SCHEDULE 12

Teachers' Superannuation Account

Part III

Notional Interest

5.—(1) Subject to sub-paragraph (2) and paragraph 7(3), the notional interest to be credited to the account under regulation G2(4)(*e*) is the interest that would have accrued for the financial year—

(a) from the notional investment that was referred to in regulation 83(1)(*c*) of the 1977 Regulations(**1**) (investment referable to accumulated balance of revenue over expenditure as at 31st March 1971); and

(b) from the notional investments of annual balances that were referred to in regulation 83(1)(*b*) of the 1977 Regulations (balances for financial years ending on or after 31st March 1972); and

(c) in any financial year beginning after 31st March 1999, from the assumed investments at the end of preceding financial years described in paragraph 6(4),

and half the interest that would have accrued for the financial year from the assumed investment described in paragraph 6(3).

(2) There shall be deducted from the gross amount of the notional interest an amount equal to the income tax that would have been payable if the notional and assumed investments had been held for the purposes of a retirement benefits scheme approved under Chapter I of Part XIV of the Income and Corporation Taxes Act 1988(**2**) which was an exempt approved scheme within the meaning of that Chapter and which provided benefits comparable to those provided under these Regulations.

6.—(1) In this paragraph "invested" means invested in one or more designated securities at the mean price.

(2) A designated security is a government security designated for the financial year by the Department after consulting the Government Actuary, and the mean price is half way between the highest and lowest prices shown for it in the Official Daily List of The Stock Exchange for 1st October in the financial year or, if the Exchange was not then open, for the last day on which it had been open.

(3) It shall be assumed that

$$A + B \quad C$$

was invested at the beginning of the financial year—

A being the total of the receipts credited for the financial year in accordance with regulation G2(1) and (4)(*b*) to (*d*);

B being the notional interest described in paragraph 5(1)(*a*), (*b*) and (*c*); and

C being the total of the payments debited for the financial year in accordance with regulation G3.

(4) It shall be assumed that

$$A + B + D \quad C$$

(**1**) Regulation 83 was as substituted by S.R. 1979 No. 380, Regulation 8 and Appendix 3, Regulations 79 to 81 were renumbered 80 to 92 by S.R. 1988 No. 64, Regulation 3(2)

(**2**) 1988 c. 1

is invested at the end of the financial year in the same designated security or securities, A, B and C being the same as in sub-paragraph (3) and D being half the interest that would have accrued for the financial year from the assumed investment described in that sub-paragraph.

7.—(1) Any security which is the subject of a notional or assumed investment mentioned in paragraph 5(1)(*a*), (*b*) or (*c*) shall be treated as having been redeemed on the last date on which it could have been redeemed in accordance with the terms on which it was issued ("the redemption date").

(2) The amount originally treated as invested in the security shall be assumed to have been re-invested on the redemption date in a government security designated by the Department after consulting the Government Actuary.

(3) The notional interest calculated in accordance with paragraph 5 shall be increased by any excess of F over E, or as the case may be reduced by any excess of

E over F,

where—

E is the amount originally treated as invested in the security; and

F is the amount notionally received on its redemption after deducting any capital gains tax that would have been payable if the investment had been held for the purposes of a retirement benefits scheme of the kind mentioned in paragraph 5(2).