
EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations are made under section 15 of the Pensions Act 2007 (c.22), which abolishes contracting-out of the state additional pension for pension schemes on a defined contributions basis. It provides that contracting-out certificates in relation to money purchase contracted-out schemes and appropriate schemes (as defined by section 181(1) of the Pension Schemes Act 1993) cease to have effect from the abolition date.

These Regulations make consequential amendments to subordinate legislation as a consequence of the abolition of contracting-out for defined contribution pension schemes, and provides for transitional provisions for the three years following abolition. The majority of amendments come into force on 6th April 2012 (the abolition date).

References to, and provisions which relate to, schemes that are contracted-out on a defined contributions basis are either omitted, or where appropriate, replaced with references to schemes which were contracted-out on that basis.

Regulations 2 and 8 provide for changes to the disclosure of information requirements schemes must comply with in relation to their contracting-out status. The amendments made by these regulations provide that defined contributions contracted-out schemes must inform affected members that the scheme has ceased to be contracted-out and explain the effect of that change on members' entitlement to state additional pension from the abolition date, within 1 month and 4 months of the abolition date respectively, unless schemes have already provided such information in the 12 months preceding the abolition date. This requirement is for one year only and is subsequently omitted by regulations 15 and 16 from 6th April 2013.

Regulation 6 amends the Contracting-out (Transfer and Transfer Payments) Regulations 1996 (S.I. 1996/1172) to provide that, from the abolition date, transfers will be able to be made from defined benefit contracted-out schemes to schemes which are not salary-related (defined benefit) contracted-out schemes, overseas schemes or overseas arrangements, as long as certain safeguards are met.

A three year transitional period ending on 6th April 2015 is provided for in relation to statutory provisions which relate to the national insurance rebate due to schemes from Her Majesty's Revenue and Customs (HMRC) as a result of contracting-out in previous years. Regulations in Part 4 of this instrument omit various provisions which relate to the making of minimum payments and contributions to schemes by employers and HMRC.

This legislation reduces the costs of administrative burdens on the private sector and civil society organisations. An assessment of the impact has been made; a copy is available in the libraries of both Houses of Parliament, and is annexed to the Explanatory Memorandum which is available alongside the instrument on www.legislation.gov.uk.