

PENSIONS ACT 2008

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Part 1: Pension scheme membership for jobholders

Chapter 5: Duty to establish a pension scheme

Section 70: Contribution limits

165. This section requires the Secretary of State to set out in the Order the maximum amount a member of the scheme established under section 67 can contribute (including the employer contribution and tax relief) in a tax year. This allows the Order to set a contribution limit of £3,600 (by reference to the level of earnings in 2005). It would also allow the Order to provide, for example, a higher limit in the first year of the scheme and for the contribution limit to be uprated in line with earnings.
166. The power will enable the Secretary of State to include in the Order:
- what a contribution is;
 - when a contribution is to be treated as made;
 - how contributions are treated where the maximum is exceeded;
 - the value of any amount to be repaid in respect of excess contributions (whether the same or more or less than the contribution, because of investment or otherwise), and;
 - who makes the refund payments and to whom.
167. *Subsection (3)* allows the Secretary of State to set out in an Order more than one contribution limit. The Order could allow, for example, a lump sum contribution limit over the member's lifetime.
168. *Subsection (4)* enables the Secretary of State to remove the requirement to have a contribution limit in the scheme established under section 67. This allows *section 70* to be repealed if, for example, a review is carried out which concludes that a contribution limit is not appropriate for a scheme under section 67.