

2002 No. 1383

PENSIONS

**The Occupational and Personal Pension Schemes
(Disclosure of Information) Amendment Regulations 2002**

Made - - - - - *15th May 2002*

Laid before Parliament *20th May 2002*

Coming into force - - *6th April 2003*

The Secretary of State for Work and Pensions, in exercise of the powers conferred by sections 113, 181(1), 182(2) and (3) and 183(1) of the Pension Schemes Act 1993(a), and of all other powers enabling him in that behalf, after consultation with such persons as he considers appropriate(b), hereby makes the following Regulations:

Citation, commencement and interpretation

1.—(1) These Regulations may be cited as the Occupational and Personal Pension Schemes (Disclosure of Information) Amendment Regulations 2002 and shall come into force on 6th April 2003.

(2) In these Regulations—

“the 1987 Regulations” means the Personal Pension Schemes (Disclosure of Information) Regulations 1987(c);

“the 1996 Regulations” means the Occupational Pension Schemes (Disclosure of Information) Regulations 1996(d); and

“the 2000 Regulations” means the Stakeholder Pension Schemes Regulations 2000(e).

Amendment of the 1987 Regulations

2.—(1) The 1987 Regulations shall be amended in accordance with the following paragraphs of this regulation.

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- (a) 1993 c. 48; section 113(4) was amended by section 1(2)(a) of the Employment Rights (Dispute Resolution) Act 1998 (c. 8) and section 113(1)(ca) and (3A) was inserted by section 52 of the Child Support, Pensions and Social Security Act 2000 (c. 19); section 181(1) is cited for the definitions of “prescribed” and “regulations”; section 183(1) was amended by paragraph 79 of Schedule 5, paragraph 15(a) of Schedule 6 and Parts III and IV of Schedule 7 to the Pensions Act 1995 (c. 26).
 - (b) See section 185(1) of the Pension Schemes Act 1993, as amended by paragraph 46 of Schedule 3, paragraph 80(a) of Schedule 5 and Part I of Schedule 7 to the Pensions Act 1995.
 - (c) S.I. 1987/1110 as amended by S.I. 1988/474, 1992/1531, 1993/519, 1994/1062, 1995/35, 1996/776 and 1435, 1997/786, 2000/1403, 2691 and 2692 and 2001/3649.
 - (d) S.I. 1996/1655 as amended by section 1(2)(a) of the Employment Rights (Dispute Resolution) Act 1998 and by S.I. 1997/786 and 3038, 1999/3198, 2000/1403, 2691 and 3198 and 2002/459.
 - (e) S.I. 2000/1403 as amended by S.I. 2001/104, 934 and 3649.

- (2) In regulation 1(2) (interpretation)—
- (a) after the definition of “beneficiary” there shall be inserted the following definition—
“‘contracted-out employment’ shall be construed in accordance with section 8 of the Act(a);”;
 - (b) after the definition of “excluded person” there shall be inserted the following definition—
“‘illustration date’ means, in relation to any information provided, or to be provided, under paragraph 2A(1) of Schedule 2, the date specified by the trustees as the date by reference to which amounts are calculated for the purpose of providing the information;”;
 - (c) after the definition of “member” there shall be inserted the following definitions—
“‘non-contributing member’ means a member in respect of whom no further contributions to the scheme are due or expected after the illustration date;
‘pension credit’ means a credit under section 29(1)(b) of the Welfare Reform and Pensions Act 1999(b);” and
 - (d) after the definition of “pensionable age” there shall be inserted the following definitions—
“‘the relevant guidance’ means the document entitled “Technical Memorandum TM1: Statutory Money Purchase Illustrations” which—
 - (a) is published, and from time to time revised, by the Faculty of Actuaries and the Institute of Actuaries(c); and
 - (b) is for the time being approved by the Secretary of State;
‘retirement date’ means, in relation to a member—
 - (a) the date which he has specified to the trustees, and which is acceptable under the rules of the scheme, for the purpose of paragraph 2A(1) of Schedule 2; or
 - (b) where no acceptable date has been specified for that purpose, the date specified by the trustees as being the appropriate date for the purpose of paragraph 2A(1);”.
- (3) In regulation 5 (information to be made available to individuals)—
- (a) in paragraph (2)(d) after the words “Schedule 2” there shall be inserted the words “and, subject to paragraph (2A) below, the information mentioned in paragraph 2A of that Schedule”;
 - (b) after paragraph (2) there shall be inserted the following paragraphs—
“(2A) The requirement under paragraph (2) above to furnish the information mentioned in paragraph 2A of Schedule 2 shall not apply—
 - (a) in respect of a person who is in receipt of pension benefits under the scheme; or
 - (b) where the specified date referred to in paragraph 2(a) of Schedule 2 is not more than 2 years before the date which is the member’s retirement date for the purpose of paragraph 2A of Schedule 2; or
 - (c) where, in relation to the member—
 - (i) the value, determined by reference to the relevant guidance, of his accrued rights to money purchase benefits under the scheme was less than £5,000 on the illustration date in respect of which such information was last furnished to him;
 - (ii) no contributions, including transfers of pension rights or pension credits, have been made to the scheme by him or on his behalf in respect of money purchase benefits since that date; and

(a) Section 8 was amended by section 136(2) of, paragraphs 21(a) and 23 of Schedule 5 to, and Part III of Schedule 7 to, the Pensions Act 1995, by paragraph 126 of Schedule 7 to the Social Security Act 1998 (c. 14) and by paragraph 34 of Schedule 1 to the Social Security Contributions (Transfer of Functions, etc.) Act 1999 (c. 2).

(b) 1999 c.30.

(c) The Faculty of Actuaries is at Maclaurin House, 18 Dublin Street, Edinburgh EH1 3PP. The Institute of Actuaries is at Staple Inn Hall, High Holborn, London WC1V 7QJ.

(d) Regulation 5(2) was amended by regulation 20(a) of S.I. 1992/1531 and by regulation 3(1) and (2) of S.I. 1996/1435.

- (iii) the trustees previously gave notice to the member that no further such information would be furnished to him unless further contributions to the scheme in respect of money purchase benefits had first been made by him or on his behalf; or
- (d) where, in relation to the member—
 - (i) the value, determined by reference to the relevant guidance, of his accrued rights to money purchase benefits under the scheme is less than £5,000 on the first illustration date falling after 5th April 2003;
 - (ii) no contributions, including transfers of pension rights or pension credits, have been made to the scheme by him or on his behalf after 5th April 2003; and
 - (iii) no further contributions are, in the opinion of the trustees, likely to be made to the scheme by him or on his behalf after that illustration date; or
- (e) where the specified date referred to in paragraph 2(a) of Schedule 2 is before 6th April 2003.

(2B) Where paragraph (2A) applies but the trustees of the scheme nevertheless choose to furnish the information described in paragraph 2A(1) of Schedule 2 and the amount comprising that information is calculated in accordance with sub-paragraphs (2) to (5) of that paragraph, then that information shall be accompanied by the additional information specified in sub-paragraph (6)(a) and (c) to (k) of that paragraph as if the information had been provided under sub-paragraph (1) of that paragraph.”.

(4) In Schedule 2 (information to be made available to individuals), after paragraph 2 there shall be inserted the following paragraph—

“2A.—(1) The information to be provided under this sub-paragraph is an illustration of the amount, calculated in accordance with sub-paragraphs (2) to (5), of the pension an entitlement to which would be likely to accrue to the member, or be capable of being secured by him, at his retirement date in respect of rights that may arise under the scheme.

(2) The amount referred to in sub-paragraph (1) above shall be determined by reference to—

- (a) the relevant guidance; and
- (b) the assumptions about contributions specified in sub-paragraph (3) and about annuities specified in sub-paragraphs (4) and (5), and such other assumptions as may be specified for the purpose in the relevant guidance,

having regard to the value of the member’s accrued rights to money purchase benefits under the scheme on the illustration date.

(3) The assumptions about contributions referred to in sub-paragraph (2)(b) above are—

- (a) where the calculation relates to the rights of a non-contributing member, that no contributions will be made to the scheme by him or on his behalf after the illustration date; and
- (b) in any other case, that, until the member’s retirement date—
 - (i) contributions to the scheme will be made by him or on his behalf;
 - (ii) the treatment of the scheme under sections 639 to 646A of the Income and Corporation Taxes Act 1988(a) as for the time being in force will continue; and
 - (iii) where a member is in contracted-out employment, sums will continue to be paid by the Commissioners of Inland Revenue in respect of him under section 43 of the Act (payment of minimum contributions to personal pension schemes)(b) in the amounts to be determined by reference to the relevant guidance.

(a) 1988 c. 1; Section 646A was inserted by paragraph 8 of Schedule 7 to the Finance Act 1989 (c. 26).

(b) Section 43 was amended by paragraph 42 of Schedule 5 to the Pensions Act 1995 and by paragraph 47 of Schedule 1 to the Social Security Contributions (Transfer of Functions, etc.) Act 1999.

- (4) The assumptions about annuities referred to in sub-paragraph (2)(b) above are—
 - (a) that the rate of pension is to be increased annually by the relevant percentage for the time being specified in the relevant guidance; and
 - (b) that, subject to sub-paragraph (5) below, irrespective of whether or not the member is married at the time when the information referred to in sub-paragraph (1) above is furnished, the annuity will include provision for the payment, to a surviving spouse of the member, of a pension of an amount equal to one half of the pension which was payable to him immediately before his death.
- (5) Sub-paragraph (4)(b) above does not apply where—
 - (a) the trustees decide to use a different assumption in substitution for that specified in sub-paragraph (4)(b) on the basis that the scheme records indicate that the member is not married; or
 - (b) the trustees and the member agree to use a different assumption.
- (6) The additional information which is to accompany the information provided under sub-paragraph (1) above is—
 - (a) a statement to the effect that the information provided under that sub-paragraph is provided only for the purposes of illustration, that it does not represent any promise or guarantee as to the amount of benefit which may be receivable by the member or a beneficiary under the scheme, and that it should not be regarded as the only consideration by reference to which the member should make decisions as to his pension arrangements;
 - (b) a statement to the effect that the provision of the information mentioned in that sub-paragraph is required by law;
 - (c) a statement specifying the means by which the person to whom the information relates may obtain from the trustees further information about the information provided under sub-paragraph (1) above;
 - (d) a statement to the effect that the information has been prepared by reference to the assumptions required by this paragraph or specified in the relevant guidance;
 - (e) a statement to the effect that certain general assumptions have been made about the nature of the investments made for the purposes of that person's money purchase benefits and their likely performance, which may not correspond with the investments actually made for those purposes, or their actual performance;
 - (f) a statement to the effect that the amount referred to in sub-paragraph (1) above is expressed in today's prices;
 - (g) a statement to the effect that the actual amount of any pension payable to that person or beneficiary under the scheme will depend on considerations, including the actual performance of investments and the cost of buying an annuity at the time the pension becomes payable, which may be different from the assumptions made for the purpose of providing the information under sub-paragraph (1) above;
 - (h) a statement specifying any assumptions made in relation to future contributions to the scheme;
 - (i) a statement of the assumptions made in accordance with sub-paragraphs (3)(b)(iii) and (4) above, or as mentioned in sub-paragraph (5) above;
 - (j) a statement of the member's retirement date for the purpose of sub-paragraph (1) above; and
 - (k) a statement of the illustration date used for the purpose of calculating the amount referred to in sub-paragraph (1) above."

Amendment of the 1996 Regulations

3.—(1) The 1996 Regulations shall be amended in accordance with the following paragraphs of this regulation.

- (2) In regulation 1(2) (interpretation)—
 - (a) after the definition of "beneficiary" there shall be inserted the following definition—
 - “‘contracted-out employment’ shall be construed in accordance with section 8 of the 1993 Act;”;

- (b) after the definition of “funded” there shall be inserted the following definition—
 - “‘illustration date’ means, in relation to any information provided, or to be provided, under paragraph 6ZA(1) of Schedule 2, the date specified by the trustees as the date by reference to which amounts are calculated for the purpose of providing the information;”;
 - (c) after the definition of “relevant employment” there shall be inserted the following definition—
 - “‘the relevant guidance’ means the document entitled “Technical Memorandum TM1: Statutory Money Purchase Illustrations” which—
 - (a) is published, and from time to time revised, by the Faculty of Actuaries and the Institute of Actuaries; and
 - (b) is for the time being approved by the Secretary of State;”;
 - (d) after the definition of “request” there shall be inserted the following definition—
 - “‘retirement date’ means, in relation to a member—
 - (a) the date which he has specified to the trustees, and which is acceptable under the rules of the scheme, for the purpose of paragraph 6ZA(1) of Schedule 2; or
 - (b) where no acceptable date has been specified for that purpose, the date specified by the trustees as being the appropriate date for the purpose of paragraph 6ZA(1);”.
- (3) In regulation 5 (information to be made available to individuals)—
- (a) in paragraph (5)(a)—
 - (i) after the words “regulation 2” there shall be inserted the words “and paragraph (5ZA) below”; and
 - (ii) for the words “paragraphs 5, 6 and 6AA” there shall be substituted the words “paragraphs 5 to 6AA”;
 - (b) after paragraph (5) there shall be inserted the following paragraphs—
 - “(5ZA) The requirement under paragraph (5) above to furnish the information mentioned in paragraph 6ZA of Schedule 2 shall not apply—
 - (a) in respect of a person who is in receipt of pension benefits under the scheme; or
 - (b) where the specified date referred to in paragraph 6(a)(ii) of Schedule 2 is not more than 2 years before the date which is the member’s retirement date for the purpose of paragraph 6ZA of Schedule 2; or
 - (c) where, in relation to the member—
 - (i) the value, determined by reference to the relevant guidance, of his accrued rights to money purchase benefits under the scheme was less than £5,000 on the illustration date in respect of which such information was last furnished to him;
 - (ii) no contributions, including transfers of pension rights or pension credits, have been made to the scheme by him or on his behalf in respect of money purchase benefits since that date; and
 - (iii) the trustees previously gave notice to the member that no further such information would be furnished to him unless further contributions to the scheme in respect of money purchase benefits had first been made by him or on his behalf; or
 - (d) where, in relation to the member—
 - (i) the value, determined by reference to the relevant guidance, of his accrued rights to money purchase benefits under the scheme is less than £5,000 on the first illustration date falling after 5th April 2003;
 - (ii) no contributions, including transfers of pension rights or pension credits, have been made to the scheme by him or on his behalf after 5th April 2003; and

(a) Regulation 5(5) was amended by regulation 5(1) and (2) of S.I. 1999/3198, by regulation 28(1) and (4)(a) of S.I. 2000/1403 and by regulation 5(1) and (3)(b) of S.I. 2000/2691.

- (iii) no further contributions are, in the opinion of the trustees, likely to be made to the scheme by him or on his behalf after that illustration date; or
- (e) where—
 - (i) the member's benefit is calculated by reference to the greater of the result of a money purchase and a defined benefit formula; and
 - (ii) in the opinion of the trustees, the benefit calculated in accordance with a money purchase formula is not likely to affect the pension payable; or
- (f) where the specified date referred to in paragraph 6(a)(ii) of Schedule 2 is before 6th April 2003.

(5ZB) For the purposes of paragraph (5ZA) a scheme which provides additional money purchase benefits by virtue of the payment by the member of voluntary contributions shall be regarded as a separate scheme from any other part of that scheme.

(5ZC) Where paragraph (5ZA) applies but the trustees of the scheme nevertheless choose to furnish the information described in paragraph 6ZA(1) of Schedule 2 and the amount comprising that information is calculated in accordance with sub-paragraphs (2) to (5) of that paragraph, then that information shall be accompanied by the additional information specified in sub-paragraph (6)(a) and (c) to (k) of that paragraph as if the information had been provided under sub-paragraph (1) of that paragraph.”.

(4) In Schedule 2 (information to be made available to individuals), after paragraph 6 there shall be inserted the following paragraph—

“6ZA.—(1) The information to be provided under this sub-paragraph is an illustration of the amount, calculated in accordance with sub-paragraphs (2) to (5), of the pension an entitlement to which would be likely to accrue to the member, or be capable of being secured by him, at his retirement date in respect of rights to money purchase benefits that may arise under the scheme.

(2) The amount referred to in sub-paragraph (1) above shall be determined by reference to—

- (a) the relevant guidance; and
- (b) the assumptions about contributions specified in sub-paragraph (3) and about annuities specified in sub-paragraphs (4) and (5), and such other assumptions as may be specified for the purpose in the relevant guidance,

having regard to the value of the member's accrued rights to money purchase benefits under the scheme on the illustration date.

(3) The assumptions about contributions referred to in sub-paragraph (2)(b) above are—

- (a) where the calculation relates to the rights of a deferred member, that no contributions will be made to the scheme by him or on his behalf after the illustration date; or
- (b) where the calculation relates to the rights of a member who is in pensionable service under the scheme, that, until the member's retirement date—
 - (i) contributions to the scheme will be made by him or on his behalf;
 - (ii) the treatment of the scheme under sections 592 to 594 or, as the case may be, 639 to 646A of the Income and Corporation Taxes Act 1988 as for the time being in force will continue; and
 - (iii) where a member is in contracted-out employment, sums will continue to be paid by the Commissioners of Inland Revenue in respect of him under section 42A(3) of the 1993 Act (rebates)(a) in the amounts to be determined by reference to the relevant guidance.

(a) Section 42A was inserted by section 137(5) of the Pensions Act 1995. Subsection (3) of section 42A was amended by paragraph 46(1) and (2) of Schedule 1 to the Social Security Contributions (Transfer of Functions, etc.) Act 1999.

- (4) The assumptions about annuities referred to in sub-paragraph (2)(b) above are—
 - (a) that the rate of pension is to be increased annually by the relevant percentage for the time being specified in the relevant guidance; and
 - (b) that, subject to sub-paragraph (5) below, irrespective of whether or not the member is married at the time when the information referred to in sub-paragraph (1) above is furnished, the annuity will include provision for the payment, to a surviving spouse of the member, of a pension of an amount equal to one half of the pension which was payable to him immediately before his death.
- (5) Sub-paragraph (4)(b) above does not apply where—
 - (a) the trustees decide to use a different assumption in substitution for that specified in sub-paragraph (4)(b) on the basis that the scheme records indicate that the member is not married; or
 - (b) the trustees and the member agree to use a different assumption.
- (6) The additional information which is to accompany the information provided under sub-paragraph (1) above is—
 - (a) a statement to the effect that the information provided under that sub-paragraph is provided only for the purposes of illustration, that it does not represent any promise or guarantee as to the amount of benefit which may be receivable by the member or a beneficiary under the scheme, and that it should not be regarded as the only consideration by reference to which the member should make decisions as to his pension arrangements;
 - (b) a statement to the effect that the provision of the information mentioned in that sub-paragraph is required by law;
 - (c) a statement specifying the means by which the person to whom the information relates may obtain from the trustees further information about the information provided under sub-paragraph (1) above;
 - (d) a statement to the effect that the information has been prepared by reference to the assumptions required by this paragraph or specified in the relevant guidance;
 - (e) a statement to the effect that certain general assumptions have been made about the nature of the investments made for the purposes of that person's money purchase benefits and their likely performance, which may not correspond with the investments actually made for those purposes, or their actual performance;
 - (f) a statement to the effect that the amount referred to in sub-paragraph (1) above is expressed in today's prices;
 - (g) a statement to the effect that the actual amount of any pension payable to that person or beneficiary under the scheme will depend on considerations, including the actual performance of investments and the cost of buying an annuity at the time the pension becomes payable, which may be different from the assumptions made for the purpose of providing the information under sub-paragraph (1) above;
 - (h) a statement specifying any assumptions made in relation to future contributions to the scheme;
 - (i) a statement of the assumptions made in accordance with sub-paragraphs (3)(b)(iii) and (4) above, or as mentioned in sub-paragraph (5) above;
 - (j) a statement of the member's retirement date for the purpose of sub-paragraph (1) above; and
 - (k) a statement of the illustration date used for the purpose of calculating the amount referred to in sub-paragraph (1) above."

Amendment of the 2000 Regulations

- 4.—(1) In regulation 1(3) (interpretation) of the 2000 Regulations—
 - (a) after the definition of "beneficiary" there shall be inserted the following definition—
 - “‘contracted-out employment’ shall be construed in accordance with section 8 of the 1993 Act;”;

- (b) after the definition of “dilution levy” there shall be inserted the following definition—
 “‘illustration date’ means, in relation to any information provided, or to be provided, under regulation 18(5B), the date specified by the trustees or manager as the date by reference to which amounts are calculated for the purpose of providing the information;”;
- (c) after the definition of “minimum payments” there shall be inserted the following definition—
 “‘non-contributing member’ means—
 (a) in relation to an occupational pension scheme, a member who is neither in pensionable service under the scheme nor entitled to the present payment of benefits under the scheme;
 (b) in relation to a personal pension scheme, a member in respect of whom no further contributions to the scheme are due or expected after the illustration date;”;
- (d) after the definition of “qualifying scheme” there shall be inserted the following definition—
 “‘the relevant guidance’ means the document entitled “Technical Memorandum TM1: Statutory Money Purchase Illustrations” which—
 (a) is published, and from time to time revised, by the Faculty of Actuaries and the Institute of Actuaries; and
 (b) is for the time being approved by the Secretary of State;”;
- (e) after the definition of “reporting accountant” there shall be inserted the following definition—
 “‘retirement date’ means, in relation to a member—
 (a) the date which he has specified to the trustees or manager, and which is acceptable under the rules of the scheme, for the purpose of regulation 18(5B); or
 (b) where no acceptable date has been specified for that purpose, the date specified by the trustees or manager as being the appropriate date for the purpose of regulation 18(5B);”.
- (2) Regulation 18 of the 2000 Regulations (disclosure of information to members) shall be amended in accordance with the following paragraphs of this regulation.
- (3) After paragraph (2) there shall be inserted the following paragraphs—
 “(2A) Subject to paragraph (2B), a statement provided under paragraph (2) shall contain also the information mentioned in paragraph (5B).
 (2B) The requirement under paragraph (2A) above to furnish the information mentioned in paragraph (5B) shall not apply—
 (a) in respect of a person who is in receipt of pension benefits under the scheme; or
 (b) where the last day of the statement year referred to in paragraph (5)(b)(i) below is not more than 2 years before the date which is the member’s retirement date for the purpose of paragraph (5B); or
 (c) where, in relation to the member—
 (i) the value, determined by reference to the relevant guidance, of his accrued rights to money purchase benefits under the scheme was less than £5,000 on the illustration date in respect of which such information was last furnished to him;
 (ii) no contributions, including transfers of pension rights or pension credits, have been made to the scheme by him or on his behalf in respect of money purchase benefits since that date; and
 (iii) the trustees or manager previously gave notice to the member that no further such information would be furnished to him unless further contributions to the scheme in respect of money purchase benefits had first been made by him or on his behalf; or
 (d) where, in relation to the member—
 (i) the value, determined by reference to the relevant guidance, of his accrued rights to money purchase benefits under the scheme is less than £5,000 on the first illustration date falling after 5th April 2003;

- (ii) no contributions, including transfers of pension rights or pension credits, have been made to the scheme by him or on his behalf after 5th April 2003; and
 - (iii) no further contributions are, in the opinion of the trustees or manager, likely to be made to the scheme by him or on his behalf after that illustration date; or
- (e) where the last day of the statement year referred to in paragraph (5)(b)(i) below is before 6th April 2003.

(2C) Where paragraph (2B) applies but the trustees or manager of the scheme nevertheless choose to furnish the information described in paragraph (5B) and the amount comprising that information is calculated in accordance with paragraphs (5C) to (5F), then that information shall be accompanied by the additional information specified in paragraph (5G)(a) and (c) to (k) as if the information had been provided under paragraph (5B).”.

(4) After paragraph (5A) there shall be inserted the following paragraphs—

“(5B) The information referred to in paragraph (2A) is an illustration of the amount, calculated in accordance with paragraphs (5C) to (5F), of the pension an entitlement to which would be likely to accrue to the member, or be capable of being secured by him, at his retirement date in respect of rights that may arise under the scheme.

(5C) The amount referred to in paragraph (5B) above shall be determined by reference to—

- (a) the relevant guidance; and
- (b) the assumptions about contributions specified in paragraph (5D) and about annuities specified in paragraphs (5E) and (5F), and such other assumptions as may be specified for the purpose in the relevant guidance,

having regard to the value of the member’s accrued rights to money purchase benefits under the scheme on the illustration date.

(5D) The assumptions about contributions referred to in paragraph (5C)(b) above are—

- (a) where the calculation relates to the rights of a non-contributing member, that no contributions will be made to the scheme by him or on his behalf after the illustration date; and
- (b) in any other case, that, until the member’s retirement date—
 - (i) contributions to the scheme will be made by him or on his behalf;
 - (ii) the treatment of the scheme under sections 639 to 646A of the Income and Corporation Taxes Act 1988 as for the time being in force will continue; and
 - (iii) where a member is in contracted-out employment, sums will continue to be paid by the Commissioners of Inland Revenue in respect of him under section 42A(3) (rebates) or, as the case may be, section 43 of the 1993 Act (payment of minimum contributions to personal pension schemes) in the amounts to be determined by reference to the relevant guidance.

(5E) The assumptions about annuities referred to in paragraph (5C)(b) above are—

- (a) that the rate of pension is to be increased annually by the relevant percentage for the time being specified in the relevant guidance; and
- (b) that, subject to paragraph (5F) below, irrespective of whether or not the member is married at the time when the information referred to in paragraph (5B) above is furnished, the annuity will include provision for the payment, to a surviving spouse of the member, of a pension of an amount equal to one half of the pension which was payable to him immediately before his death.

(5F) Paragraph (5E)(b) above does not apply where—

- (a) the trustees or manager decide to use a different assumption in substitution for that specified in paragraph (5E)(b) on the basis that the scheme records indicate that the member is not married; or
- (b) the trustees or manager, and the member agree to use a different assumption.

(5G) The additional information which is to accompany the information provided under paragraph (5B) above is—

- (a) a statement to the effect that the information provided under that paragraph is provided only for the purposes of illustration, that it does not represent any promise or guarantee as to the amount of benefit which may be receivable by the member or a beneficiary under the scheme, and that it should not be regarded as the only consideration by reference to which the member should make decisions as to his pension arrangements;
- (b) a statement to the effect that the provision of the information mentioned in that paragraph is required by law;
- (c) a statement specifying the means by which the person to whom the information relates may obtain from the trustees or manager further information about the information provided under paragraph (5B) above;
- (d) a statement to the effect that the information has been prepared by reference to the assumptions required by paragraph (5C) or specified in the relevant guidance;
- (e) a statement to the effect that certain general assumptions have been made about the nature of the investments made for the purposes of that person's money purchase benefits and their likely performance, which may not correspond with the investments actually made for those purposes, or their actual performance;
- (f) a statement to the effect that the amount referred to in paragraph (5B) above is expressed in today's prices;
- (g) a statement to the effect that the actual amount of any pension payable to that person or beneficiary under the scheme will depend on considerations, including the actual performance of investments and the cost of buying an annuity at the time the pension becomes payable, which may be different from the assumptions made for the purpose of providing the information under paragraph (5B) above;
- (h) a statement specifying any assumptions made in relation to future contributions to the scheme;
- (i) a statement of the assumptions made in accordance with paragraphs (5D)(b)(iii) and (5E) above, or as mentioned in paragraph (5F) above;
- (j) a statement of the member's retirement date for the purpose of paragraph (5B) above; and
- (k) a statement of the illustration date used for the purpose of calculating the amount referred to in paragraph (5B) above."

Signed by authority of the Secretary of State for Work and Pensions.

15th May 2002

P. Hollis
Parliamentary Under-Secretary of State,
Department for Work and Pensions

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Personal Pension Schemes (Disclosure of Information) Regulations 1987 (“the 1987 Regulations”), the Occupational Pension Schemes (Disclosure of Information) Regulations 1996 (“the 1996 Regulations”) and the Stakeholder Pension Schemes Regulations 2000 (“the 2000 Regulations”) following the amendment of section 113 of the Pension Schemes Act 1993 by section 52 of the Child Support, Pensions and Social Security Act 2000.

The effect of these amendments is that the information which has to be sent to members of schemes with money purchase benefits must include an illustration of the amount of future pension that might become payable under the scheme. The amount is to be determined by reference to guidance.

Regulation 1 provides for citation, commencement and interpretation.

Regulation 2 amends the 1987 Regulations. Paragraph (1) of regulation 2 introduces the changes made by that regulation.

Paragraph (2) of regulation 2 amends the interpretation provision of the 1987 Regulations, adding new definitions of “contracted-out employment”, “illustration date”, “non-contributing member”, “pension credit”, “the relevant guidance” and “retirement date”. The relevant guidance means the document entitled “Technical Memorandum TM1: Statutory Money Purchase Illustrations” which is prepared by the Faculty of Actuaries and the Institute of Actuaries. Copies may be obtained from the Faculty and Institute of Actuaries’ website on www.actuaries.org.uk or by writing to the Institute of Actuaries, Staple Inn Hall, High Holborn, London WC1V 7QJ.

Paragraph (3)(a) of regulation 2 amends paragraph (2) of regulation 5 and provides for the requirement to furnish the information mentioned in new paragraph 2A of Schedule 2. Paragraph (3)(b) of regulation 2 inserts new paragraphs (2A) and (2B) into regulation 5. Paragraph (2A) sets out the circumstances where the requirement to furnish the information does not apply. Paragraph (2B) covers the situation where the trustees choose to furnish the information voluntarily.

Paragraph (4) of regulation 2 inserts new paragraph 2A into Schedule 2 to the 1987 Regulations. Under sub-paragraph (1) the information to be sent to the member is an illustration of the amount of the pension an entitlement to which would be likely to accrue to him, or be capable of being secured by him, at his retirement in respect of rights that may arise under the scheme. Sub-paragraph (2) describes how the amount is to be determined, with particular reference to the assumptions about contributions in sub-paragraph (3) and about annuities in sub-paragraphs (4) and (5). Sub-paragraph (6) lists the additional information which is to accompany the illustration.

Regulation 3 introduces similar requirements in relation to occupational pensions by means of amendments to regulations 1(2) and 5 of, and Schedule 2 to, the 1996 Regulations.

Regulation 4 introduces similar requirements in relation to stakeholder pensions by means of amendments to regulations 1(3) and 18 of the 2000 Regulations.

An assessment of the cost to business of complying with these Regulations has been made, copies of which have been placed in the libraries of both Houses of Parliament. Further copies may be obtained from the Department for Work and Pensions, Regulatory Impact Unit, 3rd Floor, The Adelphi, 1-11 John Adam Street, London WC2N 6HT.

2002 No. 1383

PENSIONS

**The Occupational and Personal Pension Schemes
(Disclosure of Information) Amendment Regulations 2002**

£2.50

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Printed and published in the UK by The Stationery Office Limited
under the authority and superintendence of Carol Tullo, Controller of
Her Majesty's Stationery Office and Queen's Printer of Acts of Parliament.
E0793 5/2002 120793 19585

ISBN 0-11-039976-5



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