
STATUTORY INSTRUMENTS

2008 No. 1050

The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008

Substitution of regulations 7 and 8 of the principal Regulations

4. For regulations 7 and 8 of the principal Regulations⁽¹⁾, substitute—

“Manner of calculation and verification of cash equivalents - general provisions

7.—(1) Subject to paragraphs (4) and (7), cash equivalents are to be calculated and verified—

- (a) by calculating the initial cash equivalent—
 - (i) for salary related benefits, in accordance with regulations 7A and 7B; or
 - (ii) for money purchase benefits, in accordance with regulation 7C, and then making any reductions in accordance with regulation 7D; or
- (b) in accordance with regulation 7E.

(2) The trustees must decide whether to calculate and verify the cash equivalent in accordance with paragraph (1)(a) or (b), but they can only choose paragraph (1)(b) if they have had regard to any requirement for consent to paying a cash equivalent which is higher than the amount calculated and verified in accordance with paragraph (1)(a).

(3) The trustees are responsible for the calculation and verification of cash equivalents and initial cash equivalents.

(4) Where a member, in relation to whom a cash equivalent is to be calculated and verified, is a member of a scheme modified by—

- (a) the British Coal Staff Superannuation Scheme (Modification) Regulations 1994⁽²⁾; or
- (b) the Mineworkers’ Pension Scheme (Modification) Regulations 1994⁽³⁾,

the cash equivalent of his bonus is to be calculated and verified by the trustees, having obtained the advice of the actuary, to reflect the fact that a reduced bonus, or no bonus, may become payable in accordance with the provisions governing the scheme in question.

(5) For the purposes of paragraph (4) “bonus” means any—

- (a) augmentation of his benefits; or
- (b) new, additional or alternative benefits,

which the trustees of the scheme in question have applied to the member’s benefits, or granted to him in accordance with the provisions governing that scheme, on the basis of findings as to that scheme’s funding position.

(1) Regulation 7 was amended by S.I.s [1997/786](#), [2005/3377](#), [2006/34](#) and [2007/60](#). Regulation 8 was amended by S.I.s [2005/706](#) and [3377](#) and [2007/60](#).

(2) [S.I. 1994/2576](#).

(3) [S.I. 1994/2577](#).

(6) Paragraph (7) applies where the cash equivalent is calculated and verified in accordance with paragraph (1)(a).

(7) Where a portion of the cash equivalent relates to a salary related benefit and a portion relates to a money purchase benefit, the initial cash equivalent is to be calculated—

- (a) for the salary related benefit portion, in accordance with regulations 7A and 7B; and
- (b) for the money purchase benefit portion, in accordance with regulation 7C.

Manner of calculation of initial cash equivalents for salary related benefits

7A.—(1) For salary related benefits, the initial cash equivalent is to be calculated—

- (a) on an actuarial basis; and
- (b) in accordance with paragraph (2) and regulation 7B.

(2) The initial cash equivalent is the amount at the guarantee date which is required to make provision within the scheme for a member's accrued benefits, options and discretionary benefits.

(3) For the purposes of paragraph (2), the trustees must determine the extent—

- (a) of any options the member has which would increase the value of his benefits under the scheme;
- (b) of any adjustments they decide to make to reflect the proportion of members likely to exercise those options; and
- (c) to which any discretionary benefits should be taken into account, having regard to any established custom for awarding them and any requirement for consent before they are awarded.

Initial cash equivalents for salary related benefits: assumptions

7B.—(1) The trustees must use the assumptions determined under this regulation in calculating the initial cash equivalent for salary related benefits.

(2) Having taken the advice of the actuary, the trustees must determine the economic, financial and demographic assumptions.

(3) In determining the demographic assumptions, the trustees must have regard to—

- (a) the main characteristics of the members of the scheme; or
- (b) where the members of the scheme do not form a large enough group to allow demographic assumptions to be made, the characteristics of a wider population sharing similar characteristics to the members.

(4) The trustees must have regard to the scheme's investment strategy when deciding what assumptions will be included in calculating the discount rates in respect of the member.

(5) The trustees must determine the assumptions under this regulation with the aim that, taken as a whole, they should lead to the best estimate of the initial cash equivalent.

Manner of calculation of initial cash equivalents for money purchase benefits

7C.—(1) For money purchase benefits, the initial cash equivalent is to be calculated in accordance with this regulation.

(2) The initial cash equivalent is the realisable value of any benefits to which the member is entitled.

- (3) The trustees must calculate that realisable value—
 - (a) in accordance with the scheme rules; and
 - (b) in a manner which is—
 - (i) approved by the trustees; and
 - (ii) consistent with Chapter IV of Part IV of the 1993 Act.
- (4) The realisable value must include any increases to the benefits resulting from a payment of interest made in accordance with the scheme rules.

Reductions to initial cash equivalents

- 7D.**—(1) An initial cash equivalent may, or as the case may be must, be reduced in accordance with Schedule 1A (reductions in initial cash equivalents).
- (2) The trustees may request an insufficiency report from the actuary in accordance with Schedule 1B.
 - (3) The trustees may treat the actuary’s last relevant GN11(4) report as an insufficiency report.

Alternative manner of calculating and verifying cash equivalents

- 7E.**—(1) This regulation applies where the trustees have decided to calculate and verify the cash equivalent in accordance with regulation 7(1)(b).
- (2) The cash equivalent is to be calculated and verified in such manner as may be approved by the trustees.
 - (3) The cash equivalent must be higher than it would be if it was calculated and verified in accordance with regulation 7(1)(a).
 - (4) For the purposes of calculating and verifying the cash equivalent, the trustees may request an insufficiency report from the actuary in accordance with Schedule 1B.
 - (5) The trustees may treat the actuary’s last relevant GN11 report as an insufficiency report.”.

(4) “GN11: Retirement Benefit Schemes – Transfer Values” was adopted by the Board for Actuarial Standards on 6th April 2007. The Board for Actuarial Standards means the operating body of that name of the Financial Reporting Council. The Financial Reporting Council can be contacted at Planning & Resources, 5th floor, Aldwych House, 71 – 91 Aldwych, London WC2B 4HN.