

These notes provide guidance on how to elect to contract-out of the State Second Pension via a contracted-out pension scheme.

An employer may elect that some or all of its employees are contracted-out of the State Second Pension via a contracted-out occupational pension scheme. The scheme will then provide its members with an additional pension, which replaces the State Second Pension scheme element of the state pension scheme.

How to notify HMRC

Complete form APSS101 and send it to:

HM Revenue & Customs
Pension Schemes Services
FitzRoy House
Castle Meadow Road
NOTTINGHAM
NG2 1BD

Completing the form

You must complete all of the boxes in the relevant part(s) of the form that apply to your scheme. An election to contract-out will not be complete unless all the information requested is provided. If you need more help, you can phone our helpline on **0845 600 2622**.

Part 1 General

1 What is the name and registration number of the scheme?

Enter the Pension Scheme Tax Reference (PSTR)

The PSTR is the unique reference allocated to your scheme by HMRC.

If the scheme was registered for tax relief and exemptions on or after 6 April 2006, or if you made a declaration that you were the scheme administrator of a deferred annuity contract made on or after 6 April 2006, this is the reference notified to the scheme administrator by HMRC in an online message on successfully registering the pension scheme. If the scheme administrator opted not to get pension scheme notifications over the internet they will have been sent a letter including the PSTR, acknowledging the scheme has been registered for tax purposes or that the declaration has been received.

If the scheme was set up before 6 April 2006 and the application for approval was processed before 31 March 2006, the scheme administrator will have been sent an approval letter containing the Superannuation Fund (SF) reference number. The Pension Schemes Online service will allow the scheme administrator to use this to access the scheme record for the first time. The PSTR will be given to the scheme administrator and/or authorised practitioner the first time they access Pension Schemes Online on or after 6 April 2006.

If the scheme was set up before 6 April 2006 but the application for approval was processed on or after 31 March 2006, your scheme administrator will be sent an approval letter including the PSTR.

Enter the SF reference

If the scheme was set up before 6 April 2006 and the application for approval was processed before 31 March 2006, the scheme administrator or practitioner will have been sent an approval letter containing the SF reference number.

Existing Scheme Contracted-out Number (SCON)

If the scheme already has a SCON enter it here.

2 What type of contracting-out certificate are you applying for?

Indicate the type of scheme you want a contracting-out certificate for:

- Occupational Pension Salary Related scheme (COSR). A scheme giving members a pension related to their earnings.
- Industry-wide contracted-out salary related scheme (COSR). A scheme giving members a pension related to their earnings that only employers in a specified industry can join.

3 Effective date of contracting-out

Enter the date from which you want contracting-out to start.

4 Details of the company responsible for the day-to-day management of the scheme

Enter the name, address, phone number and email address of the company resident in:

- the UK
- another European Union (EU) member state, or
- another state in the European Economic Area (EEA) (Liechtenstein, Iceland or Norway)

with responsibility for the day-to-day management of the scheme for contracting-out purposes, for example, the scheme administrator or practitioner.

Enter the reference number you want us to quote when contacting you.

5 Main trustee for the scheme

Enter the name, address, phone number and email address of the person or company appointed to carry out the provisions of the trust instrument, if applicable, under which benefits will be paid.

Enter the reference number, if applicable, you want us to quote when contacting you.

Part 2 Occupational pension schemes

6 Which type of notice has been issued?

Where possible, you should make an election to contract-out before the date from which the contracting-out certificate is to have effect. This may avoid retrospective adjustment of National Insurance contributions and claims for a refund.

Before making the election you must give either:

- a notice of intention to contract-out, or
- a notice of explanation.

Notice of intention

Where a notice of intention is applicable you cannot make an election before the date on which the notice of intention expires, but you must make it within three months of that date.

7 How was the notice issued?

The notice to employees must be given in writing. Tick the appropriate box to confirm how the notice was issued.

8 Who have the copies of the notice been sent to?

Tick the appropriate box(es) to confirm who copies of the notice have been sent to.

9 What is the nature of the scheme?

Tick the appropriate box(es) to indicate the type of scheme.

Public service

A scheme established by, or under, Enactment, Royal Prerogative or Royal Charter as defined in Section 1 of the Pension Schemes Act 1993.

Centralised

A scheme with a common fund through which all the members' benefits are paid and, as such, there is an element of cross-subsidy between employers.

Overseas

A scheme established under an irrevocable trust, or by such other means as HMRC may approve, that is administered wholly or primarily outside the UK.

Industry-wide

A centralised or centrally administered scheme to which only employers in a specified industry are eligible to participate.

Wholly insured

A trust scheme with no investments other than policies of insurance, the effecting of which constitutes the carrying out of long term business falling within Class 1 or 3 of Schedule 1 of the Insurance Companies Act 1982.

Centrally administered

A scheme which consists of a number of individual schemes which are administered on a central basis. There is no common fund and no element of cross-subsidy.

Individual arrangement

A scheme that applies specifically to one person, normally public service schemes.

None of the above

The scheme does not have any special requirements as

defined above.

10 Contact details (overseas schemes only)

Enter the name and address of the scheme auditor

Enter the name and address of the person or company resident in:

- the UK
- another EU member state, or
- another state in the EEA (Liechtenstein, Iceland or Norway) who has responsibility for the day-to-day management of the scheme.

11 Tick the appropriate box to confirm which method of revaluation the scheme intends to use for any Guaranteed Minimum Pension (GMP) rights held in the scheme.

12 Employer details

Enter the employer's name and address.

Enter the employer's Company Registration Number (CRN), if appropriate. This number is obtained from Companies House.

13 Tick the appropriate box to indicate whether the employer currently has, or has ever had, an Employer Contracting-out Number (ECON).

If Yes, enter the ECON.

14 Tick the appropriate box to indicate whether the employer has ever been included on another employer's contracting-out certificate.

If Yes, enter the name, address and ECON of the employer that held the contracting-out certificate and the SCON.

15 Tick the appropriate box to indicate whether the employer is a subsidiary of a company that has ever been contracted-out.

If Yes, enter the name, address and ECON of that company.

16 Tick the appropriate box to indicate whether the employer named at box 12 is the principal employer for the scheme.

The principal employer is the company named in the trust deed which established the scheme, or in any amended trust deed which replaces it whether or not they are the holding company in the scheme or are contracted-out by reference to the scheme.

If No, enter the name, address, CRN and the ECON for the principal employer.

17 Tick the appropriate box to indicate the employments to be covered by the contracting-out certificate including, where appropriate, any exceptions.

18 Tick the appropriate box to indicate whether any subsidiaries are to be included in and covered by the contracting-out certificate.

If Yes, enter the name, CRN and their ECON. If you need to

make more entries continue on a separate sheet.

Part 3 Declaration

Where the scheme is an occupational pension scheme tick the box to confirm that it meets all the conditions in Regulation 6 of the Contracting-out Regulations (SI 1996/1172) that are applicable. This information can be found at www.legislation.gov.uk

The form must be completed by:

- the person responsible for the day-to-day management of the scheme
- the employer, or
- the trustee.

The main trustee is considered to be the person or company appointed to carry out the provisions of the trust instrument, if applicable, under which the benefits will be paid.

Inserting the date

The date entered in this box **must** be a date on or after the expiry date of the Notice of Intention you described at box 6 of this form. If the date entered in this box is earlier than the expiry date of the notice of intention, we will not be able to deal with your election.

Where the scheme is an occupational pension scheme and this form is not being submitted by the employer electing to contract-out, both boxes must be ticked to confirm that the content of the form has been approved by the employer and that they have authorised the submission of the form on their behalf. **Please note if these declarations should be made but both boxes are not ticked, the form will be returned to you.**

Supporting documents

For a COSR you must include the following documents with your election:

- a reference scheme test certificate signed by the scheme actuary (or where appropriate an actuary appointed under Regulation 24 of the Contracting-out Regulations), confirming that the scheme-based contracting-out test is satisfied, and
- a statement from the actuary confirming that a schedule of contributions is in place which, in their opinion, is

adequate for the scheme to be able to meet its contracted-out liabilities.

What happens next

Occupational schemes

When we get an election form with all of the required information, we will issue contracting-out certificates in respect of each employer. This will show an ECON, either the one that the employer already uses or a new one, and a SCON. These numbers are used to record and track NICs and pension liabilities and should be quoted on all correspondence concerning contracting-out.

We will also send a copy of the contracting-out certificate to the person responsible for the day-to-day management of the scheme.

Amending the election

The election can be amended at any time before we issue the contracting-out certificate, if the amendment does not alter the categories or descriptions of the earners to which the election relates. This might include amendment to any details given on the election which are subject to notice and consultation, provided that the correct information was shown on the notice or any minor amendment to details not subject to consultation and notice requirements.

If, however, an amendment would alter the categories or descriptions of earners, or incorrect information was shown on the original notice, the employer must issue fresh notices to all concerned, with the notice period running from when the new notice was issued.

How we use your information

HM Revenue & Customs is a Data Controller under the Data Protection Act 1998. We hold information for the purposes specified in our notification to the Information Commissioner including the assessment and collection of tax and duties, the payment of benefits and the prevention and detection of crime, and may use this information for any of them.

We may get information about you from others, or we may give information to them. If we do, it will only be as the law permits to:

- check the accuracy of information
- prevent or detect crime
- protect public funds.

We may check information we receive about you with what is already in our records. This can include information provided by you, as well as by others, such as other government departments or agencies and overseas tax and customs authorities. We will not give information to anyone outside HM Revenue & Customs unless the law permits us to do so.

For more information go to www.hmrc.gov.uk and look for *Data Protection Act* within the *Search* facility.