

**July 2005**

**To All Members**

Dear Member

**GN19: Retirement Benefit Schemes – Winding-up and Scheme Asset Deficiency**

**Introduction**

This Guidance Note sets out the way in which the actuary should determine the assets available to each priority liability class when certain occupational pension schemes wind-up and how any debt due from an employer should be determined.

The Government has laid regulations to reflect the revisions to sections 73 and 75 of the Pensions Act 1995 made by the Pensions Act 2004. GN19: Retirement Benefit Schemes – Winding-up and Scheme Asset Deficiency is therefore being amended so that it reflects this change.

Although it was hoped to use this opportunity to carry out a significant overhaul of GN19, the tight timescales involved in issuing these regulations together with some interpretive problems identified by the profession has necessitated a minimal approach sufficient to ensure that the legislative references are appropriately updated. This enables actuaries to continue to determine that the assets available to each priority liability class and the debts due from an employer have been obtained in accordance with GN19, as is required by legislation.

However no guidance can be given on the allocation of assets to priority liabilities since this is specified in the legislation.

**Detail**

The Occupational Pension Schemes (Employer Debt) Regulations 2005 (SI 2005/678) confirms that from 6th April 2005 the debt on the employer will be determined on a full buy-out basis other than on cessation of participation from a multi-employer scheme which will, for the time being, continue to trigger MFR-related debts.

The Occupational Pension Schemes (Winding up etc.) Regulations 2005 (SI 2005/706) set out some requirements relating to those defined benefit schemes that commence winding up from 6th April 2005 and which are therefore subject to the new statutory priority order. They include minor amendments, to ensure consistency with the new priority order, to the way in which cash equivalents, including those in connection with divorce proceedings, can be reduced when schemes are under-funded.

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To coincide with these new requirements the Pensions Board has revised *GN19: Retirement Benefit Schemes – Winding-up and Scheme Asset Deficiency*. As discussed in the May edition of "The Actuary", version 4.6 has been backdated and comes into effect with effect from 6th April 2005 as a technical amendment.

Members are reminded that guidance must be read in conjunction with the relevant legislation and that they must always comply with the Professional Conduct Standards (PCS).

#### **Implications for transfer value reductions**

Trustees may have reduced transfer values in accordance with Regulation 8(4) of the Occupational Pension Scheme (Transfer Values) Regulations 1996 and section 5.2 of GN11 as a result of scheme under-funding. In some such cases, scheme actuaries may feel that the current reductions are no longer appropriate in light of the revised statutory priority order; if so, they should advise the trustees accordingly.

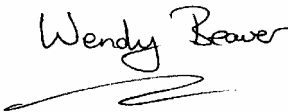
#### **Manual of Actuarial Practice**

Supplements to the Manual of Actuarial Practice are now only being sent to those members who previously requested in writing that this be continued. If therefore you have requested a posted copy of Guidance Notes, the revised version 4.6 of GN19 will be attached to this letter as an A4 document.

GN19 can be found on the profession's website at  
<http://www.actuaries.org.uk/files/pdf/map/Contents.pdf>.

A copy of version 4.6 of GN19 that tracks the changes that have been made since version 4.5 can be found at: [http://www.actuaries.org.uk/link/pensions/pensions\\_gns\\_track.xml](http://www.actuaries.org.uk/link/pensions/pensions_gns_track.xml).

Yours sincerely



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