

**To All Members**

February 2005

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 an occupational pension scheme subject to the MFR requirements winds-up and how any debt due from an employer should be determined.

The Government has laid regulations whose main purpose is to require that more debt on the employer calculations are performed on a full buy-out basis. GN19: Retirement Benefit Schemes – Winding-up and Scheme Asset Deficiency is therefore being amended so that it reflects this change.

Further changes are expected to GN19 in the near future to reflect the revisions to sections 73 and 75 of the Pensions Act 1995 made by the Pensions Act 2004 and consequential regulations that will be laid before Parliament.

**Detail**


The Occupational Pension Schemes (Winding Up, Deficiency on Winding Up and Transfer Values) (Amendment) Regulations 2005 (SI 2005/72) make a number of changes to the calculation of the debt on the employer and associated allocation of assets to priority liabilities on a scheme's winding up. In detail the regulations require:

- Schemes that commence winding up from 15th February 2005 to have the debt on the employer calculation performed on the full buy-out basis, regardless of whether at that point the employer was solvent or insolvent.
- The associated allocation of assets to priority liabilities on a scheme's winding up with an insolvent employer at commencement to have assets apportioned through valuing the liabilities on the full buy-out basis.
- The use of the full buy-out basis if from 15th February 2005 a participating employer in an ongoing multi-employer scheme becomes insolvent.

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# The Actuarial Profession

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Members may observe that the note at the bottom of the actuarial certificate given under Schedule 1 to the Deficiency regulations has been amended by these latest regulations.

To coincide with these new requirements the Pensions Board has revised *GN19: Retirement Benefit Schemes – Winding-up and Scheme Asset Deficiency*. Version 4.5 comes into effect on 15th February 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).

## Future changes to GN19

The Pensions Act 2004 makes significant changes to sections 73 and 75 of the Pensions Act 1995. Sets of regulations covering both sections are expected to be finalised in the near future.

GN19 is accordingly being subject to a major overhaul to address the new requirements.

## 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 source be continued. If therefore you have requested a posted copy of Guidance Notes, the revised version 4.5 of GN19 will be attached to this letter as an A4 document.

GN19 will be found, from its effective date, on the profession's website at:

<http://www.actuaries.org.uk/files/pdf/map/Contents.pdf>.

Before then, it can be found at: [http://www.actuaries.org.uk/link/board\\_area/pensions.html](http://www.actuaries.org.uk/link/board_area/pensions.html).

A copy of version 4.5 of GN19 that tracks the changes that have been made since version 4.4 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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