

PENSION SCHEMES ACT 1993

Rebates and reduced rates of National Insurance contributions for members of contracted-out pension schemes

Consultation by the Government Actuary: Supplementary note

1. On 19 September 2005, I issued my consultation paper on the approach I intend to adopt for my report to the Secretary of State for Work and Pensions on “the cost of providing benefits of an actuarial value equivalent to the benefits ... forgone” by members of contracted-out occupational pension schemes and appropriate personal pensions. That consultation paper can be found on the GAD website at www.gad.gov.uk/Pensions/Contracting_out.htm. Responses to the consultation must be received by Monday 12 December 2005.
2. This supplementary note should be read in conjunction with the full consultation paper.

COSRS rebate rate

3. In the consultation paper I stated that I proposed “to assume that the mortality of members of COSRS [contracted-out salary-related schemes] will be 85% of the mortality rates in the 2004-based GAD population projections” (see paragraph 4.11 of the paper). However, since the 2004-based population projections were due to be published on 20 October 2005, the calculation for the consultation paper of the COSRS rebate rate on my proposed assumptions (5.2%, see paragraph 6.1) was based on the mortality rates in the 2003-based population projections.
4. I have now recalculated the COSRS rebate rate using the 2004-based mortality rates. The effect is to increase the rebate rate from 5.2% to 5.3% of upper band earnings.

COMPS rebate rates

5. As part of our detailed checking procedures in advance of preparing the final report to the Secretary of State, it has been noted that the calculation of the proposed rebates in the consultation paper for members of COMPS (contracted-out money purchase schemes) requires a minor amendment. The proposed assumptions for the calculation are however unchanged. The effect of the adjustment to the calculation is to produce a small increase in the rebate rates at middle and older ages and a complete table of the revised rates is shown in the attached annex. The figures in the annex replace the rates shown in Appendix G of the consultation paper.

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Annex

Rebates to Contracted-Out Money Purchase Schemes based on the assumptions in my consultation paper dated 19 September 2005

Age last birthday at start of tax year	Tax year				
	2007/08	2008/09	2009/10	2010/11	2011/12
15	2.5%	2.5%	2.5%	2.5%	2.5%
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	2.9%	2.9%	2.9%	2.9%	2.9%
21	2.9%	2.9%	2.9%	2.9%	2.9%
22	3.0%	3.0%	3.0%	3.0%	3.0%
23	3.1%	3.1%	3.1%	3.1%	3.1%
24	3.1%	3.1%	3.2%	3.2%	3.2%
25	3.2%	3.2%	3.2%	3.2%	3.2%
26	3.3%	3.3%	3.3%	3.3%	3.3%
27	3.4%	3.4%	3.4%	3.4%	3.4%
28	3.5%	3.5%	3.5%	3.5%	3.5%
29	3.5%	3.5%	3.5%	3.5%	3.5%
30	3.6%	3.6%	3.6%	3.6%	3.6%
31	3.7%	3.7%	3.7%	3.7%	3.7%
32	3.8%	3.8%	3.8%	3.8%	3.8%
33	3.9%	3.9%	3.9%	3.9%	3.9%
34	4.0%	4.0%	4.0%	4.0%	4.0%
35	4.1%	4.1%	4.1%	4.1%	4.1%
36	4.2%	4.2%	4.2%	4.3%	4.3%
37	4.4%	4.4%	4.4%	4.4%	4.4%
38	4.5%	4.5%	4.5%	4.5%	4.5%
39	4.6%	4.7%	4.7%	4.7%	4.7%
40	4.8%	4.8%	4.8%	4.8%	4.8%
41	4.9%	4.9%	4.9%	4.9%	4.9%
42	5.1%	5.1%	5.1%	5.1%	5.1%
43	5.2%	5.2%	5.2%	5.2%	5.2%
44	5.3%	5.3%	5.3%	5.4%	5.4%
45	5.6%	5.5%	5.5%	5.5%	5.5%
46	5.9%	5.8%	5.6%	5.6%	5.6%
47	6.2%	6.1%	5.9%	5.8%	5.8%
48	6.6%	6.4%	6.2%	6.1%	5.9%
49	6.9%	6.7%	6.6%	6.4%	6.2%
50	7.3%	7.1%	6.9%	6.7%	6.6%
51	7.7%	7.5%	7.3%	7.1%	6.9%
52	8.6%	7.9%	7.7%	7.5%	7.3%
53	9.8%	8.8%	8.1%	7.9%	7.7%
54	11.1%	10.0%	9.0%	8.3%	8.1%
55	12.5%	11.3%	10.2%	9.2%	8.5%
56	14.2%	12.8%	11.5%	10.4%	9.4%
57	15.2%	14.5%	13.0%	11.7%	10.6%
58	16.5%	15.5%	14.7%	13.2%	11.9%
59	11.7%	11.3%	11.0%	14.5%	13.3%
60	12.3%	11.9%	11.5%	11.1%	10.8%
61	12.9%	12.5%	12.1%	11.7%	11.3%
62	13.6%	13.1%	12.6%	12.2%	11.8%
63	14.6%	13.7%	13.2%	12.8%	12.3%

Note: figures are percentages of upper band earnings.

