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**Changes to legislation:** There are currently no known outstanding effects for the Pensions Act 2007, SCHEDULE 2. (See end of Document for details)

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## SCHEDULES

### SCHEDULE 2

Section 11

#### ADDITIONAL PENSION: SIMPLIFIED ACCRUAL RATES

##### PART 1

###### NEW SCHEDULE 4B TO THE SSCBA

- 1 After Schedule 4A to the SSCBA (additional pension) insert the following Schedule.

“SCHEDULE  
4B

Section 45

#### ADDITIONAL PENSION: ACCRUAL RATES FOR PURPOSES OF SECTION 45(2)(D)

##### PART 1

###### AMOUNT FOR PURPOSES OF SECTION 45(2)(D)

- 1 (1) The amount referred to in section 45(2)(d) is to be calculated as follows—
- (a) calculate the appropriate amount for each of the relevant years within section 45(2)(d) to which Part 2 of this Schedule applies;
  - (b) calculate the appropriate amount for each of the relevant years within section 45(2)(d) to which Part 3 of this Schedule applies; and
  - (c) add those amounts together.
- (2) But if the resulting amount is a negative one, the amount referred to in section 45(2)(d) is nil.

##### PART 2

###### NORMAL RULES: EMPLOYMENT NOT CONTRACTED-OUT

###### *Application*

- 2 This Part applies to a relevant year if the contracted-out condition is not satisfied in respect of any tax week in the year.

###### *Appropriate amount for year*

- 3 The appropriate amount for the year for the purposes of paragraph 1 is either—

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- (a) the flat rate amount for the year (if there is a surplus in the pensioner's earnings factor for the year which does not exceed the LET), or
  - (b) the sum of the flat rate amount and the earnings-related amount for the year (if there is such a surplus which exceeds the LET).
- 4 The flat rate amount for the year is calculated by multiplying the FRAA in accordance with the last order under section 148AA of the Administration Act to come into force before the end of the final relevant year.
- 5 The earnings-related amount for the year is calculated as follows—
  - (a) take the part of the surplus for the year which exceeds the LET but which does not exceed the UAP;
  - (b) multiply that amount in accordance with the last order under section 148 of the Administration Act to come into force before the end of the final relevant year;
  - (c) multiply the amount found under paragraph (b) by 10%;
  - (d) divide the amount found under paragraph (c) by 44.

### PART 3

#### CONTRACTED-OUT EMPLOYMENT

##### *Application*

- 6 This Part applies to a relevant year if the contracted-out condition is satisfied in respect of each tax week in the year.

##### *Appropriate amount for year*

- 7 The appropriate amount for the year for the purposes of paragraph 1 is calculated as follows—
  - (a) calculate amounts A and B in accordance with paragraphs 8 to 10;
  - (b) subtract amount B from amount A.

##### *Amount A: assumed surplus not exceeding LET*

- 8 (1) Amount A is calculated in accordance with this paragraph if there is an assumed surplus in the pensioner's earnings factor for the year which does not exceed the LET.
- (2) In such a case, amount A is the flat rate amount for the year.
- (3) The flat rate amount for the year is calculated by multiplying the FRAA in accordance with the last order under section 148AA of the Administration Act to come into force before the end of the final relevant year.

##### *Amount A: assumed surplus exceeding LET*

- 9 (1) Amount A is calculated in accordance with this paragraph if there is an assumed surplus in the pensioner's earnings factor for the year which exceeds the LET.

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- (2) In such a case, amount A is calculated as follows—
- (a) take the part of the assumed surplus for the year which exceeds the LET but which does not exceed the UAP;
  - (b) multiply that amount in accordance with the last order under section 148 of the Administration Act to come into force before the end of the final relevant year;
  - (c) multiply the amount found under paragraph (b) by 10%;
  - (d) divide the amount found under paragraph (c) by 44;
  - (e) add the amount found under paragraph (d) to the flat rate amount for the year.
- (3) The flat rate amount for the year is calculated by multiplying the FRAA in accordance with the last order under section 148AA of the Administration Act to come into force before the end of the final relevant year.

#### *Amount B*

- 10 (1) Amount B is calculated as follows—
- (a) take the part of the assumed surplus for the year which exceeds the QEF but which does not exceed the UAP;
  - (b) multiply that amount in accordance with the last order under section 148 of the Administration Act to come into force before the end of the final relevant year;
  - (c) multiply the amount found under paragraph (b) by 20%;
  - (d) divide the amount found under paragraph (c) by the number of relevant years in the pensioner's working life.
- (2) Section 44B is to be ignored in applying section 44(6) for the purposes of this paragraph.

### **PART 4**

#### **OTHER CASES**

- 11 The Secretary of State may make regulations containing provision for finding for a tax year the amount referred to in section 45(2)(d)—
- (a) in cases where the circumstances relating to the pensioner change in the course of the year, and
  - (b) in such other cases as the Secretary of State thinks fit.

### **PART 5**

#### **INTERPRETATION**

- 12 In this Schedule—
- “assumed surplus”, in relation to a pensioner's earnings factor for a year, means the surplus there would be in that factor for the year if section 48A(1) of the Pension Schemes Act 1993 (no primary Class 1 contributions deemed to be paid) did not apply in relation to any tax week falling in the year;

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“the contracted-out condition”, in relation to a tax week, means the condition that any earnings paid to or for the benefit of the pensioner in that week in respect of employment were in respect of employment qualifying him for a pension provided by a salary related contracted-out scheme (within the meaning of the Pension Schemes Act 1993);

“the FRAA” has the meaning given by paragraph 13;

“the LET”, in relation to a tax year, means the low earnings threshold for the year as specified in section 44A above;

“the QEF”, in relation to a tax year, means the qualifying earnings factor for the year;

“relevant year” and “final relevant year” have the same meanings as in section 44 above;

“the UAP” means the upper accrual point.

- 13 (1) “The FRAA” means the flat rate accrual amount.
- (2) That amount is £72.80 for the flat rate introduction year and subsequent tax years (but subject to section 148AA of the Administration Act).”

## PART 2

### REVALUATION OF FLAT RATE ACCRUAL AMOUNT

- 2 After section 148A of the Administration Act insert—

#### “148AA Revaluation of flat rate accrual amount

- (1) The Secretary of State must in the tax year preceding the flat rate introduction year and in each subsequent tax year review the general level of earnings obtaining in Great Britain and any changes in that level which have taken place during the review period.
- (2) In this section “the review period” means—
- (a) in the case of the first review under this section, the period beginning with 1st October 2004 and ending with 30th September in the tax year preceding the flat rate introduction year; and
  - (b) in the case of each subsequent review under this section, the period since—
    - (i) the end of the last period taken into account in a review under this section, or
    - (ii) such other date (whether earlier or later) as the Secretary of State may determine.
- (3) If on such a review it appears to the Secretary of State that the general level of earnings has increased during the review period, he must make an order under this section.
- (4) An order under this section is an order directing that for the purposes of Schedule 4B to the Contributions and Benefits Act—
- (a) there is to be a new FRAA for the tax years after the tax year in which the review takes place, and

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- (b) the amount of that FRAA is to be the amount specified in subsection (5) below, increased by not less than the percentage by which the general level of earnings increased during the review period.
- (5) The amount referred to in subsection (4)(b) is—
  - (a) in the case of the first review under this section, £72.80, and
  - (b) in the case of each subsequent review, the FRAA for the year in which the review takes place.
- (6) The Secretary of State may, for the purposes of any provision of subsections (4) and (5), adjust any amount by rounding it up or down to such extent as he thinks appropriate.
- (7) This section does not require the Secretary of State to direct any increase where it appears to him that the increase would be inconsiderable.
- (8) If on any review under this section the Secretary of State determines that he is not required to make an order under this section, he must instead lay before each House of Parliament a report explaining his reasons for arriving at that determination.
- (9) For the purposes of any review under this section the Secretary of State may estimate the general level of earnings in such manner as he thinks fit.
- (10) In this section—
  - “the flat rate introduction year” has the meaning given by section 122 of the Contributions and Benefits Act (interpretation of Parts 1 to 6 etc.);
  - “the FRAA” means the flat rate accrual amount (see paragraph 13 of Schedule 4B to the Contributions and Benefits Act (additional pension: simplified accrual rates for purposes of section 45(2)(d))).”

### PART 3

#### CONSEQUENTIAL AND RELATED AMENDMENTS

##### *Social Security Contributions and Benefits Act 1992 (c. 4)*

- 3 In section 39 of the SSCBA (rate of widowed mother's allowance and widow's pension) omit—
  - (a) “and Schedule 4A” wherever occurring; and
  - (b) subsection (3).
- 4 (1) Section 39C of the SSCBA (rate of widowed parent's allowance and bereavement allowance) is amended as follows.
  - (2) In subsection (1), after “section 46(2)” insert “ and (4) ”.
  - (3) In subsection (3), in each of paragraphs (a) and (b), for “sections” substitute “ provisions ”.
- 5 (1) Section 44 of the SSCBA (Category A retirement pension) is amended as follows.
  - (2) In subsection (5A), for “Schedule 4A” substitute “ Schedules 4A and 4B ”.

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- (3) In subsection (6), for “Schedule 4A” substitute “ Schedule 4A or 4B ”.
- 6        In section 46 of the SSCBA (modification of section 45 for calculating the additional pension in certain benefits) after subsection (3) insert—
- “(4) For the purpose of determining the additional pension falling to be calculated under section 45 above by virtue of section 39C(1) above in a case where the deceased spouse or civil partner died under pensionable age, section 45 has effect subject to the following additional modifications—
- (a) the omission of subsection (2)(d), and
- (b) the omission in subsection (3A)(b) of the words “before the flat rate introduction year”.”
- 7        In section 48A of the SSCBA (rate of Category B retirement pension for married person or civil partner) in subsection (4) for “Schedule 4A” substitute “ Schedules 4A and 4B ”.
- 8        In section 48B of the SSCBA (Category B retirement pension for surviving spouse or civil partner) in subsection (2), for “Schedule 4A” substitute “ Schedules 4A and 4B ”.
- 9        In section 48BB of the SSCBA (Category B retirement pension: entitlement by reference to benefits under section 39A or 39B) in subsection (5)—
- (a) for “Schedule 4A” substitute “ Schedules 4A and 4B ”; and
- (b) for the words from “subject” to the end substitute “ subject to section 46(3) above and to the following provisions of this section and the modification in section 48C(4) below. ”
- 10       In section 48C of the SSCBA (Category B retirement pension: general) in subsection (4), for “Schedule 4A” substitute “ Schedules 4A and 4B ”.
- 11       In Schedule 4A to the SSCBA (additional pension) in paragraph 1(2), omit “39(1),”.

*Pension Schemes Act 1993 (c. 48)*

- 12       In section 42 of the Pension Schemes Act 1993 (review and alteration of rates of contributions applicable under section 41) in subsection (1)(a)(ii) for “Schedule 4A” substitute “ Schedules 4A and 4B ”.

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