

Abolition of contracting out of the State Second Pension for Defined Contribution schemes



1. What do I need to do?

Your existing investments will not be affected but it is important that you read this factsheet to understand how the abolition of contracting out will affect you. These changes will not affect any past or future entitlement you have to the Basic State Pension.

2. What is The TUTMAN B&CE Contracted-out Pension Scheme?

It is a contracted out Defined Contribution scheme that helps you build up your pension fund from National Insurance contribution rebates to provide an income by contracting out of the State Second Pension.

The scheme is an authorised unit trust and the rebates buy units in the trust. The trust invests in a range of asset classes (shares, property, fixed interest securities and deposits) both in the United Kingdom and overseas. The aim is to provide long-term capital growth on a medium risk basis.

As your pension fund is from National Insurance contribution rebates, it is a "Protected Rights" fund. These Protected Rights are intended to be used to provide benefits in place of the State Second Pension and are subject to certain restrictions.

3. What is happening?

The Government plans to end contracting out of the State Second Pension on a defined contribution basis from 6 April 2012. From this date you will no longer be able to contract out of the State Second Pension through a Defined Contribution scheme.

If you are contracted out at 6 April 2012, you will automatically be brought back into the State Second Pension. As you will no longer be a member of a contracted out scheme from 6 April 2012, you may build up entitlement to the State Second Pension from that date. Your rate of National Insurance contributions will not be affected by these changes.

In terms of pension legislation, your Protected Rights will become ordinary pension scheme rights from 6 April 2012. From this date, a scheme member who is married or in a civil partnership will no longer be required to provide a survivor's pension (annuity) in the event of their death.

4. Why has the Government decided to do this?

The Government believes this will help simplify the pensions system and decisions about retirement savings.

The National Insurance rebates invested in a contracted out scheme are intended to provide benefits broadly the same as those given up in the State Second Pension. However, benefits from defined contribution schemes can vary depending on investment returns and annuity rates. This means it is difficult for people to predict with any degree of certainty whether they would be better off in the State Second Pension or contracted out.

5. How will these changes affect the TUTMAN B&CE Contracted-out Pension Scheme?

On 6 April 2012, the scheme will cease to be an appropriate scheme (one that can be used to contract out).

The Government will not pay rebates into the scheme in respect of earnings paid in tax years from 6 April 2012 onwards. The rebates paid for tax years before 6 April 2012 will remain in the scheme to provide benefits in place of the State Second Pension for the time you were contracted out.

The rebates come via HM Revenue & Customs (HMRC) and are not paid into the scheme until the **tax year** following the year in which the National Insurance payments were deducted from your pay. If you are contracted out at 6 April 2012, we may still receive rebates after the abolition date, in respect of earnings paid in tax years before the 6 April 2012.

6. Will these changes affect the value of my units?

No, your existing investments will be unaffected by these changes. The value of your units can go down as well as up and is not guaranteed.

7. [Where can I find up to date investment fund prices?](#)

Buying and selling prices will be published daily on the Investment Management Association (IMA) website, www.investmentuk.org/investor-centre - click on the link for Daily fund prices, then click on the letter T at the top and find "B&CE Contracted-out Pn Schme" prices listed under Thesis Unit Trust Mgmt Ltd. For reasons beyond the control of the fund manager, these may not necessarily be the current dealing prices.

Also, you can write to us at: B&CE Financial Services Ltd, Manor Royal, Crawley, West Sussex, RH10 9QP or alternatively email: info@bandce.co.uk

8. [Will these changes allow me to cash in my units for a lump sum?](#)

No, most of the HMRC rules controlling how and when you can take your benefits are not changing.

- You will still only be able to take your benefits from age 55 (except due to serious ill health or incapacity).
- If you are 55 or over, you will still be able to take up to 25% of your fund as a tax free lump sum and use the remainder to buy a pension.
- If you are 60 or over, you may still be able to take your fund as a taxable lump sum under HMRC's trivial payment rules. These rules have not changed and the value of your fund (when combined with your other pension arrangements) must be below £18,000 (based on 2011/12 tax year).
- You will still have the option to transfer your fund to another pension scheme, such as our EasyBuild Stakeholder Pension Scheme. A Product Guide and Key Features Document is available on our website <http://www.bandce.co.uk/downloads/21950611EBProductGuideKeyFeatures.pdf> or can be sent to you on request.

9. [What happens if I take my benefits before 6 April 2012 or die before then?](#)

The benefits claimed will be subject to the existing HMRC rules and will be unaffected by these changes.

10. [So how will these changes affect how I can take my benefits on or after 6 April 2012?](#)

At the moment, if you buy a pension and are married or in a civil partnership, your pension must provide a survivor's pension to your widow, widower or registered civil partner after your death.

From 6 April 2012 you will be able to choose whether you have a pension that continues to your widow, widower or registered civil partner after your death.

11. [How will these changes affect the benefits payable if I die on or after 6 April 2012?](#)

If you die on or after 6 April 2012 but before taking your benefits, we will no longer need to pay a pension to your widow, widower or registered civil partner. Instead, we will be able to pay your fund as a tax free lump sum to your widow, widower, registered civil partner, any beneficiary you have nominated or to your estate.

If you wish to nominate a beneficiary, we can send you a Nomination Form on request and it is also available on our website <http://www.bandce.co.uk/Downloads/PensionsAndRetirement/COPS>

12. [Can I contract back in now?](#)

Yes, if you are currently contracted out, we will have enclosed a "The State Second Pension - Should you be contracted out?" booklet from the Money Advice Service. If you wish to contract back in to the State Second Pension now, you will need to complete the HMRC cancellation notice form (CA1543).

You will need to return a correctly completed CA1543 form to us before 31 March 2012 to ensure that HMRC receive the completed form by 5 April 2012. We can send you a CA1543 form on request and it is also available on HMRC's website <http://www.hmrc.gov.uk/nic/forms/ca1543.pdf>

13. [Where can I go if I want more information about these changes or some advice?](#)

- For more information, you can visit the government's Directgov website at <http://www.direct.gov.uk>
- You can contact The Pension Advisory Service (TPAS is an independent non-profit organisation that provides free information, advice and guidance about pensions) on 020 7630 2250 or you can visit their website at <http://www.pensionsadvisoryservice.org.uk>
- If you already have a financial advisor you may wish to speak to them about your retirement needs.
- Should you require advice, <http://www.unbiased.co.uk> will help you locate an Independent Financial Advisor (IFA) in your area. Please note, an IFA may charge you for this service.

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