
EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations concern the minimum funding requirement for occupational pension schemes under sections 56 to 61 of the Pensions Act 1995 (c. 26) (“the Act”) and ongoing actuarial valuations under section 41. They are made before the expiry of the period of six months beginning with the coming into force of the provisions of Part I of the Act by virtue of which they are made. They are accordingly exempt from the requirement in section 120 of the Act for the Secretary of State to consult such persons as he considers appropriate.

Regulations 1 and 2 provide for the citation, commencement and interpretation of the Regulations.

Regulations 3 to 9 make provision as to the method and assumptions to be adopted in determining the value of scheme liabilities and assets.

Regulation 10 specifies time limits within which minimum funding valuations must be obtained. Regulation 11 imposes a duty to obtain minimum funding valuations following events with significant effects on funding. Regulation 12 imposes a duty on trustees to obtain minimum funding valuations where new serious underfunding is reported by the actuary. Regulation 13 imposes a duty on trustees or managers to obtain a minimum funding valuation in a multi-employer scheme where a debt may have arisen under section 75 of the Act. Regulation 14 and Schedule 1 make provision as to the contents of the actuary’s report of such a valuation.

Regulations 15 to 19 and Schedules 2 and 3 make provision in relation to schedules of contributions and as to the certification of the adequacy of contributions and the keeping of records of contributions.

Regulations 20 and 21 make provision in relation to schedules of contributions and the requirement on trustees to report in relation to inadequate funding. Regulation 22 and Schedule 4 make provision as to the permitted methods for securing the shortfall in a case of serious underprovision. Regulation 23 makes provision as to the notification of failure to make contributions to the Occupational Pensions Regulatory Authority and to members. Regulations 25 to 27 make provision in relation to the power of the Authority to extend the period for making payments.

Regulation 28 provides for exemptions to the minimum funding requirement.

Regulation 29 and Schedule 5 provide for modification of the requirements in the case of multi-employer schemes, frozen or paid-up schemes, schemes covering United Kingdom and foreign employment and schemes with a partial government guarantee.

Regulation 30 and Schedule 6 make provision for trustees to obtain an ongoing actuarial valuation and for its format, content and frequency.

An assessment of the compliance cost for employers of the measures arising from the Pensions Act 1995, including Regulations, has been placed in the libraries of both Houses of Parliament. Copies can be obtained by post from the Department of Social Security, 11th Floor, the Adelphi, 1-11 John Adam Street, London WC2N 6HT.