

**APPROACHES TO  
THE CALCULATION OF PENSIONS TRANSFER  
VALUES**

**CONSULTATION ON DRAFT  
REGULATIONS**

JULY 2007

**DWP** Department for  
Work and Pensions

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## PREFACE

This consultation document seeks views on the enclosed draft regulations:

### **The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2007**

This document is on the Department's website at:

<http://www.dwp.gov.uk/consultations/2007/>

## How to respond

**Timing** Please ensure that your response reaches us by:

**17 AUGUST 2007**

**Address** Please send your responses, preferably by email, to:

Email: [mike.rochford@dwp.gsi.gov.uk](mailto:mike.rochford@dwp.gsi.gov.uk)

Mike Rochford  
Department for Work and Pensions  
3<sup>rd</sup> Floor  
Adelphi  
1-11 John Adam Street  
LONDON WC2N 6HT

Tel 020 7962 8126

## **Consultation arrangements**

Because of the specialised nature of this consultation, Ministers have decided that it is not appropriate to publish it under the provisions of the Cabinet Office Code of Practice on consultation. It does, however, apply best practice from the Code.

A list of those being consulted is attached at Annex A. If you have any suggestions of others who may wish to be involved in this process please contact us.

It would be very helpful when replying to indicate whether you are responding as an individual or representing the views of an organisation. If the response is on behalf of a larger organisation please make clear whom the organisation represents and, where applicable, how the views of members were assembled.

According to the requirements of the Freedom of Information Act 2000, all information contained in the response, including personal information may be subject to publication or disclosure. By providing personal information for the purposes of the public consultation exercise, it is understood that a Respondent consents to its disclosure and publication. If this is not the case, the Respondent should limit any personal information which is provided, or remove it completely. If a Respondent requests that the information given in response to the consultation be kept confidential, this will only be possible if it is consistent with Freedom of Information Act obligations and general law on this issue. The contact point if you want to discuss this is:

Charles Cushing  
Freedom of Information  
Department for Work and Pensions  
2nd Floor  
Adelphi  
1-11 John Adam Street  
London WC2N 6HT

More information about the Freedom of Information Act can be found on the website of the Ministry of Justice:  
<http://www.justice.gov.uk/whatwedo/freedomofinformation.htm>

## **Feedback**

A summary of responses will be published following the consultation. The Government will aim to publish this summary within three months of the consultation closing. The summary of responses will be available on the Department's website: <http://www.dwp.gov.uk/consultations/2007/>. If you have any comments, suggestions or complaints about the way in which this consultation exercise has been conducted please contact the Departmental Consultation Co-ordinator:

Roger Pugh  
Department for Work and Pensions Consultation Co-ordinator  
2<sup>nd</sup> Floor, Britannia House  
2 Ferensway  
HULL HU2 8NF  
*Telephone: 01482 609571*  
*Fax: 01482 609658*  
*e-mail: [roger.pugh@dwp.gsi.gov.uk](mailto:roger.pugh@dwp.gsi.gov.uk)*

# POLICY

## Introduction

1. This consultation is to seek views on draft regulations on the calculation of cash equivalent transfer values:

### **The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2007**

In this document these draft regulations are called the “**new Transfer Values regulations**”. The current **Occupational Pension Schemes (Transfer Values) Regulations 1996 SI 1996/ 1847** are referred to as the “**Principal Regulations**”.

2. The first part of this section describes the **background to the policy**. The second part considers a number of **policy issues**.

## **Background to the policy**

3. The current arrangements for the calculation of cash equivalent transfer values have broadly been in place since the mid-1980s. Regulations set out the structure for the way that cash equivalents are to be calculated and a mandatory Guidance Note (GN11), issued by the Actuarial Profession, contains the detailed framework for the calculations. (In April 2007 GN11 was adopted by the Board for Actuarial Standards.)
4. In May 2005, the Actuarial Profession issued a draft revised version of GN11, known as Exposure Draft 54 (“EXD54”). The proposals in EXD54 would have substantially altered the framework for the calculation of cash equivalent transfer values. The consultation gave rise to a wide range of views. As a result, the Actuarial Profession asked the Government to reconsider the legislative basis

for the calculation of pensions transfer values. On 21 March 2006, Stephen Timms MP, the then Minister for Pensions Reform, announced that the Government intended to review the legislation with a view to setting out in regulations the principles underpinning the framework for the calculation of cash equivalent transfer values<sup>1</sup>.

### **Consultation**

5. On 27 June 2006, the Department issued the consultation document *Approaches to the Calculation of Pensions Transfer Values*<sup>2</sup>. There were sixty-nine responses to the consultation. The great majority of respondents favoured a “scheme specific” approach. On 18 January 2007, James Purnell MP, the former Minister for Pensions Reform announced the Government’s decisions on pensions transfer values<sup>3</sup>. A *Response to the Consultation* was also published<sup>4</sup>.

### **Policy issues**

6. The process of transposing GN11 into regulations has given rise to a number of issues and these are considered in this part.

7. **Guidance** At present there are no plans for the Board for Actuarial Standards to issue a standard to support the **new Transfer Values regulations**. The draft regulations should therefore be considered on their merits.

8. **Consequential amendments** Other sets of regulations make use of the cash equivalent methodology to value pension rights for other purposes, in particular for pension sharing on divorce. The **new Transfer Values**

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<sup>1</sup> Weblink: [http://www.publications.parliament.uk/pa/cm200506/cmhansrd/cm060321/wmstext/60321m03.htm#60321m03.html\\_spm2](http://www.publications.parliament.uk/pa/cm200506/cmhansrd/cm060321/wmstext/60321m03.htm#60321m03.html_spm2)

<sup>2</sup> Weblink: <http://www.dwp.gov.uk/publications/dwp/2006/calc-ptv.pdf>

<sup>3</sup> Weblink: <http://www.publications.parliament.uk/pa/cm200607/cmhansrd/cm070118/wmstext/70118m0002.htm#07011842000273>

<sup>4</sup> Weblink: <http://www.dwp.gov.uk/publications/dwp/2006/response-calc-ptv.pdf>

**regulations** therefore make consequential amendments to a number of other sets of regulations which involve the valuation of pension rights. These are listed in the Schedule\* to the regulations.

[\*Note: For the avoidance of confusion, there are three “schedules” in the regulations. The Schedule containing the consequential amendments is at the end of the draft Statutory Instrument. The two other schedules, Schedules 1A and 1B will be inserted into the **Principal Regulations**.]

9. **Minimum amount** The **new Transfer Values regulations** are intended to define the minimum level for cash equivalent transfer values. The regulations do not prevent trustees from paying higher amounts if they consider it appropriate (subject of course to scheme rules and trust law etc).

10. **Role of employer** The draft regulations provide that the trustees are to be responsible for deciding the assumptions to be used in the calculation of transfer values. An argument has been made that the employer should be required to agree the assumptions, to mirror the arrangements in the Scheme Funding legislation. (Section 229(1)(a) of the Pensions Act 2004 provides that the trustees or managers must obtain the agreement of the employer to any decision as to the methods and assumptions to be used in calculating the scheme’s technical provisions.)

11. The Government considers that in relation to transfers the best way forward is to allow the trustees to decide the assumptions and, in doing so, to balance the interests of the various groups in the scheme.

12. **Administrative savings Paragraph 18 of Schedule 1A** to the draft regulations provides that where the member is transferring out of the scheme, the initial cash equivalent may be reduced to reflect any reasonable administration cost incurred by the scheme. (The “initial cash equivalent” means the cash equivalent before the reductions made by new Schedule 1A. The term

“cash equivalent” is therefore used to mean the net amount after reductions. Please see the *Commentary on the draft regulations* later in this document.) However the pension scheme will make some long term administrative savings because the member is leaving the scheme. Any long term savings may be set against the immediate costs.

13. **Disclosure of assumptions** There is no requirement in the regulations for the trustees to disclose the assumptions they have used to calculate a transfer value. To add such a requirement would be an extra burden for schemes. But it would be good practice for schemes to provide this information on request.

14. **HM Treasury guidance** For many public service pension schemes, a separate way of determining discount rates will be necessary because of the way they are structured. Treasury guidance will therefore set out the methodology these schemes are to use. The public service pension schemes required to use the methodology will be listed in the guidance. The guidance will be published in due course. In all other respects, cash equivalents for public service schemes will be calculated in accordance with the other regulations.

15. **Guaranteed statements of entitlement** Regulation 6 of the **Principal Regulations** provides for guaranteed statements of entitlement to be issued within set deadlines. The Department’s de-regulatory review is currently looking across the piece at all of the ways that information is provided to members. The requirements contained in regulation 6 will be considered as part of that review.

16. **Transitional issues** Under the regulations, from 6 April 2008 the trustees will become responsible for the calculation of cash equivalent transfer values. For salary related schemes, the date the cash equivalent is calculated will be the guarantee date. For money purchase schemes, the relevant date for the purposes of the calculation is either the date of application for the cash equivalent or the date of termination of pensionable service. However, even

where the relevant date is before 6 April 2008, the trustees will still be responsible for the calculation of the cash equivalent.

17. In addition, in order to minimise costs to schemes, the regulations also provide that “GN11 reports” existing at 6 April 2008 can continue to be used until, in the normal course of business, new insufficiency reports, prescribed in Schedule 1B of the new regulations, are prepared.

### **Other amendments**

18. The regulations also include two amendments which are not related to the withdrawal of GN11. One amendment corrects an error made by earlier amending regulations. The other amends the “early leavers”<sup>5</sup> regulations to change the arrangements by which the cash transfer sum is valued. Both amendments are discussed more fully in the section *Commentary on the draft regulations*.

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<sup>5</sup> The Occupational Pension Schemes (Early Leavers: Cash Transfer Sums and Contribution Refunds) Regulations 2006 SI 2006/33.

# DERIVATION FROM GN11

## Introduction

1. In developing the regulations, one part of the policy has been to adopt requirements contained in GN11, where appropriate. This section sets out which regulations are derived from GN11 and explains why other requirements in GN11 have not been transposed into regulations.

2. In considering this Part, please refer to GN11 v9.2<sup>6</sup>.

## GN11 paragraphs

3. **Para 1.1** This paragraph provides that GN11 has application to a variety of circumstances where a value has to be placed on a pension. However now that requirements are being incorporated into regulations, each set of regulations must contain those requirements.

4. **Para 1.2** The draft regulations which are the subject of this consultation only apply to Great Britain. N Ireland have responsibility for their own regulations.

5. **Para 1.3** No action required; this paragraph is about the use of terminology in GN11.

6. **Para 1.4** The policy is that the regulations should set a minimum level for cash equivalent transfer values and that trustees should be able to pay higher amounts where appropriate. This is provided for in **regulation 7(2)**.

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<sup>6</sup> Weblink:

<http://www.frc.org.uk/documents/pagemanager/bas/GN11%20Retirement%20Benefit%20Schemes%20-%20Transfer%20Values%20V9.2.pdf>

7. **Para 1.5** This paragraph is about the disclosure of directors' pensions in company reports and accounts. The Department for Business, Enterprise and Regulatory Reform is currently considering the arrangements that will apply from April 2008 when GN11 is withdrawn, as part of the process of restating the accounting schedules to the Companies Act 1985 as regulations under the Companies Act 2006 .
8. **Para 1.6** This paragraph is about pension sharing on divorce. The **Schedule** to the draft regulations contains the consequential amendments to be made to pension sharing regulations.
9. **Para 2.1** On the issue of consistency as between incoming and outgoing transfers, the draft regulations only apply to outgoing transfers. It will be for trustees to decide how to award benefits in respect of incoming transfers.
10. **Para 3.1** In similar manner to GN11, the regulations also provide that the cash equivalent should represent the expected cost within the scheme of providing the member's benefits.
11. **Para 3.2** The first sentence of this paragraph refers to the circumstances where the member has reached pension age but not yet taken his pension. In such a case, GN11 provides that benefits must be assumed to come into payment immediately.
12. This is an issue in relation the calculation of the scheme's total liabilities for the insufficiency report and for pensions on divorce purposes (where divorce occurs after the pension has come into payment). (The "insufficiency report" is the equivalent of the GN11 report and is the method by which initial cash equivalents may be reduced for underfunding. Please see **Schedule 1B** in the draft regulations and the *Commentary on the draft regulations*.) The regulations therefore provide that when valuing the rights of a member over pension age

whose benefits have not yet come into payment, the trustees must assume that benefits come into payment straightaway. Similarly where the pension rights of an active member are being valued, the trustees must assume that active service has ceased.

13. The second part of paragraph 3.2 allows the actuary to base calculations on different asset classes for different groups within the scheme. **Regulation 7B(3)** provides broadly for the same position; and this requirement is also included in the consequential amendments made to pension sharing regulations.

14. **Para 3.3 Regulation 7A(3)(b)** provides that the trustees shall determine the options available to the member, but shall only take into account those options which would increase the value of the cash equivalent.

15. **Para 3.4** This point is addressed in a generic way by **regulation 7B(1)**.

16. **Para 3.5 Regulation 7A(3)(c)** provides that the trustees shall determine the extent to which any discretionary benefits shall be taken into account. In considering this issue, trustees are to take account in particular of scheme rules and established custom.

17. The draft regulation is framed in a slightly different way to the existing regulation 8(2) and (3). Under the existing regulation, there is the expectation that discretionary benefits based on established custom would be taken into account unless a report from the actuary indicated that such an award would have adverse implications for scheme funding. The draft regulation is intended to simplify these arrangements and to allow trustees to focus on benefits. If the scheme is underfunded and initial cash equivalents have to be cut back accordingly, that is provided for separately in the regulations.

18. **Para 3.6** As mentioned above in relation to paragraph 2.1, the draft regulations only apply to outgoing transfers. It will be for trustees to decide the conditions that apply to incoming transfers. Where there are differences between incoming and outgoing transfers, the Government would expect that these were brought to the attention of any person wanting to transfer into the scheme.

19. **Para 3.7** Provision for administrative costs and savings is contained in **paragraph 18 of Schedule 1A** to the draft regulations.

20. **Para 3.8** The draft regulations do not prescribe how the component parts of cash equivalent are to be presented. This is something that the trustees will need to consider, taking the advice of the actuary as appropriate.

21. **Para 4.1 Regulation 7C(3)** provides that an outstanding age related payment from Her Majesty's Revenue and Customs is to be included in the initial cash equivalent. However where the age related payment will be sent to the member's new scheme, **paragraph 3 of Schedule 1A** of the draft regulations provides that the amount can be deducted from the initial cash equivalent.

22. **Paras 4.2 – 4.2.6** These paragraphs set out the requirements for the "GN11 report". The report is the basis on which cash equivalent transfer values can be reduced to reflect underfunding. In the draft regulations, this is called the "insufficiency report". **Regulation 7D(2)** provides that the trustees can request an insufficiency report from the actuary. **Paragraphs 4 to 8 of Schedule 1A** describe the way that the insufficiency report is to be used to reduce initial cash equivalents. **Schedule 1B** prescribes the content of the insufficiency report.

23. The requirements for the insufficiency report contained in **Schedule 1B** broadly replicate the requirements in GN11. There are some differences, as follows:

- **Data** GN11 provides that where a report is prepared other than in conjunction with a formal valuation, it need not be based on full audited accounts or full membership data. The regulations are silent on this issue. The actuary should use the best available data.
- **Market value** GN11 provides that the report is to be based on the market value of the scheme's assets or such higher amount as the actuary determines. For simplicity the regulations (**paragraph 4 of Schedule 1B**) only refer to the market value of scheme assets.
- **Winding up expenses** An allowance may be made in the report for winding up expenses. The allowance may only be made where the scheme is winding up.
- **Classes of member** For members in receipt of pensions or over normal pension age and not in receipt of pensions, GN11 provides that cash equivalents are to be calculated using the same rules as would apply where a pension is being valued for the purposes of divorce. In the draft regulations, the requirements for calculating pensions liabilities for all classes of members are contained in **paragraph 6 of Schedule 1B**.

24. **Para 4.3** This paragraph provides that where a cash equivalent transfer value may have an effect on scheme funding or may impact on the security of other member's benefits, the actuary should bring these matters to the attention of the trustees. Under the new arrangements, the trustees will be responsible for the calculation of transfer values, but will be required to consult the actuary. The draft regulations do not prescribe that the actuary must bring any particular matters to the attention of the trustees. These are matters best agreed between the actuary and the trustees.

25. **Paras 4.4 - 4.6** These paragraphs make provision for circumstances where a member who has previously transferred into the scheme now wants to transfer out of the scheme. The regulations make no equivalent provision. Instead regulations prescribe a minimum amount for cash equivalent transfer values. If trustees want to pay cash equivalent transfer values above the minimum level, that is a matter for the scheme and for the associated employer. On the other hand where a member, in these circumstances, is provided with a statement of entitlement, he or she ought to consider taking financial advice before going ahead with the transfer.

26. **Para 4.7** This paragraph requires the actuary to report to the trustees if an incoming cash equivalent transfer value is insufficient to provide statutory benefits for example a guaranteed minimum pension. The draft regulations only make provision in respect of outgoing transfers. Where it comes to the actuary's attention that an incoming transfer is insufficient to provide statutory benefits, the actuary ought to bring that matter to the attention of the trustees.

27. **Para 4.8** Regulation 8(8) of the **Principal Regulations** has been incorporated into the draft regulations, as **paragraph 11 of Schedule 1A**.

28. **Para 5.1** "Partial" cash equivalent transfer values are provided for by **paragraph 10 of Schedule 1A** to the draft regulations.

29. **Paras 6.1 – 6.2** The requirements in these two paragraphs are contained in **regulation 7C(1) and (2)**.

30. **Para 7.1** As with other aspects of pensions administration, the trustees will be able to delegate to administrators the responsibility for calculating cash equivalent transfer values. No regulation is needed to facilitate such delegation. On the other hand, the trustees will need to specify to administrators the

parameters for the assumptions that are to be used.

31. **Para 7.2** Under the new arrangements, the trustees will have responsibility for the calculation of cash equivalent transfer values. Certification of methods and assumptions by the actuary is no longer considered necessary.

# COMMENTARY ON DRAFT REGULATIONS

## General

1. The draft regulations provide as follows:

- **regulations 2 – 7** amend the Occupational Pension Schemes (Transfer Values) Regulations 1996 SI 1996/ 1847. (In this Commentary these are termed the “Principal Regulations”);

- **regulation 8** and the **Schedule** to the regulations makes various consequential amendments.

## Terminology

2. In the draft regulations, the phrase “initial cash equivalent” is used to mean the cash equivalent as calculated under regulations 7A to 7C before any reductions are made by regulation 7D and Schedule 1A. “Cash equivalent” is therefore the net amount after any such reductions. The phrase “initial cash equivalent” has been introduced to improve clarity in the way the regulations are drafted. There is no impact on the way that cash equivalents are calculated.

## Regulation 1

3. A general provision, setting out in particular the date the regulations are to come into force.

## Regulation 2

4. This regulation contains new definitions which are being inserted into the Principal Regulations.

### **Regulation 3**

5. Regulation 6 of the Principal Regulations provides that where the trustees, for reasons beyond their control, are unable to obtain the information required to calculate the cash equivalent transfer value, the period for the calculation can be extended from three to six months. The amending regulation omits the reference to “obtaining information”. Under the new arrangements, the trustees will be responsible for calculating the cash equivalent transfer value and obtaining information is only one part of that process. There could now be other reasons where, for reasons beyond the trustees’ control, the calculation is delayed. Regulation 6 is therefore being widened to reflect the new position. The extended period for the calculation of the cash equivalent transfer value will apply where, for any reason beyond their control, the trustees are unable to complete the calculation in the standard three month period.

6. On a separate matter, disclosure of information on pensions generally is one of the areas Chris Lewin and Ed Sweeney have been looking at as part of the Deregulatory Review on Private Pensions. It is possible that further changes will be made to the terms of this regulation following the outcome of the review.

### **Regulation 4**

7. This regulation substitutes five new regulations into the Principal Regulations (**regulations 7 to 7D**) in place of the existing regulations 7 and 8.

#### ***New regulation 7***

8. This regulation sets out some general requirements on the calculation of cash equivalent transfer values. In particular the regulation provides that trustees are responsible for the calculation and verification of cash equivalents. It also provides that amounts of cash equivalent transfer values calculated under the regulations are minimum amounts; trustees may pay higher amounts if they consider it appropriate. The regulation also specifies the dates by reference to

which cash equivalent transfer values are to be calculated.

***New regulation 7A***

9. This **regulation** and **regulation 7B** set out the principles for the calculation of initial cash equivalent transfer values for salary related benefits and they also prescribe the method to be used for the calculation. **Regulation 7A(1)** sets out the parameters for the calculation of the value of the member's accrued benefits, options and discretionary benefits.

10. **Regulation 7A(2)** provides that where a scheme is winding up, the trustees shall calculate the initial cash equivalent on the assumption that the scheme has not begun to wind up.

11. As a first step in calculating the initial cash equivalent transfer value, the trustees must establish the member's accrued benefits, options and discretionary benefits. This is provided for by **regulation 7A(3)**. In coming to a view about the member's benefits, **regulation 7A(3)** provides that the trustees must obtain the advice of the actuary.

12. Where a member has benefits in the scheme which are payable at different normal pension ages, the initial cash equivalent transfer value for each tranche of benefits should be calculated by reference to its appropriate normal pension age. This is provided for by **regulation 7A(4)**.

***New regulation 7B***

13. **Regulation 7B(1)** provides that the trustees shall determine the financial, economic and actuarial assumptions to be used in the calculation of cash equivalents. In determining the assumptions to be used, the trustees must obtain the advice of the actuary.

14. **Regulation 7B(2)** provides that when choosing demographic assumptions, the trustees shall have regard to the main characteristics of the members of their scheme. However where the membership is not sufficiently large, the trustees shall have regard to the characteristics of a wider population.

15. **Regulation 7B(3)** makes provision about the discount rates to be used in calculations. The overarching policy is that the discount rates used should reflect the scheme's investment policy and any relationship between that policy and different classes of members, where such a relationship has been articulated.

16. **Regulation 7B(4)** provides that any assumptions made by the trustees must be on a "best estimate" basis. The term "best estimate" is not defined in the regulations and must therefore take its ordinary everyday meaning, as developed for example in the context of the "best estimate" approach required when accounting for pension costs under Financial Reporting Standard 17 (FRS17).

17. **Regulation 7B(5)** makes provision about public service pension schemes. Public service pension schemes are, ultimately, backed by the taxpayer and special provision is therefore needed about the discount rates to be used in the calculation of initial cash equivalents. A mandatory guidance note on public service discount rates will be produced by HM Treasury. Those public service pension schemes listed in the guidance must follow the requirements in the guidance in determining their discount rates.

### ***New regulation 7C***

18. **Regulation 7C** makes provision about the calculation of initial cash equivalent transfer values for money purchase benefits. **Regulation 7C(1)** carries forward regulation 7(5) from the existing Principal Regulations, with some minor textual changes. **Regulation 7C(2)** is a new provision which sets out how money purchase benefits are to be valued where estimates have to be made of the value of benefits, for example certain kinds of with profits arrangements.

Where an age related payment is outstanding from HMRC, **regulation 7C(3)** provides that that payment is to be counted in the initial cash equivalent transfer value.

### ***New regulation 7D***

19. **Regulation 7D** introduces new **Schedules 1A and IB**.

### **Regulation 5**

20. **Regulation 5** amends regulation 11 of the Principal Regulations in the light of the changes introduced by new **regulations 7 – 7D**.

### **Regulation 6**

21. **Regulation 6** makes a minor amendment to regulation 12(5)(c) of the Principal Regulations. As part of the April 2006 tax changes, a consequential amendment was made to this regulation by article 12(2)(d)(iii) of the Taxation of Pension Schemes (Consequential Amendments of Occupational and Personal Pension Schemes Legislation) Order 2006 (SI 2006/744). Inadvertently the word “or” was included in the amendment. The opportunity is now being taken in these amending regulations to correct the position by omitting the word “or”.

22. The requirement in the regulation is that where an overseas transfer is being made from a scheme registered under section 153 of the Finance Act 2004, the transfer can only be made to a qualifying recognised overseas pension scheme as defined in section 169 of the Finance Act 2004.

### **Regulation 7(a) – (c)**

23. **Regulation 7(a) – (c)** amends Schedule 1 to the Principal Regulations. In part the amendments arise out of the introduction of new **regulations 7 – 7D**.

24. However the regulation also introduces a new requirement for a greater disclosure of information to members considering whether to transfer out. The

trustees will have to tell these members that the Financial Services Authority and the Pensions Regulator provide information that may assist in a decision as to whether to transfer. In addition these members will be told about the Pension Protection Fund and advised to consider taking financial advice before they go ahead with the transfer.

### **Regulation 7(d)**

25. **Regulation 7(d)** inserts new **Schedules 1A and IB**.

### ***New Schedule 1A***

26. This Schedule carries forward many of the provisions in regulation 8 of the Principal Regulations. But in addition some new requirements have been added, drawn from GN11.

27. **Paragraph 1** carries forward the provisions of regulation 8(15) of the Principal Regulations.

28. **Paragraph 2** carries forward the provisions of regulation 8(1) of the Principal Regulations but with some textual changes.

29. **Paragraph 3** is a new requirement. Where an age related payment is payable by HMRC, new **regulation 7C(3)** requires that it is to be counted as part of the initial cash equivalent. However in some cases, the age related payment will be sent to the member's new scheme. In such cases this paragraph allows the trustees to deduct the amount of the age related payment from the initial cash equivalent before it is sent to the member's new scheme.

30. **Paragraph 4** carries forward the provisions of regulation 8(4) of the Principal Regulations. In these amending regulations, the report which was usually known as the "GN11 report" is now called the "insufficiency report".

31. **Paragraph 5** carries forward the provisions of regulation 8(4A) of the Principal Regulations. For the purposes of the GN11 report, the scheme's liabilities are described in terms of "cash equivalents". However the use of this term could be confusing, because in particular some members are not entitled to cash equivalents. The draft regulations therefore use the term "insufficiency report liabilities" as meaning the sum of the scheme's liabilities (as calculated by **paragraph 6 of Schedule 1B**).
32. **Paragraph 6** carries forward the provisions of regulation 8(4B) of the Principal Regulations.
33. **Paragraph 7** carries forward the provisions of regulation 8(4C).
34. **Paragraph 8** carries forward the provisions of regulation 8(5).
35. **Paragraph 9** carries forward the provisions of regulation 8(7).
36. **Paragraph 10** is a new requirement, derived from paragraph 5.1 of GN11. Section 96(2) of the Pension Schemes Act 1993 provides that where a transfer is being made from a contracted-out scheme to a contracted-in scheme, the contracted-out rights may remain in the contracted-out scheme. Where contracted-out rights remain in the contracted-out scheme, **paragraph 10** provides that the cash equivalent of those rights is to be deducted from the member's initial cash equivalent.
37. **Paragraph 11** carries forward the provisions of regulation 8(8) of the Principal Regulations.
38. **Paragraph 12** carries forward the provisions of regulation 8(9).

39. **Paragraph 13** carries forward the provisions of regulation 8(10).
40. **Paragraph 14** carries forward the provisions of regulation 8(11).
41. **Paragraph 15** carries forward the provisions of regulation 8(12).
42. **Paragraph 16** carries forward the provisions of regulation 8(13).
43. **Paragraph 17** carries forward the provisions of regulation 8(14).
44. **Paragraph 18** takes forward the provision in paragraph 3.7 of GN11 that the initial cash equivalent may be reduced by an allowance for expenses where appropriate. However this **paragraph** also provides that any ongoing savings as a result of the member leaving the scheme may also be set against any costs.
45. **Paragraphs 19 and 20** carry forward regulations 7(2A) and (2B) of the Principal Regulations. The paragraphs apply only to the two Coal Board schemes mentioned in **paragraph 19**.

***New Schedule 1B***

46. **Schedule 1B** prescribes the requirements for insufficiency reports, drawing on paragraphs 4.2 to 4.2.6 of GN11.
47. **Paragraphs 1 - 3** set out the circumstances whereby the trustees can commission the actuary to produce an insufficiency report.
48. **Paragraph 4(a)** prescribes that the insufficiency report shall contain a comparison of the insufficiency report liabilities with the market value of the scheme assets at the effective date of the report.

49. **Paragraphs 4(b) and 5** provide for circumstances where the scheme is winding up. If the scheme is winding up, the actuary may deduct an allowance from the value of the assets to represent the expenses of scheme wind up. The allowance is to be such amount as the actuary considers appropriate.

50. **Paragraph 6** sets out the methodologies for valuing the pension liabilities of all scheme members for the purposes of the insufficiency report. The methodology is different for different categories of members. The “insufficiency report liabilities” are the sum of all of these liabilities.

51. **Paragraph 7** provides for the insufficiency report liabilities to be divided into the preferential categories of liability on winding up, as specified in section 73(3) of the Pensions Act 1995. In the report, the actuary must include estimates comparing the relevant assets with the relevant insufficiency report liabilities in respect of each category of liabilities.

52. **Paragraph 8** defines various terms for the purposes of **Schedule 1B**.

### **Regulation 8 and the Schedule**

53. **Regulation 8** introduces the Schedule to the regulations which contains the remainder of the consequential amendments.

54. In the main, the consequential amendments are made by means of cross referencing to the appropriate provisions in the Principal Regulations.

55. One set of these amendments in particular should be noted. The Occupational Pension Schemes (Early Leavers: Cash Transfer Sums and Contribution Refunds) Regulations 2006 (SI 2006/33) (“the Early Leavers regulations”) are being amended in two ways. Firstly the regulations are being amended to reflect the changes being made to the Principal Regulations.

Secondly an amendment is being made to provide that for, broadly speaking, defined contribution schemes, the amount of the cash transfer sum shall be increased or reduced to reflect the amount at the date investments are surrendered. New **regulation 2C(3)**, on page 18 of the draft regulations, makes provision for increases or decreases in the cash transfer sum of money purchase benefits because of investment return or interest.

56. Section 101AB(3) of the Pension Schemes Act 1993 provides that “cash transfer sum” means the cash equivalent at the date on which pensionable service terminates. However there could be a significant passage of time between the date on which pensionable service terminates and the date when the member notifies the trustees whether he wants a cash transfer sum or a contribution refund. In that period, the amount of the cash transfer sum may have changed because of payments of interest or changes in the value of underlying investments. This new **regulation** provides that the initial cash transfer sum may be increased or reduced to reflect its value at the date of surrender or disinvestment.

**2007 No. [Consultation draft]**

**PENSIONS**

**The Occupational Pension Schemes (Transfer Values)  
(Amendment) Regulations 2007**

*Made* - - - -

*Laid before Parliament*

*Coming into force* - -

*6th April 2008*

The Secretary of State for Work and Pensions makes the following Regulations in exercise of the powers conferred by sections 27(3), 93A, 97(1), (2)(b), (3)(c) and (4), 101AC(2)(a), 101AF(1) and (3), 101H(2) and (3), 101I, 101L, 113, 181(1) and 183(1) and (3) of the Pension Schemes Act 1993(a), 67D(4), 124(1) and 174(2) and (3), of the Pensions Act 1995(b) and sections 23(1)(b), 26(1) 30, 35(2)(b), 41(1) and (2) and 83(4) and (6) of, and paragraphs 5(b), 8, 9 and 10 of Schedule 5 to, the Welfare Reform and Pensions Act 1999(c).

[In accordance with section 185(1) of the Pension Schemes Act 1993(d) and section 83(11) of the Welfare Reform and Pensions Act 1999 he has consulted with such persons as he considers appropriate:]

**Citation, commencement and interpretation**

1.—(1) These Regulations may be cited as the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2007 and shall come into force on 6th April 2008.

(2) In these Regulations—

“the principal Regulations” mean the Occupational Pension Schemes (Transfer Values) Regulations 1996(e).

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- (a) 1993 c.48. Section 93A was inserted by section 153 of the Pensions Act 1995 (c.26) and amended by paragraphs 28 and 34 of Schedule 12 to the Welfare Reform and Pensions Act 1999 (c.30). Section 97 was amended by paragraph 4 of Schedule 6 to the Pensions Act 1995 (c.26) and paragraph 8(1) of Schedule 5 to the Child Support, Pensions and Social Security Act 2000 (c.19). Sections 101AC and 101AF were inserted by section 264 of the Pensions Act 2004. Section 101H, I and L were inserted by section 37 of the Welfare Reform and Pensions Act 1999. Section 113(1) was amended by, and section 113(3A) was inserted by, section 52 of the Child Support, Pensions and Social Security Act 2000. Section 183 was amended by paragraphs 15(b) and 45 of Schedule 3, paragraph 79 of Schedule 5 and paragraph 15(a) of Schedule 6 to the Pensions Act 1995, paragraphs 28 and 42 of Schedule 12 to the Welfare Reform and Pensions Act 1999 and paragraphs 9 and 32 of Schedule 12 to the Pensions Act 2004 (c.35). Section 181(1) is cited for the meaning there given to “prescribed” and “regulations”.
- (b) 1995 c.26. Sections 67 to 67I of the Pensions Act 1995 were substituted by section 262 of the Pensions Act 2004 (c.35). Section 124(1) of the Pensions Act 1995 is cited because of the meaning there given to “prescribed” and “regulations”.
- (c) 1999 c.30. Section 23(1)(b) was amended by paragraph 157(5) of Schedule 27 to, the Civil Partnership Act 2004 (c.33). Section 26(1) is cited for the meaning there given to “prescribed”.
- (d) Section 185(1) was amended by paragraph 46 of Schedule 3 and paragraph 80 of Schedule 5 to, the Pensions Act 1995.
- (e) S.I. 1996/1847. These regulations are amended by S.I. 1997/1613, 2003/1727, 2005/72, 686, 706 and 3377, and 2006/34 and 744 and 2007/60.

## **Amendment of regulation 1 of the principal Regulations**

**2.** In regulation 1(2) of the principal Regulations(**a**) (interpretation)—

(a) in the appropriate alphabetical places, insert—

““actuary” in relation to a scheme means—

(a) the actuary appointed under section 47(1)(b) of the 1995 Act (professional advisers) in relation to that scheme; or,

(b) in relation to a scheme to which that section does not apply—

(i) a Fellow of the Faculty of Actuaries(**b**);

(ii) a Fellow of the Institute of Actuaries(**c**); or

(iii) a person with other actuarial qualifications who is approved by the Secretary of State, at the request of the trustees of the scheme in question, as being a proper person to act for the purposes of these Regulations in connection with that scheme;

“discount rates” means the factors used to discount future payments of benefit for the purpose of placing a current value on them;

“initial cash equivalent” means the cash equivalent as calculated under regulations 7A to 7C before any reductions by virtue of regulation 7D;

“insufficiency report” means the actuary’s last relevant report before the guarantee date prepared in accordance with Schedule 1B of these Regulations;

“insurance policy” means an insurance policy which is a contract on human life or a contract of annuity on human life, but excluding a contract which is linked to investment funds;

“Pension Protection Fund” has the meaning given at section 110 of the Pensions Act 2004 (Board’s functions);

“salary related benefits” means benefits that are not money purchase benefits;

“statement of entitlement” has the meaning given in section 93A(1) of the 1993 Act;”;

(b) for the definition of “effective date”, substitute—

““effective date” means the date as at which the assets and liabilities are valued for the purposes of the insufficiency report;”;

(c) omit the definitions of “the Board for Actuarial Standards” and “scheme actuary”.

## **Amendment of regulation 6 of the principal Regulations**

**3.** For regulation 6(1) of the principal Regulations(**d**) (guaranteed statements of entitlement) substitute—

“(1) Subject to paragraph (1A)(**e**), the guarantee date in relation to a statement of entitlement must be—

(a) within the period of three months beginning with the date of the member’s application under section 93A of the 1993 Act (salary-related schemes: right to statement of entitlement) for a statement of entitlement; or

(b) where the trustees are unable to provide a statement of entitlement for reasons beyond their control within the period specified in sub-paragraph (a), within such longer period not exceeding six months beginning with the date of the member’s application as they may reasonably require.”.

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(a) Regulation 1 is amended by S.I. 1997/786 and 1613, 2003/1727 and 2005/3377.

(b) The Faculty of Actuaries can be contacted at Faculty of Actuaries, MacLaurin House, 18 Dublin Street, Edinburgh, EH1 3PP.

(c) The Institute of Actuaries can be contacted at Institute of Actuaries, Staple Inn Hall, High Holborn, London, WC1V 7QJ.

(d) Regulation 6(1) is amended by S.I. 2005/686.

(e) Regulation 1A is inserted by S.I. 1997/786.

## **Amendment of regulations 7 and 8 of the principal Regulations**

4.—(1) For regulations 7 and 8 of the principal Regulations, substitute—

### **“Manner of calculation of cash equivalents - general provisions**

7.—(1) The trustees shall be responsible for the calculation and verification of cash equivalents.

(2) The trustees shall not reduce a cash equivalent calculated under these Regulations, but may increase it.

(3) A cash equivalent shall be calculated in relation to—

- (a) in the case of salary related benefits, the guarantee date; and
- (b) in the case of money purchase benefits, the relevant date.

(4) In calculating the cash equivalent, the trustees shall first determine the initial cash equivalent in accordance with this regulation and 7A to 7C as appropriate.

### **Salary related benefits - basic features**

7A.—(1) For salary related benefits, the initial cash equivalent is the amount at the guarantee date, calculated on an actuarial basis in accordance with this regulation and regulation 7B, to make provision within the scheme for a member’s accrued benefits, options and discretionary benefits determined under paragraph (3).

(2) For the purposes of the calculation specified in paragraph (1), where a scheme has begun to wind up, the trustees shall assume that the scheme has not begun to wind up.

(3) The trustees shall determine, having obtained the advice of the actuary—

- (a) the benefits which have accrued to, or in respect of, the member under the scheme;
- (b) the options available to the member that would increase the value of his initial cash equivalent; and
- (c) the extent to which any discretionary benefits, including those based on the scheme rules and established custom, shall be taken into account.

(4) The initial cash equivalent shall be calculated by reference to—

- (a) the normal pension age of the scheme applicable to the member; or
- (b) where different normal pension ages apply to different tranches of benefit, the normal pension age for each tranche.

### **Salary related benefits - assumptions**

7B.—(1) Having taken the advice of the actuary, the trustees shall determine the assumptions as to the economic, financial and demographic factors to be used in the calculation of the initial cash equivalent.

(2) The assumptions as to demographic factors shall have regard—

- (a) to the main characteristics of the members of the scheme; or
- (b) where the members of the scheme do not form a large enough group to allow demographic assumptions to be drawn, to the characteristics of a wider population sharing similar characteristics to the members,

and any anticipated changes;

(3) Subject to paragraph (5), the assumptions as to the factors adopted in the determination of the discount rates in respect of the member shall have regard to—

- (a) the class of member to which that member belongs;
- (b) the scheme’s current investment strategy for that class of member;
- (c) the anticipated changes to the investment strategy as those members age; and

(d) the yield on assets held by the scheme and the anticipated future investment returns,  
in that order of priority.

(4) Any assumptions made by the trustees for the purposes of this regulation shall be made on a best estimate basis.

(5) In respect of a public service pension scheme, where the Treasury have provided guidance for the methodology for calculating discount rates in respect of such a scheme, the trustees shall adopt that methodology in that guidance, current at the guarantee date.

### **Money purchase benefits**

**7C.**—(1) Where an initial cash equivalent or any portion of that cash equivalent relates to money purchase benefits which do not fall to be valued in a manner which involves making estimates of the value of benefits, then that initial cash equivalent or that portion shall be calculated and verified—

- (a) in such manner as may be approved in particular cases by the trustees; and
- (b) in accordance with methods consistent with the requirements of Chapter 4 of Part 4 of the 1993 Act.

(2) Where the valuation of money purchase benefits involves making estimates of the value of benefits, the manner of calculation must be approved by the trustees, having obtained the advice of the actuary, and any assumptions used in the calculation must be made on a best estimate basis.

(3) Where an age-related payment under section 42A(3) of the 1993 Act is payable from Her Majesty's Revenue and Customs and is outstanding at the relevant date, the initial cash equivalent must be calculated on the basis that the payment has been made.

### **Reductions to initial cash equivalents: general**

**7D.**—(1) An initial cash equivalent may be reduced in the manner and to the extent specified in Schedule 1A.

(2) The trustees may request an insufficiency report from the actuary in accordance with Schedule 1B.

(3) The trustees may treat the actuary's last relevant GN11(a) report as an insufficiency report.”.

## **Amendment of regulation 11 of the principal Regulations**

**5.** Regulation 11 of the principal Regulations (disclosure) is amended as follows—

- (a) for paragraph (1), substitute—

“(1) Subject to paragraphs (1A) and (1B), an active member of any scheme, and a deferred member of a scheme which is a money purchase scheme, is entitled to receive from the trustees, on request, information in writing in accordance with Schedule 1.

(1A) Paragraph (1) does not apply where the request is within 12 months of the last occasion that such information was provided to the member.

(1B) Information provided under paragraph (1) shall be provided by the trustees as soon as reasonably practicable, and in any event within three months after the date that the member makes the request.”;

- (b) omit paragraph (2);

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(a) “GN11: Retirement Benefit Schemes – Transfer Values” was adopted by the The Board for Actuarial Standards on 6 April 2007. The Board for Actuarial Standards means the operating body of that name of the Financial Reporting Council. The Financial Reporting Council can be contacted at Planning & Resources, 5th floor, Aldwych House, 71 – 91 Aldwych, London WC2B 4HN.

- (c) in paragraph (3) omit “and (2)”; and
- (d) in paragraph (4)—
  - (i) omit sub-paragraph (b)(i);
  - (ii) in sub-paragraph (b)(ii), for “regulation 8” in both places where it appears, substitute “Schedule 1A”; and
  - (iii) omit head (vi)(cc).

#### **Amendment of regulation 12 of the principal Regulations**

**6.** In regulation 12(5)(c) of the principal Regulations (requirements to be met by receiving scheme, annuities and arrangements), for “or”, substitute “,”.

#### **Amendment of Schedule 1 to the principal Regulations**

**7.** Schedule 1 to the principal Regulations (information to be made available to members), is amended as follows—

- (a) in paragraph 1—
    - (i) for paragraph (a), substitute—
      - “(a) an estimate of its amount, calculated in accordance with regulations 7 to 7D on the basis that—
        - (i) the member's pensionable service terminated or will terminate on a particular date; and
        - (ii) that the member's pension would be payable—
          - (aa) from the date specified in regulation 7A(4); or
          - (bb) immediately, where the member is over normal pension age but pension benefits have not come into payment;”;
      - (ii) omit paragraph (d);
      - (iii) in paragraph (e), for “regulation 8” in both places where it occurs, substitute “Schedule 1A”; and
      - (iv) after paragraph 1, insert—
        - “(1A). In the case of a member with an entitlement to salary related benefits, the trustees shall—
          - (a) notify the member that the Financial Services Authority<sup>(a)</sup> and the Pensions Regulator<sup>(b)</sup> provide information about transfers that may assist in deciding whether to transfer;
          - (b) in the case of a scheme which the trustees believe is eligible to enter the Pension Protection Fund, notify the member of the existence of the Pension Protection Fund; and
          - (c) advise him to consider taking financial advice,
- before making an application under section 95 of the 1993 Act;”.
- (v) for paragraph 2(a), substitute—
    - “(a) an estimate of its amount, calculated in accordance with regulations 7 to 7D on the basis that—
      - (i) the member's pensionable service terminated or will terminate on a particular date; and
      - (ii) that the member's pension would be payable—

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<sup>(a)</sup> The Financial Services Authority can be contacted at [www.fsa.gov.uk](http://www.fsa.gov.uk).

<sup>(b)</sup> The Pensions Regulator can be contacted at [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk).

- (aa) from the date specified in regulation 7A(4); or
- (bb) immediately, where the member is over normal pension age but pension benefits have not come into payment;”;
- (b) in paragraph 2(d), for “of an actuary’s opinion” substitute “the insufficiency report shows”; and
- (c) after paragraph 2, insert—
  - “(3) In the case of a member with an entitlement to salary related benefits, the trustees shall—
    - (a) notify the member that the Financial Services Authority and the Pensions Regulator provide information about transfers that may assist in deciding whether to transfer;
    - (b) in the case of a scheme which the trustees believe is eligible to enter the Pension Protection Fund, notify the member of the existence of the Pension Protection Fund; and
    - (c) advise him to consider taking financial advice, before making an application under section 95 of the 1993 Act.”;
- (d) after Schedule 1, insert—

## “ SCHEDULE 1A

### Reductions in initial cash equivalents

- 1.** In a case where two or more paragraphs of this Schedule apply, they shall be applied in the order in which they occur in this Schedule.
- 2.** A cash equivalent such as is mentioned in section 93A of the 1993 Act shall not be reduced under this Schedule once it has become a guaranteed cash equivalent.
- 3.** Where an age related payment under section 42A(3) of the 1993 Act is payable to the receiving scheme rather than the transferring scheme, the initial cash equivalent shall be reduced by the amount of that payment.
- 4.** In the case of a scheme to which Part 3 of the 2004 Act (scheme funding) applies, the initial cash equivalent in respect of a member may be reduced by the trustees if the insufficiency conditions are met.
- 5.** The insufficiency conditions are that the last insufficiency report prepared in accordance with Schedule 1B shows that at the effective date of the report—
  - (a) the scheme had assets that were insufficient to cover the insufficiency report liabilities in respect of all the members, and
  - (b) the assets were insufficient to cover in full any category of insufficiency report liabilities that is an equivalent category of liabilities for benefits in respect of which the member's cash equivalent is being calculated.
- 6.** If the insufficiency conditions are met the trustees may reduce any part of the member's initial cash equivalent that is payable in respect of such an equivalent category of liabilities as are mentioned in paragraph 5(b) by a percentage not exceeding the deficiency percentage.
- 7.** The deficiency percentage for any such part of a member's initial cash equivalent is the percentage by which the insufficiency report shows that the assets were insufficient to cover that category of liabilities.

**8.** If, by virtue of regulations made under section 232 of the 2004 Act (power to modify provisions of this Part), Part 3 of that Act applies to a section of a scheme as if that section were a separate scheme, paragraphs 4 and 5 shall apply as if that section were a separate scheme and as if the references therein to a scheme were accordingly a reference to that section.

**9.** In a case where a contributions equivalent premium has been paid in respect of a member in accordance with section 55 of the 1993 Act (state scheme etc. premiums), the initial cash equivalent shall be reduced (to nil if need be) to the extent that it represents the member's accrued rights which have been extinguished by virtue of section 60 of the 1993 Act (effect of payment of premiums on rights) by payment of that premium.

**10.** Where an initial cash equivalent is being calculated in respect of contracted-out rights and the transfer would be to a contracted-in scheme, the cash equivalent of any rights retained by the contracted-out scheme under section 96(2) of the 1993 Act (further provisions concerning exercise of option under s. 95) shall be deducted from the initial cash equivalent.

**11.** Where a member's cash equivalent is to be used for acquiring transfer credits under the rules of another scheme or for acquiring rights under the rules of a personal pension scheme and the receiving scheme has undertaken to provide benefits at least equal in value to the benefits represented by that cash equivalent on payment of a lesser sum, including nil, then the initial cash equivalent shall be reduced so that the cash equivalent is that lesser sum.

**12.** Where effect has been given to protected rights in accordance with section 32A of the 1993 Act(a) (discharge of protected rights on winding up: insurance policies), the initial cash equivalent of those rights shall be reduced so that the cash equivalent is nil.

**13.** Where all or any of a member's benefits have been appropriately secured, the initial cash equivalent in respect of those benefits shall be reduced so that the cash equivalent is nil.

**14.** For the purposes of paragraph 13, "appropriately secured" means the same as in section 19 of the 1993 Act (discharge of liability where guaranteed minimum pensions secured by insurance policies or annuity contracts) except that a policy of insurance or annuity contract which is taken out or entered into with an authorised friendly society (as defined for the purposes of regulation 6 of the Occupational Pension Schemes (Preservation of Benefit) Regulations 1991(b) (means of assuring short service benefit)), but which otherwise satisfies the conditions for being appropriate for the purposes of section 19 of that Act, is to be treated as if it were appropriate for the purposes of that section provided the terms of such policy or contract are not capable of being amended, revoked or rescinded.

**15.** Where a scheme has (in the case of a cash equivalent mentioned in section 93A of the 1993 Act(c), before the guarantee date) begun to be wound up, an initial cash equivalent may be reduced to the extent necessary for the scheme to comply with the winding up provisions (as defined in section 73B(10)(a) of the 1995 Act(d)) and regulations made under those provisions.

**16.** If, by virtue of regulations made under section 73B(4)(b)(i) of the 1995 Act by virtue of section 73B(5) of that Act, the winding up provisions (as so defined) apply to a section of a scheme as if that section were a separate scheme, paragraph 15 shall apply as if that section were a separate scheme and as if the references therein to a scheme were accordingly references to that section.

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(a) Section 32A was inserted by section 146(1) of the Pensions Act 1995 and amended by S.I. 2001/3649.

(b) S.I. 1991/167 as amended by S.I. 1994/1062, 1995/35 and 3067 and 1997/786.

(c) Section 93A was inserted by section 153 of the Pensions Act 1995 and amended by paragraphs 28 and 34 of Schedule 12 to the Welfare Reform and Pensions Act 1999.

(d) Section 73B was inserted by section 270(1) of the Pensions Act 2004.

**17.** Where all or any of the benefits to which an initial cash equivalent relates have been surrendered, commuted or forfeited before the date on which the trustees do what is needed to carry out what the member requires, the initial cash equivalent of the benefits so surrendered, commuted or forfeited shall be reduced so that the cash equivalent is nil.

**18.** The trustees may adjust the initial cash equivalent to reflect any reasonable administration costs or savings where it is anticipated that the member will choose to transfer his rights.

**19.** Where a member, in relation to whom a cash equivalent is to be calculated and verified, is a member of a scheme modified by—

- (a) the British Coal Staff Superannuation Scheme (Modification) Regulations 1994(a); or
- (b) the Mineworkers' Pension Scheme (Modification) Regulations 1994(b),

the cash equivalent of his bonus shall be calculated and verified by the trustees, having obtained the advice of the actuary, to reflect the fact that a reduced bonus, or no bonus, may become payable in accordance with the provisions governing the scheme in question.

**20.** For the purposes of paragraph 19 “bonus” means any—

- (a) augmentation of his benefits; or
- (b) new, additional or alternative benefits,

which the trustees of the scheme in question have applied to the member's benefits, or granted to him in accordance with the provisions governing that scheme, on the basis of findings as to that scheme's funding position.

## SCHEDULE 1B

### Insufficiency Reports

**1.** The trustees may request that the actuary prepares an insufficiency report at—

- (a) the same time as a valuation prepared in accordance with section 224 of the Pensions Act 2004 (actuarial valuations and reports) (“a section 224 valuation”); or
- (b) such other time as the trustees may direct.

**2.** Where the trustees have requested an insufficiency report under paragraph 1, the actuary shall be responsible for the preparation of the report.

**3.** Where an initial cash equivalent is reduced based on an insufficiency report or a GN11 report, a new insufficiency report must be obtained with the next section 224 valuation with the same effective date as that valuation.

**4.** The insufficiency report shall contain—

- (a) a comparison as at the effective date of the report, of the insufficiency report liabilities of all members with the market value of the assets of the scheme;
- (b) where the scheme is in wind up and an allowance has been deducted from the scheme assets to represent the expenses associated with wind up, a statement of the allowance made.

**5.** An allowance under paragraph 4(b) shall be such amount as the actuary considers reasonable in the circumstances of the scheme.

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(a) S.I. 1994/2576.  
(b) S.I. 1994/2577.

**6.** The insufficiency report liabilities are to be calculated in accordance with the following provisions—

- (a) for active members with vested rights, the insufficiency report liabilities shall be calculated in accordance with regulations 7 to 7B and Schedule 1A (disregarding paragraphs 4 to 8) as appropriate and—
  - (i) the guarantee date shall be the effective date of the report; and
  - (ii) the actuary shall assume that the member ceases pensionable service on the day before the effective date;
- (b) for deferred members—
  - (i) the insufficiency report liabilities shall be calculated in accordance with regulations 7 to 7B and Schedule 1A (disregarding paragraphs 4 to 8) as appropriate; and
  - (ii) the guarantee date shall be the effective date of the report;
- (c) for pensioner members—
  - (i) the insufficiency report liabilities shall be calculated in accordance with regulations 7 to 7B as appropriate; and
  - (ii) the member's pension is to be the amount in payment on the effective date;
- (d) for members over pension age not in receipt of a pension, the insufficiency report liabilities shall be calculated in the same way as those of pensioner members and the actuary shall assume that the member's pension comes into payment on the effective date;
- (e) for pension credit members—
  - (i) the insufficiency report liabilities shall be calculated in accordance with regulations 7 to 7B and Schedule 1A (disregarding paragraphs 4 to 8) as appropriate; and
  - (ii) the valuation date shall be the effective date of the report; and
- (f) for members with unvested rights—
  - (i) the actuary shall estimate what proportion of this class of member will opt for a refund of contributions or for a cash transfer sum under section 101AB of the 1993 Act—
    - (aa) for the proportion that the actuary estimates will opt for a cash transfer sum, the insufficiency report liabilities shall be calculated in accordance with regulations 7 to 7B and Schedule 1A (disregarding paragraphs 4 to 8) as appropriate;
    - (bb) for the proportion estimated as opting for a contribution refund, the insufficiency report liabilities shall consist of an estimate by the actuary of those contribution refunds;
  - (ii) for the purposes of the calculations referred to in subheads (aa) and (bb) the actuary shall assume that the member ceases pensionable service on the day before the effective date.

**7.** When preparing the insufficiency report the actuary shall have regard to the different orders on wind up specified in section 73(3) of the Pensions Act 1995<sup>(a)</sup> (preferential liabilities on winding up) and he shall include estimates comparing the relevant assets with the relevant liabilities of the scheme in respect of each category of liability.

**8.** In this Schedule—

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(a) Section 73 was substituted by section 270(1) of the Pensions Act 2004.

“relevant assets” means, for a particular category of liability, the value of the scheme assets, less the total of the relevant liabilities for all categories with greater priority under the priority order; and

“relevant liabilities” means for a particular category of liability, the sum of all insufficiency report liabilities falling into that category.”.

### Consequential amendments

8. The Schedule to these Regulations shall have effect.

Signed by authority of the Secretary of State for Work and Pensions.

Minister of State,  
Department for Work and Pensions

## SCHEDULE

### Consequential Amendments

1. In the Personal Pension Schemes (Transfer Values) Regulations 1987(a)—

(a) in regulation 1(2) (interpretation)—

(i) in the appropriate alphabetical place insert—

““actuary” in relation to a scheme means—

(a) the actuary appointed under section 47(1)(b) of the 1995 Act (professional advisers) in relation to that scheme; or,

(b) in relation to a scheme to which that section does not apply—

(i) a Fellow of the Faculty of Actuaries(b);

(ii) a Fellow of the Institute of Actuaries(c); or

(iii) a person with other actuarial qualifications who is approved by the Secretary of State, at the request of the trustees of the scheme in question, as being a proper person to act for the purposes of these Regulations in connection with that scheme;”;

(ii) omit the definition “the Board for Actuarial Standards”; and

(b) for regulation 3 (manner of calculation and verification of cash equivalents), substitute—

“3.—(1) Where a cash equivalent or any portion of that cash equivalent relates to money purchase benefits which do not fall to be valued in a manner which involves making estimates of the value of benefits, then that initial cash equivalent or that portion shall be calculated and verified—

(a) in such manner as may be approved in particular cases by the trustees; and

(b) in accordance with methods consistent with the requirements of Chapter 4 of Part 4 of the 1993 Act.

(2) Where the valuation of money purchase benefits involves making estimates of the value of benefits, the manner of calculation must be approved by the trustees, having

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(a) S.I. 1987/1112.

(b) The Faculty of Actuaries can be contacted at Faculty of Actuaries, MacLaurin House, 18 Dublin Street, Edinburgh, EH1 3PP.

(c) The Institute of Actuaries can be contacted at Institute of Actuaries, Staple Inn Hall, High Holborn, London, WC1V 7QJ.

obtained the advice of the actuary, and any assumptions used in the calculation must be made on a best estimate basis.

(3) Where an age related payment under section 42A(3) of the 1993 Act is payable from Her Majesty's Revenue and Customs and is outstanding at the relevant date, the initial cash equivalent must be calculated on the basis that the payment has been made.

(c) for regulation 4 (increases and reductions of cash equivalents), substitute—

“4.—(1) Cash equivalents may be increased or reduced in accordance with this regulation.

(2) Where an age related payment under section 42A(3) of the 1993 Act is payable to the receiving scheme rather than the transferring scheme, the cash equivalent shall be reduced by the amount of that payment.

(3) Where a cash equivalent is being calculated in respect of contracted-out rights and the transfer would be to a contracted-in scheme, the cash equivalent of any rights retained by the contracted-out scheme under section 96(2) of the Act (further provisions concerning exercise of option under s. 95) shall be deducted from the cash equivalent.

(4) If the whole or any part of the benefits referred to in section 94(1)(b) of the Act, is or has been surrendered, commuted or forfeited before the trustees of the personal pension scheme do what is needed to comply with what the member requires, the cash equivalent shall be reduced in proportion to the reduction in the total value of the benefits.

(5) The trustees may adjust the initial cash equivalent to reflect any reasonable administration costs or savings where it is anticipated that the member will choose to transfer his rights.

(6) If the trustees of a personal pension scheme fail without reasonable excuse to do what is needed to carry out what a member of the scheme requires within 6 months of the relevant date, that member's cash equivalent shall be increased by—

(a) the interest on that cash equivalent, calculated on a daily basis over the period from the relevant date to the date on which the trustees carry out what the member requires, at the same rate as that payable for the time being on judgement debts by virtue of section 17 of the Judgement Act 1838; or if it is greater,

(b) the amount, if any, by which that cash equivalent falls short of what it would have been if the relevant date had been the date on which the trustees carry out what the member requires.

(7) In a case where more than one of paragraph (2) to (6) of this regulation fall to be applied to a calculation, they shall be applied in the order in which they occur in this regulation.

(8) In this regulation “the relevant date” has the same meaning as in section 94(2) of the Act.”.

**2. In the Personal and Occupational Pension Schemes (Protected Rights) Regulations 1996(a)—**

(a) in regulation 1(2) (interpretation)—

(i) in the appropriate alphabetical place insert—

““the Transfer Values Regulations” mean the Occupational Pension Schemes (Transfer Values) Regulations 1996(b);”;

(ii) omit the definition “the Board for Actuarial Standards”; and

(b) for regulation 2 (manner of calculation and verification of protected rights), substitute—

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(a) S.I. 1996/1537 as amended by S.I. 2007/60.

(b) S.I. 1996/1847. These regulations are amended by S.I. 1997/1613, 2003/1727, 2005/72, 686, 706 and 3377, and 2006/34 and 744.

**“2.—(1)** For the purposes of section 27(3) of the 1993 Act (identification and valuation of protected rights), the trustees shall be responsible for the calculation and verification of the value of a member’s protected rights in accordance with regulation 7C of the Transfer Values Regulations as if references in that regulation to “initial cash equivalents” were to “protected rights”.

(2) The trustees shall adopt methods and assumptions that are consistent with sections 9(3) and (5), 10 and 26 to 32 of the 1993 Act.”.

**3. In the Pensions on Divorce etc. (Provision of Information) Regulations 2000(a)—**

(a) in regulation 1(2) (interpretation)—

(i) in the appropriate alphabetical place insert—

““the Transfer Values Regulations” mean the Occupational Pension Schemes (Transfer Values) Regulations 1996(b);”; and

(ii) omit the definition “the Board for Actuarial Standards”;

(b) in regulation 3 (information about pensions and divorce and dissolution of a civil partnership: valuation of pension benefits)—

(i) in paragraph (1)(d), after head (iii), insert—

“(iv) the pension of the person with pension rights is not in payment and the person has attained normal pension age.”;

(ii) for paragraphs (7) to (9), substitute—

“(7) Cash equivalents shall be calculated in accordance with regulations 7 to 7C of the Transfer Values Regulations as appropriate.

(8) But when calculating a cash equivalent in accordance with those regulations—

(a) references to “initial cash equivalents” shall be read as references to “cash equivalents”;

(b) references to “trustees” shall be read as references to “person responsible for the pension arrangement”;

(c) where the person with pension rights is a pensioner member on the date on which the request for the valuation was received—

(i) the value of his pension shall be calculated and verified in accordance with regulations 7-7C of these Regulations as appropriate; and

(ii) the member’s pension is to be the amount in payment on the date on which the request for the valuation was received;

(d) where a person is over normal pension age but not in receipt of a pension—

(i) the value of his pension shall be calculated and verified in accordance with regulations 7-7C of these Regulations as appropriate;

(ii) the trustees shall assume that the pension came into payment on the date on which the request for the valuation was received; and

(iii) the amount of the pension is to be the amount that would have been payable on that date;

(e) the date by reference to which the cash equivalent is to be calculated is to be the date on which the request for the valuation was received.”.

(iii) in paragraph (10), for “paragraph (3), (4) or (9)” substitute “paragraph (3), (4) or (7)”.

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(a) S.I. 2000/1048 as amended by 2005/2877 and 2007/60.

(b) S.I. 1996/1847. These regulations are amended by S.I. 1997/1613, 2003/1727, 2005/72, 686, 706 and 3377, and 2006/34 and 744.

- (c) in regulation 4(a) (provision of information in response to a notification that a pension sharing order or provision may be made), for paragraph (2)(c), substitute—

“(c) in the case of an occupational pension scheme, whether a cash equivalent of the member’s pension rights, if calculated on the date the notification referred to in paragraph (1)(a) was received by the trustees or managers of that scheme, would be reduced in accordance with the provisions of paragraphs 4, 5 and 15 of Schedule 1A to the Transfer Values Regulations (reductions in initial cash equivalents);”.

4. In the Pensions on Divorce etc. (Charging) Regulations 2000(b), in regulation 9(2)(f)(i) (charges in respect of pension sharing activity — method of recovery), for “regulation 7” substitute “regulations 7 to 7D”.

5. In the Pension Sharing (Valuation) Regulations 2000(c)—

- (a) in regulation 1(2) (interpretation)—

- (i) in the appropriate alphabetical places, insert—

““the Transfer Values Regulations” mean the Occupational Pension Schemes (Transfer Values) Regulations 1996;”;

- (ii) omit the definitions “the Board for Actuarial Standards” and “scheme actuary”;

- (b) for regulations 4 to 6, substitute—

**“Occupational pension schemes: manner of calculation and verification of cash equivalents**

4.—(1) Cash equivalents shall be calculated in accordance with regulations 7 to 7C of the Transfer Values Regulations as appropriate.

(2) But when calculating a cash equivalent in accordance with those regulations, they shall be read as if—

- (a) for regulation 7(3) there were substituted—

“(3) Where the person with pension rights is a deferred member of an occupational pension scheme on the transfer day, the value of the benefits which he has accrued under that scheme shall be taken to be—

- (a) in the case of an occupational pension scheme other than a salary related scheme, the cash equivalent to which he acquired a right under section 94(1)(a) of the 1993 Act (right to cash equivalent) on the termination of his pensionable service, calculated on the assumption that he has made an application under section 95(1) of that Act (ways of taking right to cash equivalent); or
- (b) in the case of a salary related occupational pension scheme, the guaranteed cash equivalent to which he would have acquired a right under section 94(1)(aa) of the 1993 Act if he had made an application under section 95(1) of that Act.

(3A) Where the person with pension rights is an active member of an occupational pension scheme on the transfer day, the value of the benefits which he has accrued under that scheme shall be calculated and verified—

- (a) on the assumption that the member had made a request for an estimate of the cash equivalent that would be available to him were his pensionable service to terminate on the transfer day; and

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(a) Regulation 4 was amended by SI 2000/2691 & SI 2003/1727.  
(b) S.I. 2000/1049.  
(c) S.I. 2000/1052.

(b) in accordance with regulation 11 of, and Schedule 1 to, these Regulations.

(3B) Where the person with pension rights is a pensioner member of an occupational pension scheme on the transfer day—

(a) the value of his pension shall be calculated and verified in accordance with regulations 7 to 7C of these Regulations as appropriate; and

(b) the member's pension is to be the amount in payment on the transfer day.

(3C) Where the person with pension rights is over pension age and not in receipt of a pension—

(a) the pension shall be calculated and verified in accordance with regulations 7 to 7C of these Regulations as appropriate; and

(b) the trustees shall assume that the member's pension comes into payment on the transfer day.”;

(b) in regulation 7A(1) and 7B(5), references to “guarantee date” were references to “transfer day”.

### **Occupational pension schemes: further provisions as to the calculation of cash equivalents and reductions of cash equivalents**

5.—(1) Reductions may be made to a cash equivalent in accordance with paragraphs 1, 4 to 8, 15 to 17 and 19-20 of Schedule 1A to the Transfer Values Regulations.

(2) The reduction referred to in paragraph 4 of Schedule 1A to the Transfer Values Regulations shall not apply to a case where liability in respect of a pension credit is to be discharged in accordance with—

(a) paragraph 1(2) of Schedule 5 to the 1999 Act (pension credits: mode of discharge—funded pension schemes); or

(b) paragraph 1(3) of that Schedule, in a case where regulation 7(2) of the Pension Sharing (Implementation and Discharge of Liability) Regulations 2000 applies.

### **Other relevant arrangements: manner of calculation and verification of cash equivalents**

6.—(1) Cash equivalents in respect of a relevant arrangement other than an occupational pension scheme shall be calculated in accordance with regulations 7 to 7C of the Transfer Values Regulations as appropriate.

(2) But when calculating a cash equivalent in accordance with those regulations, they shall be read as if—

(a) for regulation 7(3) there were substitute—

“(3) Where the person with pension rights is a member of a personal pension scheme, or those rights are contained in a retirement annuity contract, the value of the benefits which he has accrued under that scheme or contract on the transfer day shall be taken to be the cash equivalent to which he would have acquired a right under section 94(1)(b) of the 1993 Act, if he had made an application under section 95(1) of that Act on the date on which the request for the valuation was received.”;

(b) references to “trustees” shall be read as references to “person responsible for the relevant arrangement”.

(3) In relation to a personal pension scheme which is comprised in a retirement annuity contract made before 4th January 1988, paragraph (1) shall apply as if such a scheme were not excluded from the scope of Chapter IV of Part IV of the 1993 Act by section 93(1)(b) of that Act (scope of Chapter IV).”.

**6. In the Pension Sharing (Implementation and Discharge of Liability) Regulations 2000(a)—**

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(a) S.I. 2000/1053.

- (a) in regulation 1(2) (interpretation)—
  - (i) in the appropriate alphabetical place, insert—
    - “the Transfer Values Regulations” mean the Occupational Pension Schemes (Transfer Values) Regulations 1996;”;
    - and
    - (ii) omit the definitions of “the Board for Actuarial Standards” and “scheme actuary”;
- (b) for regulation 10 (calculation of the value of appropriate rights), substitute—

**“Calculation of the value of appropriate rights**

**10.**—(1) The value of rights conferred on a person entitled to a pension credit shall be calculated by the person responsible for the pension arrangement in a manner which is consistent with regulations 7 to 7C of the Transfer Values Regulations as appropriate.

(2) But when calculating a cash equivalent in accordance with those regulations, they shall be read as if—

- (a) references to “trustees” were to “person responsible for the pension arrangement”;
  - (b) references to “member” were to “person”;
  - (c) references to “initial cash equivalent” were to “the value of rights conferred on a person entitled to a pension credit”;
  - (d) regulation 7(2) were omitted;
  - (e) for regulation 7(3) there were substituted—
    - “(3) The value of appropriate rights shall be calculated by reference to the valuation day.”
  - (f) in regulations 7A(1) and 7B(5), references to “guarantee date” were references to “valuation day”;
  - (g) in paragraph 4 of Schedule 1A the reference to “the initial cash equivalent in respect of a member may be reduced by the trustees” were to “the lesser amount referred in paragraph 8(1) of Schedule 5 to the 1999 Act (adjustments to amount of pension credit may be determined for the purposes of that paragraph by reducing the pension credit).”;
- (c) for regulation 16 (adjustments to the amount of the pension credit—occupational pension schemes which are underfunded on the valuation day), substitute—

**16.**—(1) The circumstances referred to in paragraph 8(1)(d) of Schedule 5 to the 1999 Act (adjustments to amount of pension credit) are—

- (a) the discharge of liability in respect of the pension credit in accordance with paragraph 1(3) of that Schedule is at the request, or with the consent, of the person entitled to the pension credit;
- (b) the person entitled to the pension credit has refused an offer by the trustees or managers of the occupational pension scheme from which the pension credit is derived to discharge their liability in respect of the pension credit, without any reduction in the amount of the credit, in accordance with the provisions of paragraph 1(2) of Schedule 5 to the 1999 Act (conferring appropriate rights in that scheme on the person entitled to the pension credit); and
- (c) prior to making his request or giving his consent in accordance with sub-paragraph (a) the person entitled to the pension credit has received from the trustees or managers of the occupational pension scheme from which the pension credit is derived, a written statement which provides the following information—
  - (i) the reasons why the amount of the pension credit has been reduced;
  - (ii) the amount by which the pension credit has been reduced; and
  - (iii) where possible, an estimate of the date by which it will be possible to pay the full, unadjusted amount of the pension credit.

(2) Reductions may be made to a pension credit in accordance with paragraphs 4 to 8 of Schedule 1A to the Transfer Values Regulations as modified by regulation 10(2) of these Regulations.”.

**7. In the Pension Sharing (Pension Credit Benefit) Regulations 2000(a)—**

- (a) in regulation 1(2) (interpretation)—
  - (i) in the appropriate alphabetical places, insert—

“the Transfer Values Regulations” mean the Occupational Pension Schemes (Transfer Values) Regulations 1996;”;
  - (ii) omit the definition “the Board for Actuarial Standards”;
- (b) in regulation 23(2) (statements of entitlement), omit “to obtain the information required” and “as a result of that inability”;
- (c) for regulation 24 substitute—

**“Manner of calculation and verification of cash equivalents**

**24.**—(1) Cash equivalents shall be calculated in accordance with regulations 7 to 7C of the Transfer Values Regulations as appropriate.

(2) But when calculating a cash equivalent in accordance with those regulations, they shall be read as if—

- (a) for regulation 7(3) there were substituted—

“(3) A cash equivalent shall be calculated in relation to the valuation date.”;
  - (b) in regulations 7A(1) and 7B(5) references to “guarantee date” were references to “valuation date”;
  - (c) in regulation 7A(4) reference to “normal pension age” were to “normal benefit age”; and
  - (d) regulation 7C(3) were omitted.”; and
- (d) for regulation 27 (Increases and reductions of cash equivalents before a statement of entitlement has been sent to the member) substitute—

**“Reductions of cash equivalents before a statement of entitlement has been sent to the member**

**27.**—(1) Cash equivalents may be reduced in accordance with regulation 7D of the Transfer Values Regulations.

(2) But when calculating a cash equivalent in accordance with that regulation, it shall be read as if—

- (a) in paragraph 2 of Schedule 1A reference to “a cash equivalent such as is mentioned in section 93A of the 1993 Act” were to “a cash equivalent such as is mentioned in section 101H of the 1993 Act”;
- (b) paragraphs 3, 9 and 12 of Schedule 1A were omitted;
- (c) in paragraph 15 of Schedule 1A reference to “a cash equivalent mentioned in section 93 of the 1993 Act, before the guarantee date” were to “cash equivalent such as is mentioned in section 101H of the 1993 Act, before the valuation date”.

**8. In the Occupational Pension Schemes (Early Leavers: Cash Transfer Sums and Contribution Refunds) Regulations 2006(b)—**

- (a) in regulation 1(2) (interpretation)—

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(a) S.I. 2000/1054 as amended.  
(b) S.I. 2006/33 as amended.

- (i) in the appropriate alphabetical places insert—
  - ““actuary” in relation to a scheme means—
    - (a) the actuary appointed under section 47(1)(b) of the 1995 Act (professional advisers) in relation to that scheme; or,
    - (b) in relation to a scheme to which that section does not apply—
      - (i) a Fellow of the Faculty of Actuaries;
      - (ii) a Fellow of the Institute of Actuaries; or
      - (iii) a person with other actuarial qualifications who is approved by the Secretary of State, at the request of the trustees of the scheme in question, as being a proper person to act for the purposes of these Regulations in connection with that scheme;

“discount rates” means the factors used to discount future payments of benefit for the purpose of placing a current value on them;

“initial cash transfer sum” means the cash transfer sum as calculated under regulations 2A to 2C before any reductions by virtue of regulation 4;

“insufficiency report” means the actuary’s last relevant report before the date on which the member’s pensionable service terminated, prepared in accordance with Schedule 1B of the Occupational Pension Schemes (Transfer Values) Regulations 1996;

“salary related benefits” means benefits that are not money purchase benefits;” and

- (ii) omit the definition “the Board for Actuarial Standards”;

- (b) for regulation 2 (calculation and verification of cash transfer sum), substitute—

**“Calculation and verification of cash transfer sums**

2.—(1)The trustees shall be responsible for the calculation and verification of cash transfer sums in accordance with this regulation and regulations 2A to 2C, 4 and 5 as appropriate.

(2) The trustees shall not reduce a cash transfer sum calculated under these Regulations, but may increase it.

(3) The cash transfer sum shall be calculated in relation to the date on which pensionable service terminated.

(4) In calculating the cash transfer sum, the trustees or managers shall first determine the initial cash transfer sum in accordance with this regulation and 2A to 2C as appropriate.

**Salary related benefits - basic features**

2A.—(1) For salary related benefits, the initial cash transfer sum is the amount required, calculated on an actuarial basis in accordance with this regulation and regulation 2B, to make provision within the scheme for the member’s benefits mentioned in section 101AA(4)(b) of the Act(a) on the date on which pensionable service terminates.

(2) For the purposes of the calculation specified in paragraph (1), where a scheme has begun to wind up, the trustees shall assume that the scheme has not begun to wind up.

(3) The initial cash equivalent shall be calculated by reference to—

- (a) the normal pension age of the scheme applicable to the member; or
- (b) where different normal pension ages apply to different tranches of benefit, the normal pension age for each tranche.

(a) Section 101AA was inserted by section 264 of the Pensions Act 2004.

### **Salary related benefits - assumptions**

**2B.**—(1) Having taken the advice of the actuary, the trustees shall determine the assumptions as to the economic, financial and demographic factors to be used in the calculation of the initial cash transfer sum.

(2) The assumptions as to demographic factors shall have regard—

- (a) to the main characteristics of the members of the scheme; or
- (b) where the members of the scheme do not form a large enough group to allow demographic assumptions to be drawn, to the characteristics of a wider population sharing similar characteristics to the members,

and any anticipated changes;

(3) Subject to paragraph (5), the assumptions as to the factors adopted in the determination of the discount rates in respect of the member shall have regard to—

- (a) the class of member to which that member belongs;
- (b) the scheme's current investment strategy for that class of member;
- (c) the anticipated changes to the investment strategy as those members age; and
- (d) the yield on assets held by the scheme and the anticipated future investment returns,

in that order of priority.

(4) Any assumptions made by the trustees for the purposes of this regulation shall be made on a best estimate basis.

(5) In respect of a public service pension scheme, where the Treasury have provided guidance for the methodology for calculating discount rates in respect of such a scheme, the trustees shall adopt that methodology in that guidance, current at the date on which pensionable service terminates.

### **Money purchase benefits**

**2C.**—(1) Where an initial cash transfer sum or any portion of a cash transfer sum relates to money purchase benefits which do not fall to be valued in a manner which involves making estimates of the value of benefits, then that cash transfer sum or that portion shall be calculated and verified—

- (a) in such manner as may be approved in particular cases by the trustees; and
- (b) in accordance with methods consistent with the requirements of Chapter 4 of Part 4 of the 1993 Act.

(2) Where the valuation of money purchase benefits involves making estimates of the value of benefits, the manner of calculation must be approved by the trustees, having obtained the advice of the actuary, and any assumptions used in the calculation must be made on a best estimate basis.

(3) For the purposes of this regulation, where under the rules of the scheme—

- (a) the initial cash transfer sum is increased by a payment of interest, the amount of the cash transfer sum shall be increased by the interest so payable; and
- (b) where the initial cash transfer sum is invested and the member is entitled to the surrender value of the investments derived from those contributions, the amount of the cash transfer sum shall be increased or, as the case may be, reduced to the amount of that surrender value.”;

(c) for regulation 4 (reduction of cash transfer sums and contribution refunds), substitute—

#### **“Reduction of cash transfer sums and contribution refunds**

4.—(1) In the case of a scheme to which Part 3 of the 2004 Act (scheme funding) applies, the initial cash transfer sum in respect of a member may be reduced by the trustees if the insufficiency conditions are met.

(2) The insufficiency conditions are that the last insufficiency report prepared in accordance with regulation 7D(2) of the Occupational Pension Schemes (Transfer Values) Regulations 1996 shows that at the effective date of the report—

- (a) the scheme had assets that were insufficient to cover the insufficiency report liabilities in respect of all the members, and
- (b) the assets were insufficient to cover in full any category of insufficiency report liabilities that is an equivalent category of liabilities for benefits in respect of which the member's cash equivalent is being calculated.

(3) If the insufficiency conditions are met the trustees may reduce any part of the member's initial cash transfer sum that is payable in respect of such an equivalent category of liabilities as are mentioned in paragraph 2(b) by a percentage not exceeding the deficiency percentage.

(4) The deficiency percentage for any such part of a member's initial cash transfer sum is the percentage by which the insufficiency report shows that the assets were insufficient to cover that category of liabilities.

(5) If, by virtue of regulations made under section 232 of the 2004 Act (power to modify provisions of this Part), Part 3 of that Act applies to a section of a scheme as if that section were a separate scheme, paragraphs (1) and (2) shall apply as if that section were a separate scheme and as if the references therein to a scheme were accordingly a reference to that section.

(6) In a case where a contributions equivalent premium has been paid in respect of a member in accordance with section 55 of the Act (payment of state scheme premiums on termination of certified status), the initial cash transfer sum or the contribution refund shall be reduced (to nil if need be) to the extent that it represents the member's rights under section 101AB(3) or (4) of the Act as the case may be, which have been extinguished by virtue of section 60 of the Act (effect of payment of premiums on rights) by payment of that premium or refund.

(7) Where a scheme begins to wind up after the member's pensionable service terminates but before the trustees or managers have used the cash transfer sum or paid the contribution refund to the member, the initial cash transfer sum or contribution refund may be reduced to the extent necessary for the scheme to comply with the winding up provisions (as defined in section 73B(10)(a) of the 1995 Act<sup>(a)</sup>) and regulations made under those provisions.

(8) If, by virtue of regulations made under section 73B(4)(b)(i) of the 1995 Act by virtue of section 73B(5) of that Act, the winding up provisions (as so defined) apply to a section of a scheme as if that section were a separate scheme, paragraph (7) shall apply as if that section were a separate scheme and as if the references therein to a scheme were accordingly references to that section.

(9) A member's initial cash transfer sum or contribution refund under the scheme may be reduced if the member has incurred some monetary obligation due to the employer or to the scheme and arising out of a criminal, negligent or fraudulent act or omission by that member.

(10) A member's initial cash transfer sum or contribution refund under the scheme may be reduced by reason of paragraph (9) to the extent only that the reduction does not exceed the amount of the monetary obligation in question.

(11) A reduction under paragraph (9) must not take effect where there is a dispute as to the amount of the monetary obligation in question, unless the obligation has become

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(a) Section 73B was inserted by section 270 of the Pensions Act 2004.

enforceable under an order of a competent court or in consequence of an award of an arbitrator, or in Scotland, an arbiter to be appointed (failing agreement between the parties) by the sheriff.

(12) The trustees may adjust the initial cash equivalent to reflect any reasonable administration costs or savings where it is anticipated that the member will choose to transfer his rights.

(13) In a case where two or more paragraphs of this regulation fall to be applied to a cash transfer sum or paragraphs (6), (7) or (9) fall to be applied to a contribution refund, they shall be applied in the order in which they occur in this regulation.”;

(d) in regulation 5 (increases of cash transfer sum and contribution refund), in paragraphs (1) and (2)(b) for “regulations 2 and 4”, substitute “regulations 2 to 2C and 4”; and

(e) in regulation 7(1) (information), after sub-paragraph (h), insert—

“(i) where the cash transfer sum or the contribution refund is subject to variation by virtue of regulations 2C(3) or 3, a statement explaining the reason for the variation.”.

9. In regulation 5(2)(a)(ii) of the Occupational Pension Schemes (Modification of Schemes) Regulations 2006<sup>(a)</sup> (calculation of the actuarial value of affected member's subsisting rights), for “regulation 7(3)(b)”, substitute “regulations 7 to 7C as appropriate”.

#### **EXPLANATORY NOTE**

*(This note is not part of the Regulations )*

These Regulations make provision for the calculation and verification of cash equivalent transfer values.

Regulation 2 provides for amendments to be made to the interpretation provisions in the Occupational Pension Schemes (Transfer Values) Regulations 1996 (S.I. 1996/1847) (“the Principal regulations”).

Regulation 3 provides for amendments to regulation 6 of the Principal regulations.

Regulation 4 substitutes new regulations 7 to 7D for the current regulations 7 and 8 of the Principal regulations. These substituted regulations provide for the method of calculation and verification of cash equivalent transfer values in respect of transfer requests. These provisions are also used in modified form for the purposes of the regulations set out in the Schedule to these Regulations.

Regulation 5 amends regulation 11 of the Principal regulations to modify the information requirements linked to cash equivalent transfer values.

Regulation 6 corrects a minor technical error in the Principal regulations.

Regulation 7 amends Schedule 1 to the Principal regulations. It also introduces the two new Schedules, 1A and 1B, which are provided for by the substituted regulation 7D of the Principal regulations. New Schedule 1A provides for the circumstances in which a cash equivalent transfer value may be reduced whilst Schedule 1B provides for the calculations relating to an insufficiency report.

Regulation 8 introduces the Schedule to these Regulations.

The Schedule sets out further consequential amendments to the provisions of—

Personal Pension Schemes (Transfer Values) Regulations 1987 (S.I. 1987/1112).

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(a) S.I. 2006/759 as amended by S.I. 2007/60.

Personal and Occupational Pension Schemes (Protected Rights) Regulations 1996 (S.I. 1996/1537).

Pensions on Divorce etc. (Provision of Information) Regulations 2000 (S.I. 2000/1048).

Pensions on Divorce etc. (Charging) Regulations 2000 (S.I. 2000/1049).

Pension Sharing (Valuation) Regulations 2000 (S.I. 2000/1052).

Pension Sharing (Implementation and Discharge of Liability) Regulations 2000 (S.I. 2000/1053).

Pension Sharing (Pension Credit Benefit) Regulations 2000 (S.I. 2000/1054).

Occupational Pension Schemes (Early Leavers: Cash Transfer Sums and Contribution Refunds) Regulations 2006 (S.I. 2006/33).

Occupational Pension Schemes (Modification of Schemes) Regulations 2006 (S.I. 2006/759).

An Impact Assessment of the effect these Regulations will have on the costs of business has been prepared and a copy placed in the libraries of both Houses of Parliament. Copies may be obtained from the Department for Work and Pensions, Better Regulation Unit, 4th Floor, Adelphi, 1-11 John Adam Street, London WC2N 6HT.

## SUMMARY: INTERVENTION & OPTIONS

Department for Work and Pensions	Impact Assessment of the calculation of pensions transfer values
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Stage	Version	Related Publications
Consultation	15/6/07	

Available to view or download at: <http://www.dwp.gov.uk/resourcecentre/ria.asp>

Contact name for enquiries: **Mike Rochford**

Telephone number: **020 7962 8126**

### What is the problem under consideration? Why is government intervention necessary?

Policy on the calculation of pensions transfer values was delegated to the Actuarial Profession. The Profession fulfilled its responsibilities by issuing mandatory guidance to actuaries. However the Actuarial Profession decided that it no longer wanted the responsibility for setting policy on cash equivalent transfer values and the guidance will be withdrawn. The Government has therefore had to resume the responsibility for setting policy in this area. The Government cannot itself issue a mandatory guidance note and there is no other appropriate body who could issue the guidance note. The only way that policy can be articulated is by regulations.

### What are the policy objectives and the intended effects?

The policy objective is to maintain the existing framework for the calculation of the value of pension rights and to do so at a minimal cost to pension schemes.

The **intended effect** is that across all pension schemes, pensions transfer values should remain broadly at the same level as they would have done had the current actuarial guidance remained in force.

### What policy options have been considered? Please justify any preferred option.

**Prescribed assumptions** The Government would prescribe all the assumptions for calculating transfer values.

**“EXD54” basis** Transfer values would be calculated by reference to the likelihood that pension benefits would be paid.

**Scheme specific** Transfer value would be based on the expected cost within the scheme of providing the pension benefits. This is the **preferred option** because it mirrors current arrangements and will allow transfer values to remain broadly at the same level as they would have done had the current actuarial guidance remained in force, and meets the objectives.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects? April 2011

**Ministerial Sign-off** For consultation stage Impact Assessments:

*I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options*

Signed by the responsible Minister:  
*James Purnell MP*

Date: 26 June 2007

Policy Option 1		Description	Prescribed assumptions		
<p><b>ANNUAL COSTS</b></p> <p>One off (Transition) <input type="text" value="£ 8.25m"/> Yrs <input type="text" value="1"/></p> <p><b>Average Annual Cost</b> (excluding one-off)</p> <input type="text" value="£ None"/>		<p>Description and scale of <b>key monetised costs</b> by 'main affected groups'</p> <p>Pension schemes £8.25m</p>	<p><b>Total Cost (PV)</b> <input type="text" value="£ 8.25 m"/></p>		
<p>Other <b>key non-monetised costs</b> by 'main affected groups'</p> <p>None.</p>					
<p><b>ANNUAL BENEFITS</b></p> <p>One off <input type="text" value="£ None"/> Yrs <input type="text"/></p> <p><b>Average Annual Benefit</b> (excluding one-off)</p> <input type="text" value="£ None"/>		<p>Description and scale of <b>key monetised benefits</b> by 'main affected groups'</p>	<p><b>Total Benefit (PV)</b> <input type="text" value="£ None"/></p>		
<p>Other <b>key non-monetised benefits</b> by 'main affected groups'</p> <p>Increased certainty for scheme members about amounts of transfer values. Less need for trustees to factor the scheme's circumstances into the transfer calculation.</p>					
<p><b>Key Assumption/Sensitivities/Risks</b> The proposal assumes that the main effect would be on larger pension schemes with in-house administration and that costs for many smaller insured schemes and schemes administered by third parties would be absorbed in their existing contracts.</p>					
Price Base Year	Time Period	<b>Net Benefit Range (NPV)</b>	<b>NET BENEFIT (NPV Best estimate)</b>		
2007	Years 1	£ (-8.1m) – (- 8.3m)	£ -8.25m		
What is the geographic coverage of the policy/option?			Great Britain		
On what date will the policy be implemented?			6 April 2008		
Which organisation(s) will enforce the policy?			Pensions Regulator		
What is the total annual cost of enforcement for these organisations?			£ Negligible		
Does enforcement comply with Hampton principles?			Yes		
Will implementation go beyond minimum EU requirements?			N / A		
What is the value of the proposed offsetting measure per year?			£ Nil		
What is the value of changes in greenhouse gas emissions?			Negligible		
Will the proposal have a significant impact on competition?			No		
Annual cost (£-£) per organisation (excluding one-off)		Micro	Small	Med	Large
		N / A	N / A	N / A	N / A
Are any of these organisations exempt?		No	No	N/A	N/A
<b>Impact on Admin Burdens Baseline</b> (2005 Prices)				£ (Increase - Decrease)	
Increase of <input type="text" value="£ 0"/>		Decrease of <input type="text" value="£ 0"/>		<b>Net Impact</b> <input type="text" value="0"/>	
				<b>Annual Cost: Constant Prices</b>	
				<b>(Net) Present Value</b>	

Policy Option 2		Description "EXD54"			
<b>ANNUAL COSTS</b>  One off (Transition) <input type="text" value="£ 16.3m"/> Yrs <input type="text" value="1"/>  <b>Average Annual Cost</b> (excluding one-off)  <input type="text" value="£ 300m"/>		Description and scale of <b>key monetised costs</b> by 'main affected groups' Pension schemes (and their sponsoring employers) would be the groups affected by these costs.  <b>Total Cost (PV)</b>  <input type="text" value="£ 2.16bn"/>			
<b>Other key non-monetised costs</b> by 'main affected groups' None.					
<b>ANNUAL BENEFITS</b>  One off <input type="text" value="£ None"/> Yrs <input type="text"/>  <b>Average Annual Benefit</b> (excluding one-off)  <input type="text" value="£ 300m"/>		Description and scale of <b>key monetised benefits</b> by 'main affected groups' Members of salary related pension schemes who opted to transfer out of their scheme to another scheme would benefit under this option.  <b>Total Benefit (PV)</b>  <input type="text" value="£ 2.15bn"/>			
<b>Other key non-monetised benefits</b> by 'main affected groups' None.					
<b>Key Assumption/Sensitivities/Risks</b> The effect on transfer values of scheme underfunding has been assumed to be generally eliminated over a period of 10 years.					
Price Base Year 2007	Time Period Years 10	<b>Net Benefit Range (NPV)</b> <input type="text" value="£ (-16.0m) – (-16.6m)"/>		<b>NET BENEFIT (NPV Best estimate)</b> <input type="text" value="£ -16.3m"/>	
What is the geographic coverage of the policy/option?					Great Britain
On what date will the policy be implemented?					6 April 2008
Which organisation(s) will enforce the policy?					Pensions Regulator
What is the total annual cost of enforcement for these organisations?					£ Negligible
Does enforcement comply with Hampton principles?					Yes
Will implementation go beyond minimum EU requirements?					N / A
What is the value of the proposed offsetting measure per year?					£ Nil
What is the value of changes in greenhouse gas emissions?					Negligible
Will the proposal have a significant impact on competition?					No
Annual cost (£-£) per organisation (excluding one-off)			Micro <input type="text" value="N / A"/>	Small <input type="text" value="N / A"/>	Med <input type="text" value="N / A"/>
			Large <input type="text" value="N / A"/>		
Are any of these organisations exempt?			No	No	N/A
<b>Impact on Admin Burdens Baseline</b> (2005 Prices) Increase of <input type="text" value="£ 0"/> Decrease of <input type="text" value="£ 0"/> <b>Net Impact</b>					<input type="text" value="£ (Increase - Decrease) 0"/>
				Annual Cost: Constant Prices	(Net) Present Value

Policy Option 3		Description Scheme specific			
<b>ANNUAL COSTS</b>  One off (Transition) <input type="text" value="£8.25m"/> Yrs <input type="text" value="1"/>  <b>Average Annual Cost</b> (excluding one-off)  <input type="text" value="£ None"/>		Description and scale of <b>key monetised costs</b> by 'main affected groups' Pension schemes £8.25m  <b>Total Cost (PV)</b> <input type="text" value="£ 8.25m"/>			
<b>Other key non-monetised costs</b> by 'main affected groups' None.					
<b>ANNUAL BENEFITS</b>  One off <input type="text" value="£ None"/> Yrs <input type="text"/>  <b>Average Annual Benefit</b> (excluding one-off)  <input type="text" value="£ None"/>		Description and scale of <b>key monetised benefits</b> by 'main affected groups' No ongoing benefits.  <b>Total Benefit (PV)</b> <input type="text" value="£ None"/>			
<b>Other key non-monetised benefits</b> by 'main affected groups' This approach will provide the trustees with greater flexibility; assumptions can be quickly amended to reflect changes eg in mortality. The approach will be very much consistent with current arrangements for transfers and with the way that the scheme funds benefits for individual members.					
<b>Key Assumption/Sensitivities/Risks</b> The proposal assumes that the main effect would be on larger pension schemes with in-house administration and that costs for many smaller insured schemes and schemes administered by third parties would be absorbed in their existing contracts.					
Price Base Year 2007	Time Period Years 1	<b>Net Benefit Range (NPV)</b> £ (-8.1m) – (-8.3m)		<b>NET BENEFIT (NPV Best estimate)</b> £ -8.25m	
What is the geographic coverage of the policy/option?			Great Britain		
On what date will the policy be implemented?			6 April 2008		
Which organisation(s) will enforce the policy?			Pensions Regulator		
What is the total annual cost of enforcement for these organisations?			£ Negligible		
Does enforcement comply with Hampton principles?			Yes		
Will implementation go beyond minimum EU requirements?			N / A		
What is the value of the proposed offsetting measure per year?			£ Nil		
What is the value of changes in greenhouse gas emissions?			Negligible		
Will the proposal have a significant impact on competition?			No		
Annual cost (£-£) per organisation (excluding one-off)		Micro N / A	Small N / A	Med N / A	Large N / A
Are any of these organisations exempt?		No	No	N/A	N/A
<b>Impact on Admin Burdens Baseline</b> (2005 Prices) Increase of <input type="text" value="£ 0"/> Decrease of <input type="text" value="£ 0"/> <b>Net Impact</b> <input type="text" value="£ (Increase - Decrease)"/>					<input type="text" value="£ (Increase - Decrease)"/>
Annual Cost: Constant Prices				(Net) Present Value	

## Evidence Base for Summary Sheets

### Introduction

1. This Impact Assessment (IA) considers changes to the way that pensions transfer values are to be calculated. It is accompanied by a set of draft regulations: the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2007.

### Problem under consideration

2. **Pension rights** Members of pension schemes accrue pension rights in their scheme. Where a person transfers from one pension scheme to another a cash value is put on their accrued pension rights and that cash sum is paid from the transferring scheme to the receiving scheme. The cash sum is then converted into pension rights in the receiving scheme. Pension rights may also need to be valued for other purposes, including circumstances where the pension is taken into account in divorce proceedings and the disclosure of the value of directors' pensions in annual reports.

3. There are broadly two kinds of pension rights, salary related rights and money purchase rights. Salary related rights are generally based on length of service and remuneration. Money purchase pension rights are represented by the monetary value of the individual's account within the scheme (the contributions paid by and in respect of the employee and the investment returns on those contributions).

4. In a money purchase arrangement, the value of the member's pension rights is, straightforwardly, the cash value of his or her individual account at any particular point in time. However the conversion of salary related pension rights into a cash amount is much more complicated. A special methodology has to be used for the calculation. It is the methodology for the calculation of the value of salary related pension rights which is the subject of this IA.

5. **Actuarial Profession** The Social Security Act 1985 gave members whose pensionable service had ended a statutory right to have the "cash equivalent" of their pension rights transferred to another pension arrangement. The Government delegated to the Faculty and Institute of Actuaries ("the Actuarial Profession") the responsibility for determining the policy on the calculation framework for cash equivalent transfer values. The Actuarial Profession fulfilled

its obligations by issuing a mandatory guidance note for actuaries, GN11<sup>1</sup>. (From April 2007, responsibility for GN11 passed to the Board for Actuarial Standards.)

6. **Policy review** In May 2005, the Actuarial Profession issued proposals for a major revision of GN11. The proposals were contained in a document called *Exposure Draft 54* (“EXD54”).

7. **EXD54 proposals** The existing GN11 bases the value of the cash equivalent on the expected cost of the members’ benefits to the scheme. However EXD54 proposed the pension benefits should be valued by reference to their security, in other words the likelihood that they would be paid. Benefits considered to be secure would have a higher transfer value; conversely benefits considered to have a larger degree of risk, and therefore less secure, would have a lower transfer value. A strong employer, able to support the scheme, would mean that pension benefits should be treated as secure and hence should have a high transfer value. On the other hand, an employer perceived to lack financial strength would mean that pension benefits should be treated as less secure and therefore should have a lower transfer value.

8. The Actuarial Profession issued EXD54 because their perception of the nature of transfer values has changed. The expected cost to the scheme approach has generally been accepted as the appropriate method for calculating transfer values, and this approach is contained in GN11. However the Actuarial Profession has now moved to the position that an approach based on value to the member ie the EXD54 approach is the better actuarial view. In the arguments put forward by the Profession to support this change, the point was made that their primary concern was the calculation of what they regarded as fair transfer values for members and not wider social policy issues.

### **Rationale for Government intervention**

9. The effect of the EXD54 proposals would have been to increase transfer values significantly and thus increase costs to schemes. Whilst it would have increased the amount of the transfer payment and given the transferring member the opportunity of securing a higher level of benefits in the new scheme, it might also have led to perverse incentives to transfer out of schemes. Ultimately the increased costs of transfers might have affected the viability of some schemes. The EXD54 proposals would also have had a negative effect on public service pension schemes, where unplanned-for increased costs would have had to have been met by the taxpayer.

10. For the Government, the starting point in considering this issue has been the ongoing sustainability of pension schemes. The EXD54 proposals, if put into

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<sup>1</sup> GN11 Retirement Benefit Schemes – Transfer Values. Originally issued by the Actuarial Profession, but since April 2007 adopted by the Board for Actuarial Standards, to provide guidance to actuaries on the calculation of pensions transfer values. The guidance has been in place since 1985.

effect, would have weakened private sector schemes and added costs to the public service. The Government discussed the results of their consultation with the Actuarial Profession. It was agreed that the time was right for the Government to resume direct responsibility for setting policy in this area.

11. As part of this change in responsibility, GN11 will be withdrawn. The Government, in considering how best to discharge its responsibility for policy on this issue, has had to weigh up a number of factors:

- the Actuarial Profession wanted to withdraw quickly from the existing arrangements;
- it would not be appropriate for the new Board for Actuarial Standards, which has taken over some of the responsibilities of the Actuarial Profession, to take on this policy responsibility; and there was no other appropriate body to whom the responsibility for issuing mandatory guidance could be given;
- complete deregulation was not an option because amounts of transfer values can be quite large and this is therefore an important issue for both members and schemes. There needed to be some certainty about the way that transfer values were calculated;
- the Government could not itself issue a new mandatory guidance note to replace GN11 because of the nature of the primary power in section 97 of the Pension Schemes Act 1993.

12. In the light of these factors the Government decided that the most appropriate way forward was to set out in legislation the principles that should underpin the calculation of transfer values. On 21 March 2006 the Government announced that it intended to regulate in this area.

### **Objectives**

13. The Government's objective is to maintain the existing framework for the calculation of the value of pension rights and to do so at a minimal cost to pension schemes. In more detail, the objectives are as follows:

- (a) Any new arrangements should be fair to the transferring member, to members remaining in the scheme and to the sponsoring employer.
- (b) Any new arrangements should not weaken or impact on the scheme's funding position.
- (c) Any new arrangements should be broadly neutral in their impact on transfer values across all schemes.

**Intended effect**

14. The intended effect is that across all schemes, transfer values should remain at broadly the same level as they would have done had the current actuarial guidance (ie GN11) remained in force.

**Common features**

15. There are a number of features which are common across all the options and these are described below.

***(i) Main affected groups***

16. The main groups affected by the proposals are as follows:

- **the transferring member** The higher the transfer value the better it is for the transferring member. He or she is better able to replicate or improve their benefits in the new scheme.
- **members remaining in the scheme** The greater the amounts of money that are taken out of the scheme in the form of transfer values, the greater the risk to the funding of the scheme and therefore the greater the risk to their pension benefits.
- **sponsoring company and its shareholders** If transfer values for individuals leaving the scheme are above the levels at which the scheme is funded for those individuals, the company may be forced to make additional contributions to the scheme, to make good the shortfall in funding. Higher levels of transfer values may therefore be detrimental to the sponsoring company and its shareholders.
- **Government** The Government and the taxpayer stand behind public service pension schemes. Unplanned-for increases in transfer values would have to be met by redirecting expenditure from elsewhere in Government. The Government has overarching responsibility for all schemes for determining the transfers regime.
- **administrators and advisers** Pension scheme administrators and advisers, such as actuaries and independent financial advisers, would be particularly concerned that the new arrangements should be straightforward, simple to operate and easily explainable to members.
- **other users** The methodology for the calculation of pensions transfer values is used for other purposes including divorce and the disclosure of the value of directors' pensions in annual reports. Other users may therefore be concerned about significant changes in the methodology.

**(ii) Geographical extent**

17. Whilst all of the options would apply to the United Kingdom, Northern Ireland will make separate, corresponding legislation.

**(iii) Implementation**

18. The intention is to implement the new arrangements on 6 April 2008.

**OPTIONS**

19. In June 2006, the Government consulted on three possible approaches to the calculation of pensions transfer values<sup>2</sup>:

**(i) Prescribed assumptions****(ii) “EXD54” basis****(iii) Scheme specific basis**

20. The Actuarial Profession’s intention to replace GN11 with EXD54 meant that “doing nothing” was not a course of action that was open to the Government. The only option for Government was to regulate. However the **scheme specific** option is intended to replicate in regulations the existing requirements as set out in GN11.

**Option 1 - Prescribed assumptions**

21. Under the **prescribed assumptions** approach, the Government would set out in regulations the detail of how transfer payments were to be calculated. Regulations would set out in detail the assumptions to be used in the calculation and would limit the extent of any actuarial discretion. For example the regulations would define the mortality tables, the rate of inflation and the rates of investment return to be used in calculating the transfer value. The rules would apply to all schemes, funded and unfunded, in the public and private sectors.

22. The **prescribed assumptions** approach would be a “one size fits all” approach and it could be used in all kinds of pension schemes. It would be a transparent methodology and members could see how their transfer values were calculated. On the other hand, there would be difficulties in determining assumptions which were suitable for all schemes and thereafter ensuring that they remained appropriate.

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<sup>2</sup> Approaches to the calculation of pensions transfer values – Consultation document June 2006  
Approaches to the calculation of pensions transfer values – Response to the consultation January 2007  
Both documents are to be found at: <http://www.dwp.gov.uk/consultations/2006/>

23. This approach could be structured to meet the objectives, so that, for example, individual transfer values remained at broadly the same level after the new regulations took effect. However this would mean setting the assumptions, which would apply to all schemes, towards the lowest common denominator. The regulations would need to be amended frequently to reflect changing circumstances for example in relation to the markets.

24. In the June 2006 consultation, this was the least popular option. The main concern that respondents had about this approach was that it would not take into account the circumstances of individual schemes.

### **Cost**

25. **Numbers of schemes affected** The schemes primarily affected by these proposals are salary related schemes. The majority of private sector schemes are insured, or administered by third parties. In such cases, any new costs arising from regulatory changes are often absorbed within the contract with the insurer or third party administrator. For the purposes of developing a costing for this proposal it has been assumed that this will be the case for all schemes with less than 12 members and for half the schemes with between 12 and 99 members. On the other hand, larger schemes tend to be administered in house. Based on this broad brush approach, the estimates of numbers of schemes affected are as follows:

#### **Private sector**

Schemes with 100+ members: 4,500

Half of all schemes with 12-99 members: 1,200

#### **Public service**

All public service pension schemes: 350

26. **One off costs** Under this option, trustees and managers of the scheme would be responsible for the calculation of transfer values. Some one off costs would be triggered by this change.

- administrators would need to become familiar with the new arrangements – estimated £130 per scheme;

- some actuarial input would be needed to review the scheme's processes – estimated £1250 per private sector scheme. (Cost expected to be lower for public service schemes.)

In total a typical private sector scheme might face one off costs of up to £1,400 under this option.

27. **Total one off costs** For private sector schemes, the total one off cost would be around £8 million. For public service schemes the one off cost would

be around £250,000.

28. **Annual ongoing costs** Schemes already have in place systems for the calculation of pensions transfer values and for reviewing the arrangements. The only new ongoing requirement is that more information has to be provided to members considering whether to transfer. However this new information is quite limited and once it is added to standard documentation, ongoing costs would be negligible.

29. **Non-monetised costs** None.

30. **Annual costs per organisation** This approach has no annual costs.

31. **Exemptions** All salary related pension schemes would be covered by this approach.

### **Benefits**

32. “Benefits” effectively means benefit to the transferring member. However overall under the **prescribed assumptions** option, transfer values would be expected to remain at broadly the same level as they would have done had the current actuarial guidance remained in force. There would be no benefit to any particular group.

33. **Non-monetised benefits** Members would have greater certainty about the amounts of transfer values. There would also be less need for trustees to have to factor the scheme’s circumstances into the transfer calculation than is the case at present.

### **Key assumptions / Sensitivities / Risks**

34. With the **prescribed assumptions** approach, a key assumption is that the main effect would be on larger pension schemes with in-house administration and that costs for smaller insured schemes and schemes administered by third parties, the costs would be absorbed in their existing contracts. If this proves not to be the case, the costs attached to this option would rise.

35. The key feature of this approach is that the Government would determine and set out in regulations all of the assumptions to be used in calculating transfer values. Another key assumption is therefore that the Government would, in the first instance, be able to establish an appropriate and detailed framework for the calculation of transfer values which would be suitable for all types of scheme; and, thereafter keep it up to date.

36. The main risks arise from the fact that assumptions prescribed by the Government would be relatively inflexible. They would have to apply to all schemes large and small and such an approach might not be able to respond

quickly enough to reflect changes, for example in the market.

### **Option 2 - “EXD54” basis**

37. The June 2006 consultation included the “EXD54” approach, originally put forward by the Actuarial Profession in May 2005. This approach would lead to higher transfer values and hence would favour the member wanting to transfer out. It could also be used in unfunded public service pension schemes. On the other hand, this approach would be a more complicated and expensive way of calculating transfer values. It would increase the likelihood that employers would have to make extra contributions to the scheme. There could also be difficulties in trustees having to routinely and regularly assess the strength of the “employer covenant”, that is, the employer’s ability and willingness to support the pension scheme.

38. This approach would not meet any of the Government’s objectives. It would benefit the transferring member at the expense of members remaining in the scheme. It would not be consistent with the scheme’s funding arrangements. And it would increase the level of transfer values.

39. In the June 2006 consultation, only a handful of respondents favoured this approach. Most of these respondents favoured this approach because it would benefit former spouses – usually women – where a pension is shared on divorce. The majority of respondents, including all the sponsoring employers who responded, were against the approach, many quite strongly.

### **Cost**

40. **Numbers of schemes affected** It has been assumed that numbers of schemes affected would be the same as under the **prescribed assumptions** approach.

41. **One off costs** Administrative costs would be much higher under the **EXD54** approach and in fact they have been assumed to double – to £15.7 million for private sector schemes and to £550,000 for public service schemes.

42. **Annual ongoing costs** In terms of a cost benefit analysis, increases in the amounts of transfer values could be counted as a transfer insofar as the cost to the employer is balanced out as a gain to the member. However the perception by employers and others is that increased transfer values may well mean increased contributions into their pension scheme, which in turn would be a cost on their business. For the purposes of this Impact Assessment, increased amounts of transfer values have therefore been treated as a cost to the scheme and the sponsoring employer, but a benefit to the member. Under the **EXD54** approach, amounts of transfer values payable would increase significantly.

43. Where a private sector scheme is underfunded, transfer values can be cut back to reflect that underfunding. Where an actuarial valuation reveals a funding deficit, trustees must prepare a recovery plan for eliminating that deficit and must send a copy to the Pensions Regulator. There is no prescribed time limit for the length of the recovery plan, but for the purposes of this IA it has been assumed that funding deficits will generally be eliminated within a period of 10 years. Over time, there would be a significant increase in costs because of increases in the amounts of transfer values payable. When schemes as a whole had moved to a position where it was not necessary to reduce transfer values because of underfunding, the annual additional costs for private sector schemes could be of the order of £400 million a year. A progressive increase to this amount over the 10 years has been assumed. Because the underfunding provisions do not affect public service pension schemes, these schemes could see an immediate increase in costs of up to around £80 million a year.

44. **Non-monetised costs** Increases in transfer values of this amount would impact on a number of other groups. The sponsoring company and shareholders might be required to put additional funds into the pension scheme to make good amounts paid out as transfer values. Similarly in the public sector, unplanned for increased costs would have to be met by the taxpayer. There would be training costs for administrators and advisers, who would have to become familiar with the new approach.

45. **Annual cost per scheme** This cost would arise from increases in the amounts of transfer values. However a transfer value is determined by a member's salary and length of service. Amounts of transfer values are not related to scheme size. It would not therefore be appropriate to apportion annual costs in terms of the size of the pension scheme.

46. **Exemptions** All salary related pension schemes would be affected by this approach.

### **Benefits**

47. The people benefiting from this change would be scheme members who transferred out of their schemes. The costs for schemes and employers under the **EXD54** approach would become the benefit for this group. For example for private sector schemes, the **EXD54** approach could lead to an average uplift in transfer values of the order of 35 - 45%. These increases in transfer values would give the transferring member a greater chance of replicating his or her benefits in the new scheme.

48. **Non-monetised benefits** None.

**Key assumptions / Sensitivities / Risks**

49. Because transfer values can be cut back to reflect underfunding, a key assumption is the length of time that it is assumed that schemes, broadly, remain underfunded. This IA assumes a ten year horizon but if schemes generally become fully funded before then, that would lead to increases in costs above the levels assumed.

50. Another important assumption is that it is possible for the trustees to regularly and routinely come to an accurate view about the strength of the employer covenant. This is also one of the main areas of sensitivity. Differences in estimates of the strength of the employer covenant could lead to significant variations in transfer values.

51. There are a number of risks with this approach. The first is that it is not directly related to the way that the scheme is funded. The provision that the scheme is making for the members' benefits is not directly reflected in the amount of the transfer value, other than by the proxy measure of the strength of the employer covenant. Increases in transfer values could well result in increasing numbers of transfers out of the scheme. This in turn could lead to a weakening of scheme funding and a risk of scheme failure for those members remaining in the scheme. Finally there is a risk that the trustees may not be able to properly evaluate, routinely and regularly, the strength of the employer covenant. For example full up-to-date information about the employer's business may not be available to the trustees. Without full information about the employer covenant, there is the risk of transfer values being distorted.

**Option 3 - Scheme specific basis**

52. This approach is based on the expected cost within the scheme of providing the member's benefits. It is the approach currently contained in GN11. The approach is based on what the scheme estimates it would need at the time of the transfer to provide benefits for the transferring member if he or she had actually remained in the scheme. Under this approach, schemes would calculate transfer values by reference to assumptions and values consistent with – but distinct from – those used to assess the funding position of the scheme.

53. Most public service pension schemes are unfunded and on that basis would not therefore be able to fully adopt this approach. However guidance issued by HM Treasury would set out how key parts of the calculation of the transfer value are to be performed. The intention is that transfer values should remain at much the same levels as under the approach set out in GN11.

54. Taking the **scheme specific** approach forward into regulations would mean that schemes should only have to make a few technical changes to their arrangements.

55. In terms of the objectives, this approach would appropriately balance the interests of the outgoing member, the members remaining in the scheme and the sponsoring employer. The arrangements would be broadly consistent in approach, but distinct from, scheme funding arrangements. It would also mean that across all pension schemes, transfer values would remain broadly at the same level as they would have done had the current actuarial guidance remained in force.

56. In the June 2006 consultation there was overwhelming support for this approach.

### **Costs**

57. **Numbers of schemes affected** The numbers affected are assumed to be the same as under the **prescribed assumptions** approach. For ease of reference the numbers are set out here again.

58. The estimates of numbers of schemes affected are as follows:

#### **Private sector**

Schemes with more than 100 members: 4,500

Half of all schemes with 12-99 members: 1,200

#### **Public service**

All public service pension schemes: 350

59. **One off costs** Under this option, trustees and managers of the scheme would be responsible for the calculation of transfer values. Some one off costs would be triggered by this change.

- administrators would need to become familiar with the new arrangements – estimated £130 per scheme;

- some actuarial input would be needed to review the scheme's processes – estimated £1250 per private sector scheme. (Cost expected to be lower for public service schemes.)

In total a typical private sector scheme might face one off costs of up to £1,400 under this option.

60. **Total one off costs** For private sector schemes, the total one off cost would be around £8 million. For public service schemes the one off cost would be around £250,000.

61. **Annual costs** As with the prescribed assumptions approach, these would be negligible. Transfer values would remain at broadly the same level as they

would have done had the current actuarial guidance remained in force.

62. **Non-monetised costs** None. This approach rolls forward the current arrangements with which all parties are familiar.

63. **Exemptions** All salary related pension schemes would be affected by this approach.

### **Benefits**

64. Under the **scheme specific** option, transfer values would remain at broadly the same level as they would have done had the current actuarial guidance remained in force. There would be no new benefit to any particular group.

65. **Non-monetised benefits** This approach would provide the trustees with greater flexibility; assumptions could be quickly amended to reflect changes eg in mortality. The approach would also be much more consistent with the way that the scheme funds benefits for individual members.

### **Key assumptions / Sensitivities / Risks**

66. The proposal assumes that the main effect would be on larger pension schemes with in-house administration and that costs for smaller insured schemes and schemes administered by third parties, the costs would be absorbed in their existing contracts. If these assumptions turn out not to be correct, costs could increase.

67. The intended effect of these proposals is that transfer values would remain broadly at the same level as they would have done had the current actuarial guidance remained in force. A key assumption for the **scheme specific** approach is that schemes already calculate transfer values using a “best estimate” to determine assumptions. If a large number of schemes use some other methodology, the new regulations may alter the level of transfer values.

68. Because this is a **scheme specific** approach, transfer values would vary from scheme to scheme. If it becomes apparent that there are wide variations between schemes that may give rise to pressure from members and their representatives for a more prescriptive approach.

### **Admin burdens baseline**

69. Under the **scheme specific** approach, schemes will be required to give more information to members considering whether to transfer. This information consists of (i) advice that the Financial Services Authority and the Pensions Regulator can provide more information on the advisability of transfers; (ii) the existence of the Pension Protection Fund; and (iii) that the member may wish to

consider taking financial advice.

70. It is expected that schemes will meet this new obligation by adding some additional paragraphs to the standard documentation they already provide to members considering whether to transfer. There will be some minor one off costs in drafting these paragraphs but ongoing costs will be negligible. These changes would therefore have no effect on the admin burdens baseline.

## **Other issues**

### **(i) Enforcement**

71. The draft regulations do not provide for any new sanctions. The existing regulatory and enforcement regime that applies to occupational pension schemes would also apply in respect of these regulations.

72. Enforcement would be carried out by the Pensions Regulator. The Pensions Regulator has a number of sanctions at its disposal including the power to issue improvement notices and third party notices where necessary (sections 13 and 14 of the Pensions Act 2004). If these notices are ignored, the Regulator has powers, under section 10 of the Pensions Act 1995 to apply financial penalties.

73. There are also specific penalties attached to breaches of requirements in relation to transfer values. Section 93A(4) of the Pension Schemes Act 1993 provides for a sanction where a statement of entitlement has not been issued. Section 99(7) of that Act provides that where trustees or managers have failed to give effect to the member's wishes in respect of the transfer, they can be sanctioned. Regulation 11(6) of the Occupational Pension Schemes (Transfer Values) Regulations 1996 (SI 1996/ 1847) provides that where any person has failed to disclose information in accordance with regulation 11, they may be sanctioned by the Pensions Regulator.

74. There will be no additional enforcement costs attached to any of the options. Any enforcement action would be counted in the Pensions Regulator's existing regulatory regime.

### **Monitoring and evaluation**

75. Trustees would need to review their arrangements to make sure they are fully aligned with the new regulations, but this should not be a major task. If however a scheme fails to take any action and there is reason to believe that the arrangements are not consistent with the regulations, the Government would expect the scheme advisers to make a report to the Pensions Regulator, as required by section 70 of the Pensions Act 2004.

76. If a member of a scheme has a complaint about the way that a transfer value has been calculated, and that complaint cannot be resolved within the scheme, that complaint can be taken either to the Pensions Ombudsman or the Pensions Regulator, depending on the nature of the complaint.

77. The Government intend to review and evaluate the policy in April 2011.

## SPECIFIC IMPACT TESTS

1. The other specific impact tests which have been considered are described in this section.

### Competition assessment

2. The new regulations would not affect any particular market sector. Nor would they have any effect on suppliers. Instead they would affect any company which has a salary related occupational pension scheme.

3. The proposals contained in **EXD54** would have significantly increased the costs of transfers for these companies. Some of these companies could have been required to make extra contributions into their pension schemes. That would clearly have had a detrimental impact on their competitiveness.

4. The Government's preferred option, the **scheme specific** approach, would entail some minor, one-off costs in the change over to a system based fully on regulations, but those costs should not have any effect on competitiveness.

### Small firms impact test

5. These proposals would impact on employers who have salary related occupational pension schemes. The three options would impact in different ways on small businesses.

6. The **EXD54** approach would lead to significant increases in transfer values, which in turn could lead to the sponsoring employer having to make increased contributions to the scheme. This approach would also add to the administration costs of smaller schemes. These costs would be higher than for the other two approaches.

7. The **EXD54** approach would also bring with it a particular difficulty for smaller pension schemes. A key point of the **EXD54** approach is that the trustees must make estimates, regularly and routinely, of the strength of the employer's covenant. In a small scheme where some of the trustees would also be part of the employer's management team, having to make such judgments on a regular basis could be difficult because there may possibly be conflicts of interest.

8. The **EXD54** approach would therefore be the least favourable to small businesses.

9. The other two approaches would be more straightforward for schemes to operate and hence would be better options for small employers. Both approaches would leave transfer values broadly as they are now; both approaches would involve some one-off administration costs but these would be

lower than the **EXD54** approach. However the **Scheme Specific** approach would be more attractive to employers because it would mean that transfer values were set by reference to the features of that scheme, for example the scheme's investment strategy and its chosen reference point for mortality rates. Moreover the **Scheme Specific** approach would roll forward the existing arrangements as far as possible and so this would make the transition to the new regulation-based system much more straightforward.

#### **Legal aid**

10. There will be no impact on legal aid.

#### **Sustainable Development, Carbon Assessment, Other Environment**

11. It is not expected that these proposals will have any impacts in these areas.

#### **Health Impact Assessment**

12. The options have been considered against the screening questions for health impact assessments and such an assessment will not be necessary.

#### **Race Equality, Disability Equality**

13. The proposals do not have any consequences for race equality or disability equality.

#### **Gender Equality**

14. This issue is addressed in terms of the transfer values produced by the three approaches and whether the amounts so calculated are unfair or disadvantageous to men or women.

15. In terms of the amounts of cash equivalent transfer values, none of the options in the Impact Assessment would produce amounts which were unfair to women or men.

16. However in the June 2006 consultation, divorcing women were particularly mentioned by respondents as being unfairly treated by the current (GN11) arrangements. Where a couple divorce, the court must consider the value of any pensions the couple have in making the financial settlement. In practice, when the court orders that the pension be shared, this usually means that part of the man's pension is discharged into a pension credit for his former spouse. Many respondents said that the current (GN11) rules on the calculation of cash equivalents were unsuitable for use in pension sharing on divorce. They argued that the resulting cash equivalent transfer values did not reflect the value of the promised benefits to the member. The position was compounded by the fact that former spouses were very often not allowed to become members of the scheme but were required to move their pension rights to another pension arrangement, usually defined contribution in nature. Some respondents suggested there needed to be a separate means of valuing pensions for divorce purposes. Other respondents suggested that the rules should be changed so that the trustees of

the member's scheme could no longer prevent the former spouse from becoming a member of the scheme.

17. The Government's view is that the primary purpose of the Impact Assessment is to determine the best approach for the calculation of cash equivalent transfer values generally. But the concerns expressed about the use of the methodology in pension sharing have been noted and will be given separate consideration.

**Human Rights**

18. The proposals are compatible with the Human Rights Act 1998.

**Rural Proofing**

19. The proposals have no specific impact on rural communities.

## “EARLY LEAVERS”

### Introduction

1. The draft regulations which accompany this Impact Assessment also make a minor change to the Occupational Pension Schemes (Early Leavers: Cash Transfer Sums and Contribution Refunds) Regulations 2006 (SI 2006/33) (the “Early Leavers regulations”).
2. This change will enable schemes to save a one off amount of around £500,000. A full Impact Assessment would not be appropriate or proportionate because of the small effect of this change. The main details are however set out in the following paragraphs.

### Background

3. From April 2006, people who have left an occupational pension scheme:
  - a. whose rights have not vested and
  - b. have at least 3 months pensionable service in the scheme

have to be given the option of either a cash transfer sum to be sent to a pension scheme of their choice, or a refund of contributions. The cash transfer sum is calculated in the same way as a normal cash equivalent transfer value.

4. The legislation as currently drafted provides that the amount of the cash transfer sum is the amount at the date the member leaves pensionable service. However in money purchase schemes, administrative systems for paying cash equivalents transfer values are geared to the amount on the date of disinvestment. With early leavers, a period of several months can elapse between the date they leave service and the date of disinvestments. This is because early leavers have to be given a period to decide whether they want a cash transfer sum or a contribution refund. The amount of the cash transfer sum at the date of leaving service could well have changed by the date at which disinvestment takes place.
5. For cash transfer sums, schemes have not so far changed their administrative procedures so that they match the date the member leaves pensionable service. They have been helped by the fact that markets are generally rising; this means that the amount of the cash transfer sum is usually higher at the date of disinvestment than the date of leaving pensionable service.
6. However if the regulations are not changed, schemes will have to change to their administrative systems to make special arrangements for calculating cash transfer sums.

**Amending regulation**

7. The amending regulation will provide that the cash transfer sum is to be the amount on the date of disinvestment.

**Saving**

8. If schemes had to introduce special arrangements to calculate the value of cash transfer sums at the date of leaving pensionable service, the estimated one off cost across all schemes would be around £500,000. There would be no ongoing costs. The new regulations will mean that schemes do not have to incur this expenditure and that the additional expenditure of £500,000 will not be incurred.

## Specific Impact Tests - Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

**Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.**

Type of testing undertaken	Results in Evidence Base? (Y/N)	Results annexed? (Y/N)
Competition Assessment	Y	N
Small Firms Impact Test	Y	N
Legal Aid	Y	N
Sustainable Development	Y	N
Carbon Assessment	Y	N
Other Environment	Y	N
Health Impact Assessment	Y	N
Race Equality	Y	N
Disability Equality	Y	N
Gender Equality	Y	N
Human Rights	Y	N
Rural Proofing	Y	N

## **ANNEX A**

### **List of consultees**

Association of British Insurers  
Association of Consulting Actuaries  
Association of Pension Lawyers  
The Actuarial Profession  
AEGON  
Alexander Forbes Financial Services  
Aon  
AstraZenica  
AXA  
Baker & McKenzie  
Balfour Beatty  
Barnett Waddingham  
Board for Actuarial Standards  
British Airways Pensions  
CPRM  
CS Pension Consultants Ltd  
Cape Pension Trustees Ltd  
Collins Actuaries  
Compact Analysis  
Confederation of British Industry  
Co-operative Group  
Deloitte  
Department of Health  
Department of Trade and Industry  
EB Consultants Ltd  
Financial Ombudsman Service  
Financial Services Authority  
First Actuarial  
Fraser Glass and Co  
Freshfields  
Guinness Peat Group plc  
HBOS  
HBOS Pension Scheme  
Hargreaves Lansdowne  
Haven Partnership  
HM Revenue & Customs  
HM Treasury  
Hewitt  
Higham Dunnett Shaw  
HSBC  
Hymans Robertson LLP  
Imperial Tobacco Pension Trustees Ltd  
Institute of Chartered Accountants in England and Wales  
Jardine Lloyd Thompson  
Joint Working Group  
Lane Clark & Peacock

Law Debenture  
Legal & General  
Linklaters  
Lloyds TSB  
Mercer  
National Grid  
National Association of Pension Funds  
Norwich Union  
Occupational Pensioners' Alliance  
Paul Weaver and Co  
The Pensions Advisory Service  
Pensions Management Institute  
Pensions Ombudsman  
Pension Protection Fund  
Pensions Regulator  
PricewaterhouseCoopers  
Prudential  
Punter Southall  
Resolution  
Rolls-Royce  
Royal Bank of Scotland  
Sackers  
Scottish Equitable  
Scottish Life  
Scottish Widows  
Society of Pension Consultants  
Standard Life  
Tesco  
Towers Perrin  
TUC  
Watson Wyatt