
STATUTORY INSTRUMENTS

2005 No. 577

**The Stakeholder Pension Schemes
(Amendment) Regulations 2005**

New provisions relating to investments

5. The following regulations shall be inserted after regulation 10—

“Requirement as regards the investment strategy for members nearing retirement

10A.—(1) Subject to regulation 10B, for the purposes of section 1(1)(b) it shall be a condition of a scheme being a stakeholder pension scheme that the requirements of this regulation are complied with.

(2) Except in so far as paragraph (3) and regulation 10C provide otherwise, the trustees or manager of a scheme shall make the rights of a member under the scheme subject to lifestyling if the member has made no choice as regards any investment made under the scheme on his behalf.

(3) Paragraph (2) does not apply in relation to the rights of a person who became a member of the scheme before 6th April 2005 unless he requests that his rights should be made subject to lifestyling, in response to the notification provided for in regulation 10D(3).

(4) Where the amount representing the value of a member’s rights is divided into different tranches, in respect of which different retirement dates are specified, paragraph (2) applies separately in relation to the member’s rights regarding each tranche.

(5) In these Regulations, “lifestyling” means the process, applied from the relevant date and continuing until the member’s retirement date, by which an investment strategy is adopted by the trustees or manager which aims progressively to reduce the potential for significant variation in the value of the member’s rights caused by market conditions from time to time.

(6) In paragraph (5), “the relevant date” means a date chosen by the trustees or manager, which is at least five years before the member’s retirement date, or which is—

- (a) in the case of a member who joins the scheme less than five years before his retirement date, as soon as is reasonably practicable after he becomes a member, and
- (b) in the case of a member whose retirement date is varied so as to become a date less than five years before the date of the variation, as soon as is reasonably practicable after the date of the variation.

Exclusion of regulation 10A in relation to a scheme

10B.—(1) If, before 6th April 2005, the trustees or manager of a scheme resolved that no new member should be admitted to the scheme on or after that date—

- (a) regulation 10A shall not apply to the scheme, and

(b) it shall be a condition of the scheme being a stakeholder pension scheme that no new member is admitted.

(2) Sub-paragraphs (a) and (b) of paragraph (1) shall cease to apply to a scheme if a resolution of the kind specified in that paragraph is revoked by a further resolution of the trustees or manager of the scheme on or after 6th April 2005.

Transitional provisions relating to regulation 10A

10C. If, before 6th April 2005, the Occupational Pensions Regulatory Authority received a letter from the trustees or manager of a scheme stating the intention—

(a) to establish, by 6th April 2006, arrangements to make the rights of any person who—

(i) becomes a member of the scheme on or after 6th April 2005 and before 6th April 2006, and

(ii) has made no choice as regards any investment made under the scheme on his behalf,

subject to lifestyling, and

(b) to establish, by 6th October 2007, arrangements to make the rights of any person who—

(i) became a member of the scheme before 6th April 2005, and

(ii) has requested that his rights should be made subject to lifestyling, in response to the notification provided for in regulation 10D(3),

subject to lifestyling, regulation 10A(2) does not apply in relation to the rights of a person of the kind described in sub-paragraph (a) until 6th April 2006, or in relation to the rights of a person of the kind described in sub-paragraph (b) until 6th October 2007.

Notification requirements connected with regulations 10A and 10B

10D.—(1) For the purposes of section 1(1)(b) it shall be a condition of a scheme being a stakeholder pension scheme that the requirements of this regulation are complied with.

(2) The trustees or manager of the scheme shall notify the Pensions Regulator of any resolution of the kind specified in regulation 10B(1) by 4th July 2005, and of any resolution of the kind specified in regulation 10B(2) within three months after the date of the resolution.

(3) If regulation 10A applies to the scheme, the trustees or manager shall notify every member of the scheme—

(a) who became a member before 6th April 2005;

(b) who has made no choice as regards any investment made under the scheme on his behalf, and

(c) whose rights are not already subject to lifestyling,

in accordance with paragraph (4).

(4) The notification provided for in paragraph (3) must—

(a) inform the member—

(i) of the purpose of lifestyling, and the manner in which it is provided for under the scheme;

(ii) of the potential advantages and disadvantages to the member of applying lifestyling to his rights, and

- (iii) that his rights will be made subject to lifestyling if he so requests, and
 - (b) be given before 6th April 2007, or, in a case where regulation 10A applies to the scheme by virtue of a resolution under regulation 10B(2), within two years of the date of that resolution.
- (5) If, by virtue of a resolution of the kind specified in regulation 10B(1), regulation 10A does not apply to the scheme, the trustees or manager shall notify every member of the scheme who has made no choice as regards any investment made under the scheme on his behalf in accordance with paragraph (6).
- (6) The notification provided for in paragraph (5) must—
- (a) inform the member—
 - (i) of the purpose of lifestyling, and the fact that it is not provided for under the scheme, and
 - (ii) that, if he so requests, his rights under the scheme can be transferred to another stakeholder pension scheme of his choice under which lifestyling is provided for, and
 - (b) be given before 6th April 2007.
- (7) At least four months, but no more than two years, before applying lifestyling to the rights of a member whose rights are subject to lifestyling (or, where this is not reasonably practicable, as soon before applying lifestyling as is reasonably practicable), the trustees or manager shall notify the member of the fact that his rights are subject to lifestyling and of the date from which lifestyling will be applied.

Changes notified by members

10E. Where—

- (a) the rights of a member of a scheme have been made subject to lifestyling;
- (b) the application of lifestyling to those rights has not begun, and
- (c) the member either—
 - (i) makes a choice as regards any investment made under the scheme on his behalf, or
 - (ii) notifies the trustees or manager of the scheme that he does not wish his rights to be subject to lifestyling,

the rights of the member shall cease to be subject to lifestyling.

(2) Where—

- (a) the application of lifestyling to the rights of a member of a scheme has begun, and
- (b) the member notifies the trustees or manager of the scheme that he wishes to specify a different retirement date,

the trustees or manager may opt to continue the application of lifestyling as if the member's retirement date were unchanged.”.