

Trustee factsheet: Abolition of contracting out on a defined contribution basis

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What are the changes planned for April 2012?

- Contracting out of the additional State Pension on a defined contribution basis will be abolished from 6 April 2012. This will mainly affect contracted-out money purchase (COMP) schemes and sections of contracted-out mixed benefit (COMB) schemes contracted out on a defined contribution basis, but a few defined benefit schemes also contract out in this way.
- The employer will not be able to use a COMP scheme or section of a COMB scheme contracted out on a defined contribution basis to contract employees out of the additional State Pension. Employers will no longer be required to make minimum payments into the scheme and no further National Insurance rebates will be paid into your scheme.
- The additional rules governing how existing protected rights benefits should be treated will be removed. This means any protected rights built up before 6 April 2012 will become ordinary money purchase benefits. As protected rights will no longer exist, this may help to simplify administration in terms of record keeping, member communications and benefit processing.

The [DWP/HMRC employers factsheet](#) explains more about the abolition and highlights key considerations for employers.

What do you need to do?

As trustees of occupational pension schemes affected by the above, you will need to plan (if you are not doing so already) for the change by discussing the abolition with your associated employer(s) and advisors. Things to consider include:

In discussion with your associated employer

- The wider perspective in terms of any scheme review that is under way or being planned, such as in connection with the Government's plans for automatic enrolment under which minimum contributions must be paid for eligible employees to qualifying workplace pension schemes.
- The fact that rebates will no longer be available.
- Whether your scheme will continue under its existing conditions (for example, loss of minimum payments and the National Insurance rebates may impact on scheme design and funding).

Following the above

- Any scheme rule changes required and planning for those changes to be made.
- When and how any scheme changes will be communicated to members in the run up to the abolition date.
- The implications of the above for the ongoing administration of your scheme.

Where can I find out more?

- Your professional advisors will have more information.