

**THE OCCUPATIONAL PENSION SCHEMES (EARLY LEAVERS: CASH
TRANSFER SUMS AND CONTRIBUTION REFUNDS) REGULATIONS**

Interim Government response to the consultation

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INTRODUCTION

1. In June 2005 the Government undertook a consultation on the draft Early Leaver (Cash Transfer Sums and Contribution Refunds) Regulations 2005. The consultation lasted for eight weeks and ended on 26th August.
2. 23 responses were received. We are still in the process of analysing those responses. However, we think it right that we issue an interim response on one specific matter now. Our full response will follow.
3. This document is available on the Department for Work and Pensions' website at <http://www.dwp.gov.uk/consultations/2005/index.asp>
4. A paper copy of this document can be obtained from:

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RESPONSES TO CONSULTATION

5. In the consultation we proposed that the Minimum Funding Requirement (MFR) underpin should remain in place on a transitional basis not only for the purposes of the new cash transfer sum but also for the calculation of transfer values and for the purposes of pension sharing. The underpin would stay until such time as a scheme receives its first valuation under the new scheme funding arrangements. We explicitly invited views on this.
6. Of those respondents who expressed a view, there was a small majority against our proposal.
7. Also, in answer to another question the large majority of these respondents agreed that it is safe to reduce transfer values based solely on the latest actuarial GN11 report. This strongly suggests that the MFR underpin is unnecessary.
8. The arguments against retaining the underpin were that it is largely irrelevant and its removal would simplify scheme administration and reduce costs. The argument in favour was that it still provides some limited protection for a small number of hard cases.

9. Having given all arguments proper consideration we have concluded that the case for removing the MFR underpin as soon as possible is stronger than that for retaining it for a period. In support of that conclusion is the need to consider the interests of those who remain in the scheme, as well as those who transfer out, and also the fact that a member need not proceed with a transfer if he/she is dis-satisfied with the amount.
10. We have therefore included the necessary changes in the Scheme Funding regulations, to come into effect from the date those regulations commence.

List of respondents who commented on the issue of the MFR underpin

Actuarial Profession
AEGON UK
Association of British Insurers
Association of Consulting Actuaries
Co-operative Group
Electricity Supply Pension Scheme
Hewitt Bacon & Woodrow
Norwich Union
Pensions Management Institute
Pension Regulator
Punter Southall
Society of Pension Consultants
Tesco PLC Pension Scheme