



CONTRACTING OUT Q AND As

Q: Am I in a pension scheme/am I contracted out, at the moment?

A: You may contact us to find out if you have a contracted-out pension policy with us.

Q: If I contract in now can I contract back out in the future?

A: Yes. The decision is revocable in future. A decision can be taken every year in relation to that year.

Q: Can I contract in for past years?

A: No. You cannot contract back in for past years during which you were contracted out.

Q: What will happen to the money I have with you when I contract back in?

A: Rebate money that has been paid into your pension with us in respect of past years when you were contracted out will remain in your pension and continue to be invested so that it can be used to provide you with a pension income when you retire.

Q: When do I have to decide?

A: In relation to this tax year (2005 – 2006) you have to decide before the end of the tax year – April 2006 – whether to contract back in. If you decide to contract back in, we will send you a form to fill in and return to the Inland Revenue. You will then be contracted in for the year 2005-2006 and continue to be so for future tax years unless you choose to contract back out in future years and fill in another form. The decision to contract in or out is one you should consider every year.

Q: If I decide to contract back in, what do I do?

A: Any decision to contract back in to the State Second Pension should be recorded by completing HM Revenue and Customs (HMRC) form CA1543. You may download this form from our website, or if you prefer, ask us to send you a copy. Whichever way you obtain the form, please complete Section 4, and return it to us so we can complete our sections and forward it to HMRC for registration.

If you contract back in, the fund you have built up so far will remain invested with us until your chosen retirement date. You will start building State Second Pension benefits with effect from the “cancellation date” shown on form CA1543.

Don't forget that whether or not you remain contracted-in or out is a decision that can be reviewed each tax year.



Q: What happens if I do nothing?

A: You will remain contracted out and continue to receive rebates into your private pension unless or until you decide to contract back in.

Q: What should I do?

A: If you still feel you need advice, you should contact an independent financial adviser (IFA) – your own, if you have one, and if not you can find an IFA in your local area using the IFA Promotions website – www.unbiased.co.uk or by calling them on 0800 085 3250 (their consumer hotline).

Q: What impact does age have on my decision whether to contract back in?

A: You could gain or lose from contracting out at any age, but you are very likely to lose out if you are a women aged 54 and over or a man aged 60 or over. The Government has limited the rebates paid to these age groups which means that the pension these age groups would receive from contracting out is very unlikely to be as much as the pension they would receive from the S2P they would be giving up.

Q: If I contract back in, what guarantees are there that the Government will pay me a state second pension (S2P) when I retire?

A: There is no guarantee. A future Government could change the rules relating to S2P so that you actually receive more or less than you are expecting to under current rules. This is a risk you take on in contracting back in.

Q: What guarantees are there that my pension will be as good as S2P if I remain contracted-out?

A: There are no guarantees. You may get back less than you would have if you had stayed in S2P. This could happen for two reasons. Either the investments you purchase with your rebates may not return as much as you need to replace your S2P pension or annuity rates may be expensive when you retire meaning the fund you have built up will not be enough to buy you an annuity which will provide as much income as your S2P pension. Of course the upside is that you may be able to buy more than the S2P.

Q: Does contracting in or out affect my entitlement to the basic state pension?

A: No – it only affects your state second pension



Q: How can I find out what my state pension will be worth when I reach retirement age?

A: If you want a **forecast** of how much state pension you'll get when you retire, call the DWP Retirement Pension Forecasting Team on 0845 6016335. However, you need to be aware that this forecast is not directly comparable to the private pension forecast which you receive from us each year.

The two forecasts are based on different assumptions so cannot be compared e.g. cannot be used to determine if you would receive more money by staying in the state second pension than contracting out.

FURTHER INFORMATION:

You can get the Government's guide 'Contracted-out pensions: your guide (PM7)' from The Pension Service. You can also find useful information on State Pensions in general in the guide 'State Pensions – your guide (PM2)'. You can view both on **The Pension Service** website: (www.thepensionservice.gov.uk) or order copies by phoning 0845 7 31 32 33.

You can read the **Financial Services Authority's** guide 'Contracting out of the State Second Pension' on their website (www.fsa.gov.uk/consumer/pdfs/contracting_out.pdf) or order copies by phoning 0845 606 1234.

To find out about Pension Credit or other income-related benefits when you retire, call **The Pension Service** on 0845 60 60 265.

You can find some more general information about pension on the **Worksmart** website at www.worksmart.org.uk.

If you want to find out how much your personal or stakeholder pension is likely to be worth, use the ABI and FSA's pension calculator at www.pensioncalculator.org.uk.