



Social Security Pensions Act 1975

1975 CHAPTER 60

PART III

CONTRACTING-OUT

Contracted-out rates of contributions and benefits

27 Contracted-out rates of Class 1 contributions.

- (1) Where the earnings paid to or for the benefit of an earner in any tax week are in respect of an employment which is contracted-out employment at the time of the payment, the amount of a Class 1 contribution shall be the aggregate of—
- the normal percentage of so much of the earnings paid in that week in respect of the employment as does not exceed the current lower earnings limit; and
 - the contracted-out percentage of so much of those earnings as exceeds that limit but does not exceed the current upper earnings limit [^{F1}and
 - in the case of a secondary Class 1 contribution, the normal percentage of so much of those earnings as exceeds the current upper earnings limit.]
- (2) In subsection (1) above—
- “the normal percentage” means the percentage that would apply for the calculation of the amount of the contribution if the employment were not contracted-out employment;
- “the contracted-out percentage” means—
- in the case of a primary Class 1 contribution, a percentage less by [^{F2}2·0] than the normal percentage;
 - in the case of a secondary Class 1 contribution, a percentage less by [^{F3}3·8] than the normal percentage.
- (3) In the case of earners paid otherwise than weekly the references in subsection (1) above to the current lower or upper earnings limit shall be construed as references to the prescribed equivalents.

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Changes to legislation: There are currently no known outstanding effects for the Social Security Pensions Act 1975, Cross Heading: Contracted-out rates of contributions and benefits. (See end of Document for details)

- (4) [^{F3}Where—
- (a) an earner has ceased to be employed in an employment; and
 - (b) earnings are paid to him or for his benefit within the period of 6 weeks, or such other period as may be prescribed, from the day on which he so ceased, that employment] shall be treated for the purpose of subsection (1) above as contracted-out employment at the time when the earnings are paid if it was contracted-out employment in relation to the earner when he was last employed in it.
- (5) This section shall not affect the amount of any primary Class 1 contribution which is payable at a reduced rate by virtue of regulations under [^{F4}section 19(4) of the Contributions and Benefits Act].
- (6) ^{F5}

Textual Amendments

- F1** Words added by [Social Security Act 1985 \(c. 53\)](#) Sch. 5, para. 17.
- F2** Figures substituted by Social Security (Class 1 Contribution—Contracted-out Percentages) Order 1987, art. 2. ([S.I. 1987/656](#)). New figures of 1·8 and 3·0 are to be substituted, with effect from 6.4.1993, for 2·0 and 3·8 respectively by [S.I. 1992/795](#), [art. 2](#)
- F3** Words substituted (with effect from 6.4.1987) by [Social Security Act 1986 \(c. 50\)](#), [Sch. 10](#), para. 13
- F4** Words substituted (with effect from 1.7.1992) by [Social Security \(Consequential Provisions\) Act 1992 \(c. 6\)](#), [Sch. 2](#), para. 21
- F5** [S. 27\(6\)](#) repealed by [Social Security Act 1989 \(c. 24\)](#), [Sch. 9](#). Repeal takes effect on 21.7.1989 by virtue of ss. 3 and 33(3)(a) and (g) Social Security Act 1989.

28 Review and alteration of contracted-out rates of Class 1 contributions.

- (1) The Secretary of State may from time to time, and shall when required by subsection (3) below, lay before each House of Parliament—
- (a) a report by the Government Actuary [^{F6}or the deputy Government Actuary] on the contracted-out percentages for the time being applying under section 27 above and any changes in the factors affecting the cost to occupational pension schemes of providing guaranteed minimum pensions; and
 - (b) a report by the Secretary of State stating whether he considers that, in view of the [^{F7}report of the Government Actuary or Deputy Government Actuary,] there should be an alteration in either or both of those percentages and, if so, what alteration is in his opinion required.
- (2) The changes referred to in paragraph (a) of subsection (1) above are, in the case of the first report under that paragraph, changes since the passing of this Act and, in the case of a subsequent report, changes since the preparation of the last report.
- (3) The Secretary of State shall lay such reports as aforesaid as soon as may be after the third anniversary of the coming into force of this section and thereafter at intervals of not more than five years.
- (4) If in a report under subsection (1)(b) above the Secretary of State states that he considers that there should be an alteration in either or both of the contracted-out percentages, he shall prepare and lay before each House of Parliament with the report the draft of an order making that alteration; and if the draft is approved by resolution of each House the Secretary of State shall make the order in the form of the draft.

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- (5) An order under subsection (4) above shall have effect from the beginning of such tax year as may be specified in the order, but not a tax year earlier than the second after that in which the order is made.
- (6) No alteration of the contracted-out percentages shall introduce any distinction on grounds of age or sex.
- [^{F8}(7) A draft of an order making alterations in either or both of the contracted-out percentages may contain consequential provisions altering any percentage for the time being specified in paragraph 2(2) of Schedule 3 to this Act as that percentage applies in relation to earnings paid or payable on or after the day as from which the order is to have effect.]

Textual Amendments

- F6** Words inserted by [Social Security \(Consequential Provisions\) Act 1992 \(c. 6\), Sch. 2, para. 22\(a\)](#)
- F7** Words substituted (with effect from 1.7.1992) by [Social Security \(Consequential Provisions\) Act 1992 \(c. 6\), Sch. 2, para. 22\(b\)](#)
- F8** [S. 28\(7\)](#) inserted by [Social Security Act 1985 \(c. 53\), Sch. 5, para. 18](#)

29 Contracted-out rates of benefit.

- (1) Where for any period a person is entitled both—
- (a) to a Category A or Category B retirement pension, a widowed mother's allowance [^{F9}, a widow's pension or a widower's invalidity pension under [^{F10}section 41 of the Contributions and Benefits Act]]; and
 - (b) to one or more guaranteed minimum pensions,
- the weekly rate of the benefit mentioned in paragraph (a) above shall for that period be reduced by an amount equal to its [^{F11}additional pension] or, if less, an amount equal to the weekly rate or aggregate weekly rates of the pension or pensions mentioned in paragraph (b) above.
- (2) For the purposes of this section [^{F12}and sections [^{F13}29A, 29B and 29C below]] a person shall be treated as entitled to any guaranteed minimum pension to which he would have been entitled—
- [^{F14}(a)] if a lump sum had not been paid instead of that pension under provisions included in a scheme by virtue of section 39 below or
 - [^{F14}(b)] if that pension had not been forfeited under any such provisions [^{F15}or
 - [^{F14}(c)] if as a result of a transfer payment or transfer under regulations made by virtue of section 38 below he is no longer entitled to guaranteed minimum pensions under the scheme by which the transfer payment or transfer is made and has not as a result of the transfer payment or transfer become entitled to guaranteed minimum pensions under the scheme to which the transfer payment or transfer is made]] [^{F14}or
 - (d) if its commencement had not been postponed, as mentioned in section 33(3) below.]
- [^{F16}(2A) Subject to subsection (2B) below, where for any period minimum payments have been made in respect of an earner to an occupational pension scheme which, in relation to the earner's employment is a money purchase contracted-out scheme, then, for the purposes of this section and sections [^{F17}29A, 29B and 29C below]—

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- (a) the earner shall be treated, as from the date on which he reaches pensionable age, as if he were entitled to a guaranteed minimum pension at a prescribed weekly rate arising from that period in that employment; and
 - (b) in prescribed circumstances, in relation to any widow or widower of the earner—
 - (i) if the earner died after reaching pensionable age, any widow or widower of the earner shall be treated as entitled to a guaranteed minimum pension at a rate equal to one-half of the rate prescribed under paragraph (a) above; and
 - (ii) if the earner died before reaching pensionable age, any widow or widower of the earner shall be treated as entitled to a guaranteed minimum pension at a prescribed weekly rate arising from that period.
- (2B) Where the earner is a married woman or widow, subsection (2A) above shall not have effect in relation to any period during which an election that her liability in respect of primary Class 1 contributions shall be a liability to contribute at a reduced rate is operative.
- (2C) The power to prescribe a rate conferred by subsection (2A)(a) above includes power to prescribe a nil rate.]
- (3) References in this section [^{F18}and in sections 29A, 29B and 29C below] to the weekly rate of a guaranteed minimum pension are references to that rate without any increase under section 35(6) below.

Textual Amendments

- F9** Words substituted (with effect from 6.4.1988) by [Social Security Act 1986 \(c. 50\)](#), [Sch. 10](#), para. 14(a)
- F10** Words substituted (with effect from 1.7.1992) by [Social Security \(Consequential Provisions\) Act 1992 \(c. 6\)](#), [Sch. 2](#), para. 23(1)
- F11** Words substituted (with effect from 6.4.1987) by [Social Security Act 1986 \(c. 50\)](#), [s. 18\(1\)](#).
- F12** Words inserted (with effect from 1.5.1987) by [Social Security Act 1986 \(c. 50\)](#), [Sch. 10](#), para. 14(b)(i).
- F13** Words substituted (with effect from 1.7.1992) by [Social Security \(Consequential Provisions\) Act 1992 \(c. 6\)](#), [Sch. 2 para. 23\(2\)](#)
- F14** Reference letters (a), (b) and (c), word “or” and paragraph (d) inserted (1.10.1989) by [Social Security Act 1989 \(c. 24\)](#), [Sch. 1](#), para. 11.
- F15** Words added (with effect from 6.4.1988) by [Social Security Act 1986 \(c. 50\)](#), [Sch. 10](#), para. 14(b)(ii).
- F16** [S. 29\(2A\)–\(2C\)](#) inserted (with effect from 6.4.1988) by [Social Security Act 1986 \(c. 50\)](#), [Sch. 2](#), para. 3.
- F17** Words substituted (with effect from 1.7.1992) by [Social Security \(Consequential Provisions\) Act 1992 \(c. 6\)](#), [Sch. 2 para. 23\(2\)](#)
- F18** Words inserted (with effect from 1.7.1992) by [Social Security \(Consequential Provisions\) Act 1992 \(c. 6\)](#), [Sch. 2 para. 23\(3\)](#).

Modifications etc. (not altering text)

- C1** Where minimum contributions have been paid to a personal pension scheme, subsections (1) and (2) above are modified (4.1.1988) by the [Social Security Act 1986 \(c. 50\)](#), [s. 4](#) and by [S.I. 1987/1113](#), [regs. 2](#) and 3. Where minimum payments have been made to a money purchase contracted-out scheme, s. 29 is modified (6.4.1988) by [S.I. 1987/1113](#), [regs. 4](#) and 5, under the powers in s. 29(2A) above.
- C2** [S. 29\(1\)](#) modified, in relation to certain persons entitled to widower's invalidity pension, by [Social Security Act 1986 \(c. 50\)](#), [s. 9\(5\)](#).

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- C3** S. 29(2) modified, for transfer payments to present-and some past-salary related contracted-out schemes, by reg. 4(3) of S.I. 1987/1118 with effect from 27.7.1987.for personal pension schemes and 6.4.1988 otherwise
- C4** S. 29(2) modified, where a personal pension protected rights premium is paid, by Social Security Act 1986 (c. 50), S. 5(9)(b).
- C5** S. 29(2A) is modified, where a personal pension protected rights scheme is paid, by Social Security Act 1986 (c. 50), s. 5(9)(b).

- [^{F19}29A
- (1) Where for any period—
- (a) a person is entitled to one or more guaranteed minimum pensions; and
 - (b) he is also entitled to an invalidity pension under section 33 of the Contributions and Benefits Act; and
 - (c) the weekly rate of his invalidity pension includes an additional pension such as is mentioned in section 44(3)(b) of that Act,
- for that period section 34 of that Act shall have effect as if the following subsection were substituted for subsection (5)—
- “(5) In this section “the relevant amount” means an amount equal to the aggregate of—
- (a) an amount equal to the additional pension; and
 - (b) an amount equal to the weekly rate or aggregate weekly rates of the guaranteed minimum pension or pensions,
- reduced by the amount of any reduction in the weekly rate of the invalidity pension made by virtue of section 29 of the Pensions Act.”
- (2) Where for any period—
- (a) a person is entitled to one or more guaranteed minimum pensions; and
 - (b) he is also entitled to an invalidity pension under section 33 of the Contributions and Benefits Act; and
 - (c) the weekly rate of his invalidity pension does not include an additional pension such as is mentioned in section 44(3)(b) of that Act,
- for that period the relevant amount shall be deducted from the appropriate weekly rate of invalidity allowance and he shall be entitled to invalidity allowance only if there is a balance after the deduction and, if there is such a balance, at a weekly rate equal to it.
- (3) In subsection (2) above “the relevant amount” means an amount equal to the weekly rate or aggregate weekly rates of the guaranteed minimum pension or pensions reduced by the amount of any reduction in the weekly rate of the invalidity pension made by virtue of section 29 above.
- (4) Where subsection (2) above applies, section 34(7) of the Contributions and Benefits Act shall have effect as if for the words “subsection (4) above” there were substituted the words “section 29A(2) of the Pensions Act”.]

Textual Amendments

- F19** Ss. 29A, 29B and 29C inserted (with effect from 1.7.1992) by Social Security (Consequential Provisions) Act 1992 (c. 6), Sch. 2 para. 24.

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F20 29B Contracting-out and increases of Category A retirement pension for invalidity.

- (1) Where for any period—
- (a) a person is entitled to one or more guaranteed minimum pensions; and
 - (b) he is also entitled to a Category A retirement pension under section 44 of the Contributions and Benefits Act; and
 - (c) the weekly rate of his pension includes an additional pension such as is mentioned in section 44(3)(b) of that Act.

for that period section 47 of that Act shall have effect as if the following subsection were substituted for subsection (3)—

“(3) In subsection (2) above “the relevant amount” means an amount equal to the aggregate of—

- (a) an amount equal to the additional pension; and
- (b) an amount equal to the weekly rate or aggregate weekly rates of the guaranteed minimum pension or pensions,

reduced by the amount of any reduction in the weekly rate of the Category A retirement pension made by virtue of section 29 of the Pensions Act.”

- (2) Where for any period—
- (a) a person is entitled to one or more guaranteed minimum pensions; and
 - (b) he is also entitled to a Category A retirement pension under section 44 of the Contributions and Benefits Act; and
 - (c) the weekly rate of his Category A retirement pension does not include an additional pension such as is mentioned in section 44(3)(b) of that Act,

for that period the relevant amount shall be deducted from the amount that would otherwise be the increase under section 47(1) of that Act and the pensioner shall be entitled to an increase under that subsection only if there is a balance remaining after that deduction and, if there is such a balance, of an amount equal to it.

- (3) In subsection (2) above “the relevant amount” means an amount equal to the weekly rate or aggregate weekly rates of the guaranteed minimum pension or pensions reduced by the amount of any reduction in the weekly rate of the Category A retirement pension made by virtue of section 29 above.

Textual Amendments

F20 Ss. 29A, 29B and 29C inserted (with effect from 1.7.1992) by [Social Security \(Consequential Provisions\) Act 1992 \(c. 6\), Sch. 2 para. 24.](#)

F21 29C Contracting-out and increases of unemployment supplement.

- (1) Where for any period—
- (a) a person is entitled to one or more guaranteed minimum pensions; and
 - (b) he is also entitled—
 - (i) to an invalidity pension under section 33 of the Contributions and Benefits Act;
 - (ii) to a Category A retirement pension under section 44; or
 - (iii) to a Category B retirement pension under section 49; and

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(c) the weekly rate of the pension includes an additional pension such as is mentioned in section 44(3)(b) of that Act,

for that period paragraph 3 of Schedule 7 to that Act shall have effect as if the following sub-paragraph were inserted for sub-paragraph (3)—

“(3) In subsection (2) above “the relevant amount” means an amount equal to the aggregate of—

- (a) an amount equal to the additional pension; and
- (b) an amount equal to the weekly rate or aggregate weekly rates of the guaranteed minimum pension or pensions,

reduced by the amount of any reduction in the weekly rate of the pension made by virtue of section 29 of the Pensions Act.”

(2) Where for any period—

- (a) a person is entitled to one or more guaranteed minimum pensions; and
- (b) he is also entitled to any of the pensions under the Contributions and Benefits Act mentioned in subsection (1)(b) above; and
- (c) the weekly rate of the pension does not include an additional pension such as is mentioned in section 44(3)(b) of that Act,

for that period the relevant amount shall be deducted from the amount that would otherwise be the increase under that paragraph and the beneficiary shall be entitled to an increase only if there is a balance and, if there is such a balance, only to an amount equal to it.

(3) In subsection (2) above “the relevant amount” means an amount equal to the weekly rate or aggregate weekly rates of the guaranteed minimum pension or pensions.

Textual Amendments

F21 Ss. 29A, 29B and 29C inserted (with effect from 1.7.1992) by [Social Security \(Consequential Provisions\) Act 1992 \(c. 6\)](#), [Sch. 2 para. 24](#).

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