STATUTORY RULES OF NORTHERN IRELAND

1996 No. 570

The Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations (Northern Ireland) 1996

Valuation of assets and liabilities

Determination and valuation of liabilities

7.—(1) Subject to the provisions of these Regulations, the liabilities of a scheme which shall be taken into account for the purpose of forming an opinion as to whether the minimum funding requirement is met on a relevant date are—

(a) the liabilities in respect of pensions and benefits mentioned in Article 73(3) (which lists the liabilities of schemes in the order in which they are to be met on a winding up), and

(b) in the case of a scheme with members whose employment is contracted-out by reference to the scheme, liability in respect of contributions equivalent premiums for all such members in respect of whom an election to pay such premiums could be made (on the assumption that the scheme were wound up on the relevant date).

(2) The amount of the liabilities of the scheme in respect of pensions and benefits shall be calculated on the assumption that it is equal to the amount required to be invested in investments of an appropriate description in order to meet those liabilities, and that calculation shall be made by reference to the yield on such investments (as indicated in such indices as are specified in the guidance given in GN 27).

(3) For the purpose of making that calculation, it shall be assumed, subject to paragraphs (4) and (5), that all liabilities in respect of the pensions payable to or in respect of members who are pensioner members on the relevant date are met from investments in gilt-edged securities.

(4) If the amount of the liabilities in respect of pensions payable to or in respect of members, who are pensioner members on the relevant date, in the period of 12 years beginning with that date ("12 year liabilities") exceeds £100 million, then it shall be assumed—

(a) that those 12 year liabilities are met from investments in gilt-edged securities, and

(b) except in the case of a scheme with a gilts-matching policy for liabilities in respect of pensioner members, that all the liabilities of the scheme in respect of pensions payable to such members after the expiry of the period of 12 years ("long term liabilities") are met from investments in equities.

(5) Where paragraph (4) does not apply, it shall be assumed—

(a) that the 12 year liabilit ies, and so much of the long term liabilities as when aggregated with the 12 year liabilities equals at least £100 million, are met from investments in gilt-edged securities, and

(b) except in the case of a scheme with a gilts-matching policy for liabilities in respect of pensioner members, that the remainder of the long term liabilities are met from investments in equities,

and, for the purposes of sub-paragraph (*a*), long term liabilities shall only be included if they are due in the shortest possible period of whole years, beginning 12 years after the relevant date, which requires to be taken into account for that paragraph to be satisfied.

(6) For the purposes of paragraphs (4) and (5), in calculating the amount of liabilit ies for the purpose of determin ing whether the amount exceeds £100 million, the liabilities shall be calculated on the basis that they are met from investments in gilt-edged securities.

(7) For the purpose of calculating the liabilities in respect of the members who are not pensioner members on the relevant date, it shall be assumed, subject to paragraph (8), that they are met—

(a) to the extent that they relate to any time before the switch-over period, from investments in equities;

(b) to the extent that they relate to the switch-over period, from investments in both gilt-edged securities and equities, in such respective proportions as are indicated by the guidance in GN 27, and

(c) to the extent that they relate to any time after the switch-over period, from investments in gilt-edged securities.

(8) If the scheme has a gilts-matching policy for liabilities in respect of deferred members, it shall be assumed that liabilities in respect of members who are deferred members on the relevant date are met from investments in gilt-edged securities.

(9) For the purposes of this regulation, a scheme is only to be taken to have a gilts-matching policy for liabilities in respect of pensioner members or deferred members at any time if the last statement in respect of the scheme under Article 35 before that time states that the trustees' policy is to meet all liabilities in respect of pensioner members or, as the case may be, deferred members from investments in gilt-edged securities.

(10) In this regulation “the switch-over period”, in relation to a member, means the period of 10 years ending with the age at which the member will first become entitled under the provisions of the scheme to receive a full pension on retirement of an amount determined without a reduction to take account of its payment before a later age (but disregarding any entitlement to pension on retirement in the event of illness, incapacity or redundancy).