

**EXPLANATORY MEMORANDUM TO**  
**THE OCCUPATIONAL PENSION SCHEMES (CONTRACTING-OUT)**  
**(AMOUNT REQUIRED FOR RESTORING STATE SCHEME RIGHTS)**  
**AMENDMENT REGULATIONS 2007**

**2007 No. 366**

1. This explanatory memorandum has been prepared by the Department for Work and Pensions and is laid before Parliament by Command of Her Majesty.
2. **Description**
  - 2.1 The instrument updates actuarial tables used in making calculations of the amount required to be paid to the National Insurance Fund to reinstate certain members of contracted-out occupational pension schemes into the Additional State Pension (also known as the State Second Pension, formerly the State Earnings Related Pension Scheme).
3. **Matters of special interest to the Joint Committee on Statutory Instruments**
  - 3.1 None.
4. **Legislative Background**
  - 4.1 Members of contracted-out occupational pension schemes do not build up full rights to Additional State Pension in respect of periods when they are paying reduced rate National Insurance contributions as contracted-out employees.
  - 4.2 There are arrangements for reinstating a person into the Additional State Pension in certain cases where the contracted-out occupational scheme winds up underfunded. Such a scheme may offer this option to eligible members as an alternative to other approaches to securing the available funds (for example, purchasing a deferred annuity from an insurance company or paying a lump sum to another occupational or private pension scheme to purchase rights for the member in that scheme). Where a member chooses to have his rights to Additional State Pension restored for the period in question, the scheme pays a premium to the National Insurance Fund in that respect.
  - 4.3 The Occupational Pension Schemes (Contracting-out) (Amount Required for Restoring State Scheme Rights) Regulations 1998 set out the detailed method of calculation which must be employed in working out how much the premium payable should be in each individual case. The Regulations set out actuarial formulae and tables applying to members and surviving dependants according to age and gender, adjusted according to the prevailing level of interest rates. The tables

are revised from time to time - as by the current instrument - to update the factors based on actuarial advice on the effects of changes in estimates of life expectancy and similar relevant considerations.

- 4.4 As the regulations prescribe actuarial tables, they are exempted under section 185(2) of the Pension Schemes Act 1993 from the requirement to consult publicly.

## **5. Territorial Extent and Application**

- 5.1 This instrument applies to all of the United Kingdom.

## **6. European convention on Human Rights**

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

## **7. Policy background**

- 7.1 The instrument makes technical changes to actuarial tables based on professional advice provided by the Government Actuary's Department. The updated tables will be used by scheme actuaries making calculations in the course of dealing with the winding-up of certain underfunded occupational pension schemes, and they will have ready access to the tables through commercially available pensions services.

## **8. Impact**

- 8.1 A Regulatory Impact Assessment has not been prepared for this instrument as it has no impact on the costs of business, charities or voluntary bodies.
- 8.2 This instrument imposes no costs on the public sector.

## **9. Contact**

Tim Found at the Department for Work and Pensions (Tel: 020 7712 2409 or e-mail: [tim.found@dpw.gsi.gov.uk](mailto:tim.found@dpw.gsi.gov.uk)) can answer any queries regarding the instrument.