5 |
| 49 | 7.8 | 6.9 | 6.2 | 5.8 | 5.7 |
| 50 | 9.0 | 7.9 | 7.1 | 6.4 | 5.9 |
| 51 | 10.3 | 9.1 | 8.1 | 7.2 | 6.5 |
| 52 | 10.5 | 10.5 | 9.3 | 8.2 | 7.4 |
| 53 | 10.5 | 10.5 | 10.5 | 9.5 | 8.4 |
| 54 | 10.5 | 10.5 | 10.5 | 10.5 | 9.7 |
| 55 | 10.5 | 10.5 | 10.5 | 10.5 | 10.5 |
| 56 | 10.5 | 10.5 | 10.5 | 10.5 | 10.5 |
| 57 | 10.5 | 10.5 | 10.5 | 10.5 | 10.5 |
| 58 | 10.5 | 10.5 | 10.5 | 10.5 | 10.5 |
| 59 | 10.5 | 10.5 | 10.1 | 9.7 | 9.3 |
| 60 | 10.5 | 10.5 | 10.5 | 10.3 | 9.9 |
| 61 | 10.5 | 10.5 | 10.5 | 10.5 | 10.5 |
| 62 | 10.5 | 10.5 | 10.5 | 10.5 | 10.5 |
| 63 | 10.5 | 10.5 | 10.5 | 10.5 | 10.5 |

EXPLANATORY NOTE

(This note is not part of the Order)

This Order, a draft of which has been laid before, and approved by a resolution of, each House of Parliament, is made as a consequence of a review by the Secretary of State under section 42B of

the Pension Schemes Act 1993 following a report by the Government Actuary in relation to the contracted-out percentages under section 42A of that Act.

This Order specifies with effect from 6th April 2002 the appropriate flat-rate percentage and the appropriate age-related percentages in respect of earners who are members of money purchase contracted-out pension schemes for the purposes of section 42A of the Pension Schemes Act 1993 and section 38A of the Pension Schemes (Northern Ireland) Act 1993 (article 2 and Schedule).

In accordance with section 42B of the Pension Schemes Act 1993, a copy of the report by the Government Actuary on the percentages which, in his opinion, are required so as to reflect the cost of providing benefits of an actuarial value equivalent to that of the benefits (or parts of benefits) which, in accordance with section 48A of that Act and Schedule 4A to the Social Security Contributions and Benefits Act 1992 (effect of reduced contributions and rebates on social security benefits), are foregone by or in respect of members of money purchase contracted-out schemes, was laid before Parliament with a draft of this Order together with a copy of the report by the Secretary of State.

These reports are contained in a Command Paper published by The Stationery Office Limited (Cm. 5076).