STATUTORY RULES OF NORTHERN IRELAND

2023 No. 7

The Occupational Pension Schemes (Collective Money Purchase Schemes) Regulations (Northern Ireland) 2023

PART 4

Valuation and benefit adjustment

Calculation of benefits

17.—(1) For the purposes of section 69(4) of the 2021 Act (calculation of benefits), the rules of a collective money purchase scheme must contain the provisions set out in paragraphs (2) to (4).

(2) In relation to the determination of the value of the available assets of the scheme, the assets to be taken into account are the available assets of the scheme attributed to the scheme in the relevant accounts, excluding any resources invested in contravention of Article 40(1) of the 1995 Order (restriction on employer-related investments).

(3) In relation to the determination of the required amount—

- (a) that the trustees must apply the methods set out in the scheme rules;
- (b) that the mortality tables used and the demographic assumptions made, having regard to the main characteristics of the members as a group, must be based on a central estimate basis;
- (c) that the discount rate must be determined using a central estimate of the estimated future returns on assets held by the scheme or expected to be held in the future;
- (d) that the inflation assumptions used must be based on a central estimate basis.

(4) In relation to the adjustment of the rate or amount of benefits provided under the scheme—

- (a) that the trustees must apply the methods set out in the scheme rules;
- (b) that any such adjustment must be based on the actuarial valuation calculated by reference to the most recent effective date;
- (c) that any such adjustment must be applied to all the members of the scheme without variation;
- (d) that any such adjustment must be applied on the benefit adjustment date;
- (e) that where an increase is required to the rate or amount of benefits provided under the scheme, before that increase can be applied the trustees must determine—
  - (i) the cost of funding that increase for the remaining lives of—
    - (aa) the beneficiaries of the scheme on the effective date;
    - (bb) the expected survivors in relation to the members of the scheme on the effective date;
  - (ii) that the value of the available assets of the scheme, as determined for the purposes of the actuarial valuation calculated by reference to the most recent effective date, is sufficient to meet the cost of funding that increase for the remaining lives of—

(aa) the beneficiaries of the scheme on the effective date;

(bb) the expected survivors in relation to the members of the scheme on the effective date.

(5) For the purposes of paragraph (4)(e) the cost of funding an increase must—

(a) be calculated on the basis that the increase will be applied each year;

(b) include the projected change in inflation.

(6) Subject to paragraphs (3) and (4), it is for the trustees of a collective money purchase scheme to determine, having obtained advice from the scheme actuary, which assumptions are to be used for the purposes of determining the required amount on which the adjustment to the rate or amount of benefits provided under the scheme is based.

(7) Paragraphs (8) to (13) apply where the scheme rules of a collective money purchase scheme permit the trustees to apply a multi-annual reduction.

(8) The trustees of a collective money purchase scheme may apply a multi-annual reduction to the rate or amount of benefits provided under the scheme provided that—

(a) the multi-annual reduction is to be applied in full on or before the third benefit adjustment date beginning with the benefit adjustment date which relates to the actuarial valuation as a result of which the multi-annual reduction is to be applied;

(b) the reduction applied in any year of the multi-annual reduction must not be greater than the reduction applied in the previous year of the multi-annual reduction.

(9) The trustees of a collective money purchase scheme must not vary any planned adjustments under a multi-annual reduction after the first benefit adjustment date which relates to the actuarial valuation as a result of which the multi-annual reduction is to be applied.

(10) Where there is a multi-annual reduction in effect and a subsequent actuarial valuation results in an increase in the rate or amount of benefits provided under the scheme, that increase is to be applied by the trustees, having obtained the advice of the scheme actuary, in addition to the planned reduction for that year under the multi-annual reduction which is in effect.

(11) Where there is a multi-annual reduction in effect and a subsequent actuarial valuation results in a further reduction in the rate or amount of benefits provided under the scheme, that further reduction is to be applied by the trustees, having obtained the advice of the scheme actuary, in addition to the multi-annual reduction which is in effect.

(12) Where there is a single multi-annual reduction in effect and a subsequent actuarial valuation results in a further reduction in the rate or amount of benefits provided under the scheme which is to be applied as a multi-annual reduction (the "second multi-annual reduction")—

(a) paragraph (8)(b) does not apply to the second multi-annual reduction;

(b) the total reduction applied in any year of the second multi-annual reduction must not be greater than the total reduction applied in the previous year of the second multi-annual reduction.

(13) Where there are two (but not more than two) multi-annual reductions in effect and a subsequent actuarial valuation results in a further reduction in the rate or amount of benefits provided under the scheme which is to be applied as a multi-annual reduction (the "third multi-annual reduction")—

(a) paragraph (8)(b) does not apply to the third multi-annual reduction;

(b) the total reduction applied in any year of the third multi-annual reduction must not be greater than the total reduction applied in the previous year of the third multi-annual reduction.

(14) In this regulation—

"beneficiary" has the meaning given in section 87(8) of the 2021 Act (continuity option 1: discharge of liabilities and winding up);

"benefit adjustment date" means the date set out in the scheme rules on which an adjustment to the rate or amount of benefits provided under the scheme following an actuarial valuation must be applied each year;

"relevant accounts", in relation to an actuarial valuation, are the audited accounts for the scheme which are prepared in respect of the period ending with the effective date of the actuarial valuation.

Advice of scheme actuary

18. When advising the trustees of a collective money purchase scheme in accordance with section 70(1) of the 2021 Act (advice of scheme actuary), the scheme actuary must have regard to any guidance which is relevant to determining the matters mentioned in section 69(1) and (2) of the 2021 Act (calculation of benefits) published, and from time to time revised, by—

(a) the Institute and Faculty of Actuaries (or its successor);

(b) the Regulator.

Actuarial valuations

19.—(1) The trustees of a collective money purchase scheme must obtain—

(a) an actuarial valuation in which the effective date falls within the period of one year beginning with the day on which the scheme begins operating, and

(b) subsequent actuarial valuations in which the effective date is not more than one year after the effective date of the previous actuarial valuation.

(2) At any time prior to the certification of the actuarial valuation by the scheme actuary(**1**), the trustees of a collective money purchase scheme may, where the scheme rules so permit, instruct the scheme actuary—

(a) to adjust the value of the available assets of the scheme to account for changes in asset values since the effective date;

(b) to adjust the value of the required amount to account for changes to the scheme membership or other relevant matters since the effective date.

(3) Before instructing the scheme actuary to make an adjustment described in paragraph (2) the trustees of a collective money purchase scheme must obtain written advice from the scheme actuary.

(4) An actuarial valuation prepared in accordance with section 71(1) of the 2021 Act (actuarial valuations) must contain the following—

(a) the methods and assumptions used for the actuarial valuation and how these have been derived;

(b) the scheme actuary's certification that the matters mentioned in section 71(2) of the 2021 Act have been determined in accordance with the scheme rules;

(c) the total number of members enrolled in the scheme as at the effective date, including a breakdown of the number of active members, deferred members, pensioner members and survivors entitled to the payment of benefits under the scheme;

(d) the average age of the active members, deferred members and pensioner members in the scheme as at the effective date;

(e) the amount of all benefits in payment as at the effective date;

(**1**) *See* section 72 of the Pension Schemes Act 2021

(f) the effective date of the previous actuarial valuation;

(g) the value of the available assets of the scheme and the required amount set out in the previous actuarial valuation;

(h) whether an adjustment to the rate or amount of the benefits provided under the scheme was required following the previous actuarial valuation;

(i) where an adjustment to the rate or amount of the benefits provided under the scheme was required following the previous actuarial valuation, the details of the adjustment and the date the adjustment was applied;

(j) a statement as to whether any multi-annual reduction is in effect as at the effective date;

(k) where a multi-annual reduction is in effect, the details of the arrangement including—

(i) the duration of the multi-annual reduction;

(ii) the rate of reduction for each year of the arrangement;

(iii) confirmation that previous reductions have been applied in accordance with the details of the arrangement;

(iv) the number of years remaining until the multi-annual reduction is applied in full;

(l) in relation to the methods and assumptions used for the actuarial valuation—

(i) where there has been no change compared to the methods and assumptions used for the previous actuarial valuation, a statement setting out why the methods and assumptions continue to be appropriate for the scheme, or

(ii) where there has been a change compared to the methods and assumptions used for the previous actuarial valuation, a statement setting out the justification for any changes to the methods or assumptions used.

(5) The requirements set out at paragraph (4)(f) to (l) do not apply to an actuarial valuation prepared in accordance with paragraph (1)(a).

(6) The trustees of a collective money purchase scheme must obtain an actuarial valuation within a period of 10 months beginning with the effective date of the valuation.

(7) The trustees of a collective money purchase scheme must secure that any actuarial valuation obtained by them is made available to the Regulator before the end of 10 days beginning with the date on which they obtain it.

(8) In this regulation, the day on which a scheme begins operating is the day on which, in relation to the scheme, a person first accepts money as described in section 58(5)(a) or (b) of the 2021 Act.

Reporting requirements relating to benefit adjustments

20. A report under section 73(2) of the 2021 Act (benefits adjustments) must, in addition to an explanation of why the adjustment was not made in accordance with the most recent actuarial valuation or (as the case may be) does not take effect in accordance with the scheme rules, contain the following information—

(a) the level of any adjustments applied;

(b) the level of the benefit adjustment that should have been applied in accordance with the most recent actuarial valuation or (as the case may be) the scheme rules;

(c) any proposed remedial actions;

(d) a timetable for implementing any remedial actions;

(e) a statement as to whether the failure to apply the benefit adjustment in accordance with the most recent actuarial valuation or (as the case may be) the scheme rules will or is likely to result in any negative impact on the scheme's ongoing ability to provide the pension benefits under the design of the scheme;

(f) where there is or is likely to be a negative impact on the scheme's ongoing ability to provide the pension benefits, details of any proposed actions to address this.

Powers of the Regulator

21.—(1) A direction issued by the Regulator under section 74(2)(a) of the 2021 Act (powers of the Pensions Regulator) must set out the matters that the Regulator has considered in determining to issue the direction.

(2) A direction issued by the Regulator under section 74(2)(b) of the 2021 Act must set out the following—

(a) the relevant matters that the Regulator has considered in determining to issue the direction;

(b) a timetable for implementing any steps or actions specified by the Regulator.