

NEWS RELEASE

23 August 2010

Contacts

Gerry Ridge	Joanne Meusz	Trevor Llanwarne
Press Officer	Actuary	Government Actuary
GAD	GAD	GAD
020 7211 2676	020 7211 2681	020 7211 2620
gerrard.ridge@gad.gov.uk	joanne.meusz@gad.gov.uk	trevor.llanwarne@gad.gov.uk

Government Actuary's Department commences public consultation on review of contracted-out rebates – different approach adopted for this review

The Government Actuary's Department today commences public consultation on the proposed assumptions for deriving contracted-out rebates for the period 2012 to 2017. For this review, the Government Actuary intends to adopt a slightly different approach, compared to that taken at previous reviews. Rather than make a recommendation for the defined benefit rebate, he will set out three alternative approaches for calculating the rebate, suggesting a rebate value for each. The purpose of this approach is that it will allow the Secretary of State to take his decision on the appropriate rebate with a good understanding of the range of possible values which might be adopted.

In light of the expected abolition of contracting-out on a defined contribution basis, the focus of this consultation is on the rebate for defined benefit pension schemes.

Public consultation is an important part of the Government Actuary's review. The Government Actuary's Department hopes that this consultation will provide constructive evidence based comments that will help refine our proposed assumptions.

A consultation document can be downloaded from the Government Actuary's Department website at

http://www.gad.gov.uk/Documents/Pensions%20Policy%20&%20Regulation/Rebate_Consultation/Consultation_by_GAD-Review_of_contracted-out_rebates_2012-2017.pdf

- ENDS -

Note to editors

1. The 'contracted-out rebate' is the effective reduction of National Insurance contributions for the members of pension schemes which are contracted-out of the state second pension.
2. The contracted-out rebate is set by the Secretary of State for Work and Pensions having considered the Government Actuary's advice on the cost of providing benefits of equivalent actuarial value to the state second pension that is forgone by workers who are contracted out.
3. The Government Actuary is required to produce a report on the defined benefit contracted-out rebate at least every five years. The purpose of the review is to identify changes in the factors affecting the appropriate level of the rebate. It has become established practice for the Government Actuary to recommend a defined benefit rebate rate based on appropriate assumptions. The Secretary of State for Work and Pensions can then set the rebate percentage having considered the Government Actuary's advice.
4. The Government Actuary's Department (GAD) has been working within government for almost a century. GAD offers actuarial analysis to governments and public sector organisations, in the UK and around the world, covering pensions, social security, insurance, investment and risk. With offices in London and Glasgow, GAD employs 140 people, of whom 60 are qualified actuaries.