



Countdown Bulletin

The newsletter about the ending of contracting-out

Welcome to the January 2015 edition of the Countdown Bulletin

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Did you know there is only
15 months to go until the
ending of Contracting-out



Scheme Reconciliation

Due to business as usual IT upgrades on HMRC systems which are not related to the Scheme Reconciliation Service, we will be unable to provide any Scheme Reconciliation output for expressions of interest received between 23 December 2014 and 12 February 2015 until after 20 February 2015 when the first upgrade is complete. We will also be unable to provide output for expressions of interest received on or after 13 February 2015 until after 6 April 2015 when the second upgrade is complete.

Withdrawal of Temporary SCON

Since April 2014 the SCON in addition to the Employers Contracting-out Number (ECON) has been mandatory on Full Payment Submissions (FPS) through RTI for Contracted-out Employers.

To help employers/payroll providers HMRC gave access to a temporary SCON for use where the correct SCON was unavailable at the time they completed their FPS.

Since the last update in September:

- The number of PAYE Schemes submitting the temporary SCON has reduced.
- Out of 6.2m Contracted-out individuals the temporary SCON is being used for 37,818 individuals (as at December 2014).

Employers will not be able to use the temporary SCON on their FPS from April 2015, so must take action now to obtain and use their correct SCON(s). Recording the correct SCON is essential as HMRC will use this information to automatically close open periods of contracted-out employment following the ending of Contracting-out. This will then enable HMRC to provide membership and Guaranteed Minimum Pension (GMP) information to pension schemes from January 2017 and, from December 2018, information to individual scheme members.

Generic Notification Service (GNS) Messages

HMRC introduced an automated message in December 2014 which is sent to employers who continue to use the temporary SCON. The message directs employers to their Contracting-out certificate or the Pension Scheme Provider if they don't know the relevant SCON. Pension providers should be aware of the potential increase in queries about this. Please help employers to meet their filing deadline by providing the information quickly.

The GNS message reads:

"You have sent us a RTI submission using the temporary Scheme Contracted-out Number (SCON) S2769999P. It is important that you take action now to obtain and use the correct SCON on your 2014-15 submissions before the temporary SCON facility is withdrawn at the end of the 2014-15 tax year. This will prevent further contact from HMRC when the SCON on your submission is further validated at the end of the year and help you to avoid delays and potential filing penalties when sending your 2015-16 submissions."

If you don't know your SCON (or your client's SCON) you can find it on your (or your clients) Employer's Contracting-out certificate or by contacting your (or your clients) Pension Scheme Provider."

In addition to the GNS message we are continuing to monitor use of the temporary SCON. We are contacting those Employers and Payroll Providers who are still using the temporary SCON and advising the Employer/Payroll Provider that they must take action now to obtain and use their correct SCON(s) before April 2015.

What's new?

In the December Countdown Bulletin we advised that we were testing whether the Employers Contracting-out Number (ECON) could be provided on the Scheme Reconciliation output. Based on your feedback, it was felt that providing the ECON would assist schemes when using the Contracted-out Contributions Information Service (COCIS).

Following testing we are happy to advise that the ECON will now be shown on any Scheme Reconciliation output received after 20th December 2014. We will only provide one ECON per member i.e. the final ECON recorded on HMRC records for the individual will be shown on the output.

Ceased Schemes

From 6 April 2016 HMRC will no longer track Contracted-out rights. Therefore ceased schemes will not need to advise HMRC of any movement of membership, i.e. transfers etc. that take place after that date. All such movements will be the responsibility of schemes to continue to track. Any movement or method of preservation that occurs prior to 6 April 2016 will still need to be advised to HMRC and well in advance of December 2018 because from 2019, HMRC will no longer operate the current scheme cessation process and statements will be issued to individuals based on the final position recorded at the end of 2018.

As all schemes will be 'ceased' from 6 April 2016, even though some schemes will continue to actively accrue member benefits, there is no need to advise HMRC of any fundamental changes to the scheme itself after that date, i.e. closure, scheme mergers, winding-up etc. Any fundamental changes before 6 April 2016 will still need to be advised to HMRC and well in advance of December 2018.

We are currently considering what changes need to be made to existing scheme cessation processes to ensure that all activity on live scheme cessation files is completed by December 2018. Further information will be made available in future Countdown Bulletins.

GMP Self-serve Facility

Since Contracting-out began on 6 April 1978 HMRC, whilst under no statutory obligation, has provided schemes with GMP information either by automatic GMP statements, or when requested by pension schemes. With the introduction of new State Pension Contracting-out will end and HMRC will no longer track Contracted-out rights after 5 April 2016 therefore current statements will no longer be issued.

It is recognised however that some schemes may not hold the necessary information to re-calculate the GMP and require access to HMRC's records after 2016.

To support this HMRC will set up and maintain an on-line facility, which is planned to go live in April 2016, to allow schemes to request GMP calculations on a self-service basis.

The new facility will allow schemes to request calculations on an individual basis or to make bulk requests. Schemes will also be able to request a calculation for an individual more than once e.g. leaves pensionable service, transfers to another pension scheme, individual reaches pensionable age or dies.

The facility will also allow schemes to request Contracted-out contributions and earnings information to confirm the GMP amount.

Department for Work and Pensions (DWP) Update

Regulations

We will not be able to publish the Contracting-out regulations in the Spring as we had previously planned. As you know, there has been a lot going on in the private pensions world, with auto enrolment, the work on charges and quality, the new Defined Ambition and Collective formats, the pensions flexibilities announced in the Budget, and automatic transfers, to name but a few. All of this, in addition to the Pension Schemes Bill which is currently passing through its Parliamentary stages, has increased the pressure of urgent work.

We appreciate that you and your colleagues will be very disappointed with this news but we hope you will understand that the current challenges are very significant. We have had to prioritise the regulations packages we are working on to ensure that the statutory override regulations remain on track for early Spring publication, because employers that might want to use the statutory override will need time to prepare their changes. We will ensure that the Contracting-out regulations are published as soon as possible after the Election.

Factsheets for Employers, Employees and Trustees

A series of factsheets on the ending of Contracting-out of the additional State Pension from 6 April 2016 can be found on GOV.UK at www.gov.uk/government/publications/new-state-pension-information-for-employers-and-trustees-with-open-contracted-out-defined-benefit-pension-schemes

This guidance explains the impact of this change for employers, employees and trustees.

For employers

The employer's fact sheet explains what the changes are and what employers must do to prepare for the end of Contracting-out for defined benefit pension schemes from April 2016. Employers can supplement their own information with the information for employees published on GOV.UK when proposing to make changes to their salary-related pension scheme and preparing for the end of Contracting-out.

For trustees

This guidance explains how trustees of open, Contracted-out defined benefit pension schemes must prepare for the closure of the additional State Pension from April 2016.

State Pension Toolkit

DWP has published a State Pension Toolkit to help organisations and employers communicate the changes to the State Pension being introduced in April 2016.

From April 2016 the current State Pension will be replaced by the new simpler system. The new State Pension is designed to give people greater clarity about what they will get from the State in retirement and will affect everyone who reaches State Pension age on or after 6 April 2016.

To ensure that people get the right information, we have collated useful material into a toolkit for organisations to use.

The toolkit brings together simple and downloadable information across all of the State Pension changes including factsheets, videos, case studies and a [State Pension explained](#) guide. The toolkit will be regularly updated with new products.

You can access the State Pension Toolkit at www.gov.uk/government/collections/state-pension-toolkit

Please send your comments and requests for future content to nicholas.denton@dwp.gsi.gov.uk



Pension Conference 2015

Last year we held 2 conferences and you said in your feedback that you found them very useful. We intend to hold pension conferences again this year to bring you up to date with the Scheme Reconciliation Service and the proposed GMP Self-serve Facility.

As the agenda has yet to be finalised please let us know if you have any topics you would like us to cover.

We will contact you at a later date confirming the venues, dates and times and agenda.

If you would like to be added to our mailing list please send an e-mail with your contact details to Mailbox.Newstatepensionenquiries@hmrc.gsi.gov.uk

Feedback details

We are always keen to improve our products so your comments on the content and layout would be very welcome.

- Do you find the Countdown bulletins useful?
- Is there anything that could be improved?
- What articles would you like us to cover in future editions?

Please send any feedback on the Countdown Bulletin to:



Useful Links

HMRC's internet pages have moved to the Gov.uk site, you can access information using the link below:

www.gov.uk/nispi-pension-schemes-reconciliation-services

Contact the HMRC New State Pension Project Team

If you have any queries about the ending of contracting out, send an email to:

Mailbox.newstatepensionenquiries@hmrc.gsi.gov.uk

Please continue to deal with your usual NISPI contact for your day to day enquiries.

Contact details

If you have any general queries about Contracted-out Pensions please contact the helpline:

Opening hours

8.30am to 5.00pm, Monday to Friday

Closed weekends and bank holidays

0300 200 3507

For customers who are deaf or hearing or speech impaired:

0845 915 3296 (Textphone)