
Changes to legislation: There are currently no known outstanding effects for the Pensions Act 2007, Paragraph 1. (See end of Document for details)

SCHEDULES

SCHEDULE 2

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 Section 45
4B

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).”

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