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Government Actuary's Department
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NEWS RELEASE

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NR 2005/04

Consultation on contracted-out rebates

Chris Daykin, the Government Actuary, publishes today a consultation document on his proposed assumptions for calculating rebates for contracted-out pension arrangements for the five years from April 2007. A contracted-out pension arrangement is one which provides benefits in place of all or part of the benefits from the State Second Pension. Contracted-out rebates represent the reductions in National Insurance contributions paid by members of contracted-out occupational pension schemes and their employers, and the payments made by Her Majesty's Revenue and Customs to certain contracted-out pension schemes.

Under the Pension Schemes Act 1993, the Government Actuary is required to report on the assumptions he proposes for calculating contracted-out rebates for members of contracted-out pension arrangements. The Secretary of State for Work and Pensions publishes his own report to Parliament, alongside that of the Government Actuary. The Secretary of State's report sets out his decision on the appropriate level of rebates after consideration of the report of the Government Actuary, together with Orders setting the rebates. This must be done at least one complete tax year before the Orders have effect. Thus for new Orders to have effect from April 2007, they (and the reports from the Secretary of State and the Government Actuary) must be laid before Parliament by April 2006.

It has become established practice for the Government Actuary to consult with the pensions industry before reporting on the assumptions for calculating contracted-out rebates.

The document published today sets out the details of the economic, demographic and other assumptions that the Government Actuary proposes for recommending the level of contracted-out rebates for the five years from April 2007, for example the allowance for future increases in life expectancy and future investment returns. An overview of the Government Actuary's proposals is given in the executive summary of the consultation document.

The consultation document can be downloaded from the GAD website at www.gad.gov.uk/Pensions/Contracting_out.htm. The Government Actuary will give careful consideration to the consultation responses in formulating the recommendations in his report next spring. It then falls to Ministers to decide the level of contracted-out rebates for the five years from April 2007, having regard both to the Government Actuary's report and to the broader policy context.



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Contact details for responding to the consultation document

Further enquiries about the consultation document should be directed to:

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Responses to the document should be made by **Monday 12 December 2005** to the above address.

Information about GAD

1. The Government Actuary's Department (GAD) was created in 1919. It offers an actuarial consultancy service to clients throughout the UK public sector and to certain private sector and overseas clients.

As well as performing its statutory duties, GAD provides actuarial advice to ministers and government departments, to many public sector bodies and to some overseas governments, covering financial and statistical matters, including pensions, insurance, social security and demography.

GAD offers its clients the benefits of:

- objective and comprehensive advice, free of conflicting commercial interests;
- confidentiality on sensitive political and commercial issues; and
- wide experience in handling political and policy issues.

GAD is staffed by 115 civil servants, of whom 40 are qualified actuaries.



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2. GAD consists of two directorates. One advises public sector clients on occupational pension arrangements. This includes carrying out periodic actuarial valuations of assets and liabilities, funding rate advice, general pensions consultancy, bulk transfers, asset/liability studies and privatisation terms. The second directorate provides advice on social security arrangements in the United Kingdom and certain overseas countries, as well as advising on pensions policy and regulation, carrying out pension scheme surveys, and producing the official population projections for the United Kingdom and its constituent countries.
3. Although constituted as a government department, GAD operates as a consultancy firm within the public sector, offering independent actuarial advice to clients and charging fees for its services. GAD is required to recover its costs but does not seek to make a profit.
4. The Government Actuary is Chris Daykin. He joined GAD in 1970 and qualified as a Fellow of the Institute of Actuaries in 1973. He worked in all major areas of GAD before being appointed Government Actuary in 1989.

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